

# Informant

NEWSLETTER FOR PENSIONERS  
MARCH 2011

## IMPACT OF THE 2011 BUDGET TAX PROPOSALS ON PENSIONERS

Proposed changes were announced in the Budget Speech on 23 February 2011 that emphasise the need for sustainable economic growth and job creation in SA. It also “paves the way” for social security, health care and retirement reform initiatives.

The impact of these announcements on SENTINEL & MEPF pensioners is summarised below.

### INCOME TAX RELIEF FOR INDIVIDUAL TAXPAYERS

The primary rebate is increased from R10 260 to R10 755, the secondary rebate for persons aged 65 and older is increased from R5 675 to R6 012 and a **third rebate of R2 000 is introduced for persons aged 75 and older.**

The tax thresholds for individual taxpayers in 2011/2 are:

- R59 750 for those younger than 65
- R93 150 for those aged 65 and older
- R104 261 for those aged 75 and older

Adjustments to personal income tax brackets and rebates will compensate for the effects of inflation and result in reduced tax liability for taxpayers at all income levels. The following table illustrates the anticipated tax reductions that individual taxpayers can expect:

Annual Taxable Income	Annual tax reduction Younger than 65	Annual tax reduction Aged 65 to 75	Annual tax reduction Aged 75 plus
R90,000	R495	R265	
R100,000	R495	R832	R2,065
R120,000	R495	R832	R2,832
R150,000	R1,195	R1,532	R3,532
R250,000	R1,895	R2,232	R4,232
R400,000	R2,895	R3,232	R5,232
R500,000	R3,615	R3,952	R5,952
R750,000	R4,175	R4,512	R6,512



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## SAVINGS

The annual tax-free interest income threshold will be increased with effect from 1 March 2011 to:

- R22,800 for individuals below 65,
- R33,000 for individuals aged 65 and older and
- R3,700 will remain unchanged for foreign interest earned.

This threshold applies to an individual which means that both spouses qualify for an exemption.

A more consistent treatment of all forms of income from investments, i.e. interest, dividends and capital gains will also be considered in future.

## MEDICAL DEDUCTION

Tax deductions for qualifying out-of-pocket expenses will remain unchanged for now, i.e. persons over 65 and those with qualifying disabilities may claim total expenses paid, while those under 65 may claim expenses paid that exceed 7.5% of their taxable income.

From 1 March 2012, tax deductions for medical expenses will be converted to tax credits as this will provide more equitable tax relief. One way of doing this may be to revert back to the pre-90's medical rebate mechanism. Some pensioners may remember this?

## CAPITAL GAINS TAX EXCLUSIONS

The following increased CGT exclusion amounts will take effect on 1 March 2011:

Exclusion	Previous	Now
Individuals: Annual exclusion	R17,500	R20,000
Individuals: On death	R120,000	R200,000
Individuals: On disposal of business if aged over 55	R750,000	R900,000
Public Benefit Organisations: Annual trading income	R150,000	R200,000
Recreational Clubs: Annual trading income	R100,000	R120,000

## TRANSFER DUTY

Duties payable on properties acquired under agreements concluded on or after 23 February 2011 will reduce. The following revised table will in future apply:

Value	Rate of Tax
R0 to R600,000	Exempt
R600,001 to R1,000,000	3% of the amount exceeding R600,000
R1,000,001 to R1,500,000	R12,000 plus 5% of the amount exceeding R1,000,000
R1,500,001 and above	R37,000 plus 8% of the amount exceeding R1,500,000

## DIVIDENDS TAX

Dividends tax (DT) will replace Secondary Tax on Companies (STC) on 1 April 2012 and will be levied at a rate of 10% on individuals and non-resident shareholders.

## GAMBLING TAX

The “Sin tax” net is no longer limited to tobacco and alcohol only and will, from 1 April 2012, be widened to include gambling winnings above R25,000. A 15% final withholding tax will be levied on these “winnings” and will include the National Lottery. In this instance, 1 April is the start of a new fiscal year and not an April fool's initiative!

