South African Payroll Association

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How do I calculate my tax?

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Minister of Finance, Pravin Gordhan, released updated tax tables on the 22 February as is customary in the budget speech towards the end of each government financial year.

We understand that as company employees we will be paying more tax and therefor taking less money home in our pockets at the end of the month, because the country needs more money to keep things running.

Calculating your tax accurately can be quite a complex job, which is why there are now formal qualifications allowing payroll people to become specialists in this area, at Certificate, Diploma and Degree level. Things like allowances, fringe benefits (i.e. either payments made on your behalf by your employer, or goods), medical aid and retirement funding contributions and various other factors impact the calculation of what is the first item to be determined, being *taxable income*.

Using the Tax Table

You may have seen the updated tax table (below), but how do you translate this into knowing how much tax should be deducted from your earnings?

Taxable income (R)	**Rates of tax (R)**
0 – 189 880	18% of taxable income
189 881 – 296 540	34 178 + 26% of taxable income above 189 880
296 541 – 410 460	61 910 + 31% of taxable income above 296 540
410 461 – 555 600	97 225 + 36% of taxable income above 410 460

555 601 – 708 310	149 475 + 39% of taxable income above 555 600
708 311 – 1 500 000	209 032 + 41% of taxable income above 708 310
1 500 001 and above	533 625 + 45% of taxable income above 1 500 000

The first column on the table represents the Rand value of your anticipated earnings in the tax year, which runs for the period March 2017 to the end of February 2018.

So, if you earn R10 000 taxable income in March, this must be translated into your anticipated annual income, thus: R10 000 x 12 = R120 000 (a). You can expect to have taxable income of R120 000 by the end of February next year.

To calculate the tax on this, refer to the second column on the table, namely Rates of Tax. To see which level of the second column to use in your calculation, refer to the first column, where your anticipated annual earnings fall into the very first category of earnings, i.e. R0 to R189 880. This means that you can use the first level of tax deduction, which is 18% of your taxable income being payable as tax. R120 000 x 18% = R21 600 (b), which should mean that over the year you need to pay R21 600 tax.

Rebates

However, it is not quite this simple, as SARS offers tax rebates (i.e. refunds) every year. There are primary rebates, which apply to everybody, and secondary and tertiary rebates which apply to people who are between 65 years and 75 years old, and to people who are older than 75 respectively.

The rebate table for the 2017 / 2018 tax year looks like this:

Tax Rebate	**2018 Tax Year**
Primary	R13 635
Secondary (65 and older)	R7 479
Tertiary (75 and older)	R2 493

This means that from the initial calculation of R21 600 tax you determined, you can deduct (if you are not yet 65 years old!) R13 635, amounting to a total of R7 965 tax that is due in the year (annual tax payable). To determine how much tax you should pay in March, you simply divide the annual tax payable by the number of months in the year, thus R7 965 / 12 = R663.75 (c).

In this example, we have stated that you are paid monthly, which is why in steps (a) and (c) you multiplied and divided by 12. Some people are paid every week, or perhaps every fortnight. The same calculation would work, but instead of multiplying and dividing by 12, you would multiply and divide by 52 (weeks) or 26 (fortnights).

Please remember that there may be a number of contributors to the calculation of taxable income – before suspecting that your payroll department has not calculated tax correctly for you, please confirm exactly what is calculated into your pay package to determine taxable income.

Photo caption: *Cathie Webb, Director, South African Payroll Association.*

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