

K9: Exercise 2 Tax

- (a) Kirsty (48yrs) is a teacher that works for the GDE. She receives a gross salary of R21 821,75 per month during 2015/2016 tax year. Each month PAYE (current tax system), as well as contributions to the Pension Fund and Medical Fund are subtracted from her salary. The undermentioned table shares her salary advice for June 2015 for the 2015/16 tax year.

Kirsty's salary advice for June 2015

Pay date: 20140630			Notch: B		
Earnings			Deductions		
Item	Description	Amount	Item	Description	Amount
0001	Basic salary	21 021,75	0001	PAYE	2 091,86
0554	Accommodation	900,00	0002	Pension (7,5%)	F
			0005	Medical fund	546,00
			0006	UIF	C
	GROSS SALARY	A		Total deduction	D
				NETT SALARY	E

- (i) What is her GROSS salary per month?(A)
- (ii) If your notch is your basic salary times 12, calculate Karen's notch (B)
- (iii) What percentage of your gross salary must you pay for UIF?
- (iv) What must Karen pay per month for UIF? (C)
- (v) What will her NETT salary per month be, after all deductions have been made? (D&E)
- (vi) Determine the value of F

Answers:

- (i) R21 921,75
- (ii) R263061
- (iii) 1%
- (iv) The ceiling R150 ,00 per month 1% = R218, 22 thus the UIF is only R150

- (b) The tax laws for medical aid contributions changed. Medical aid contributions is no longer deducted from gross salary to determine the taxable income, but it is deducted from the tax itself.

People older than 65 can still deduct the medical contributions from the gross salary before calculating the taxable income.

Medical Tax credits: 2015/2016 year of assessment is as follows:

R257 per month for the taxpayer who paid the medical scheme contributions.

R257 per month for the first dependant on his medical scheme.

R172 per month for each additional dependant(s) on his medical scheme.

Complete the medical aid tax credit table (change every year)

Taxpayer + dependant	Medical Tax Credit	
	Per month	Per year
Taxpayer (1)	257	3 084
Taxpayer+ 1 dependant	514	6 168
Taxpayer + 2 dependants	686	8 232
Taxpayer + 3 dependants	858	10 296

PERSONAL INCOME TAX TABLES: 2015/2016 TAX YEAR

TAXABLE INCOME	TAX PAYABLE
0 – 174 550	18% of the taxable income
174 551 – 272 700	31 419 + 25% of taxable income above 174 550
272 701 – 377 450	55 957 + 30% of taxable income above 272 700
377 451 – 528 000	87 382 + 35% of taxable income above 377 450
528 001 – 673 100	140 074 + 38% of taxable income above 528 000
673 101 AND ABOVE	195 212 + 40% of taxable income above 673 100

Tax discounts

- **Primary discount** **R12 726**
- **Additional discount (for persons 65 and older)** **R 7 110**
- **Additional discount (for persons 75 and older)** **R 2 367**

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- **Persons under 65** **R 70 700**
- **Persons 65 years and older** **R 110 200**
- **75 years and older** **R123 350**

- (c) What is the payable tax if the earnings per year is R523 000? (Accept that the person is younger than 65 years of age and has 3 medical aid dependants.)

Annual income		523 000
Deductions	Pension: 0,075 of 523 000	39225
Taxable income (subtract)		483775
Tax Bracket	$87382 + 0,35(483775 - 377450)$ = 124595,75	
Discount	12 726 Total: 111 869,75	
Medical Tax Credit	8 232	
Total tax for the year	103637,75 / 12	103637,75
PAYE		8636,48

- (d) What is the payable tax for a 75-year-old for the 2015 tax year if his earnings is R45 250 per month? (Medicall aid deductions is R2000 per month)

Annual income	45 250 * 12	543 000
Deductions	Pension: 0,075*543 000 Medical Tax Credit Total:64 725	40 725 2 000*12=24 000
Taxable income	478 275	
Tax Bracket	$87 382 + 0,35(478 275 - 377 450)$ =122 670,75	
Discount	12 726 7 110 2 367 Total: 22 203	-22 203
Total tax for the year		100 467,75
PAYE	100 467,75 / 12	8 372,31

- (e) How much tax would a 80-year old person pay who earns R60 000 per month? He has no medical aid dependants.

Annual income	60 000	720 000
Deductions	Pension: 0,075*720 000 Medical Tax Credit	54 000 3 084
Taxable income (subtract)		662 916
Tax Bracket	$140 074 + 0,38(662 916 - 528 000)$ =191 342,08	
Discount	22 203	
Total tax for the year	169 139,08	
PAYE	169 139,08 / 12	14 094,92

- (f) How much tax would a person younger than 65 pay, whose taxable income is R70 700 per year. He has no medical aid fund. Show all your calculations.

Taxable income		70 700
Tax Bracket	18% of every rand = 12726	
Discount	12726	
Total tax for the year		R0