## TAX ADMINISTRATION

SARS' efforts have been concentrated on effective and efficient administration for some time now. Not only has the assessment process been enhanced, but access to various databases for relevant information has been obtained. This should not be a concern to compliant taxpayers (who were applauded in Parliament on Budget day) but for those who have been shearing away from their responsibilities, the following extract from official Budget documentation will certainly create some level of nervousness:

*“SARS plans to make greater use of data provided by credit bureaus to build detailed taxpayer profiles and identify non-compliance. SARS is also extending its cooperation with other tax administrators in the areas of information exchange, skills transfer and audit”.*

Taxpayers were reminded of the Voluntary Disclosure Programme which is aimed at encouraging taxpayers to come forward to regularise their tax affairs without the imposition of additional tax, penalties and interest. This programme began in November 2010 and will remain open until 31 October 2011.

## NATIONAL HEALTH INSURANCE

NHI is expected to be phased in over 14 years. The phasing in of a payroll tax (payable by employers), an increase in the VAT rate and a surcharge on individuals' taxable income could be considered as funding options in future.



### We need YOUR cell phone number!

Your Fund is able to communicate with you using SMS technology. If you have a cell phone and you wish to receive short Fund related messages from us, please activate the service by sending a SMS to 34010.

#### Instructions

- SMS the word: OTHER
- followed by: a blank space
- followed by YOUR 13-digit: ID number
- followed by: a comma
- followed by the word: CELL
- followed by: a comma
- followed by YOUR: cell phone number

Send this sms to: 34010

#### EXAMPLE

OTHER 4010010009008,CELL,0821234567

### PENSIONER ROAD SHOW 2011

This event will be hosted around the last two weeks of July 2011 at venues across South Africa. Invitations with details of venues, dates and times will be mailed to pensioners closer to the time of the event. Pensioners, who have registered, will also receive reminders via SMS.

### NOTIFICATION OF CHANGE IN CONTACT DETAILS

PLEASE remember to notify the Fund if your contact details (address, telephone number, etc) change!

A sms message will be sent back to your cell phone once you have activated the service confirming that your details have been successfully updated.



# SARS' NEW TAX RETURN REQUIREMENTS EXPLAINED

SARS has embarked on a project to register all “employees” in the PAYE system as taxpayers. Employers who are registered for PAYE had to provide information of all their employees to SARS, who will in turn register these individuals as taxpayers and advise them of their tax reference number.

As both Sentinel and MEPF are registered PAYE employers, the Funds needed to comply with SARS' instructions and it is anticipated that all pensioners will receive notifications from SARS in due course. Contributory members should receive similar notifications as their employers had to adhere to the same instructions from SARS.

**This does not necessarily mean that you will need to submit an annual tax return.** Your income level will determine whether a return must be submitted. The following guidelines will assist in determining whether you must submit a tax return:

1. If your **TOTAL INCOME IS BELOW R120,000** per year and you receive this from a **SINGLE SOURCE** (i.e. one pension from Sentinel **or** MEPF and you have no other taxable income), you **DO NOT NEED TO SUBMIT A TAX RETURN**. If you fall into this category you may still submit a return voluntarily to claim out-of-pocket medical expenses.
2. If your **TOTAL INCOME EXCEEDS R120,000** per year and you receive this from a **SINGLE SOURCE** (i.e. one pension from Sentinel **or** MEPF and you have no other taxable income), you **MUST SUBMIT A TAX RETURN**.
3. If you receive income from **MORE THAN ONE SOURCE**, even if your **TOTAL INCOME** is below R120,000, you **MUST SUBMIT A TAX RETURN**. Examples of income from more than one source include:
  - More than one pension from Sentinel and/or MEPF
  - One or more pensions from Sentinel and/or MEPF plus interest income above the tax free threshold, rental income, annuity income, etc
  - Any income configuration plus a capital gain

Annual tax assessments will be issued on your combined total income (if applicable) and any tax shortfall will be recovered from you. You may, however, request the Funds to deduct additional tax from one of your pensions to alleviate a possible tax shortfall.

**This topic will be further explained to Pensioners at the Pensioner Information Sessions to be held in July 2011.**