



FOSTER

WEALTH MANAGEMENT

NEWSLETTER | MARCH 2016

HOW THE NEW BUDGET ALLOCATIONS WILL AFFECT YOU

March 2016 Newsletter

The Minister of Finance, Pravin Gordhan, delivered his budget for the year commencing 01 March 2016 on Wednesday, 24 February 2016.

We were somewhat disappointed that he did not announce any clear and specific new policies to promote growth and that no specific goals were set to deal with overspending and corruption in state-owned enterprises (SOE), such as Eskom and South African Airways.

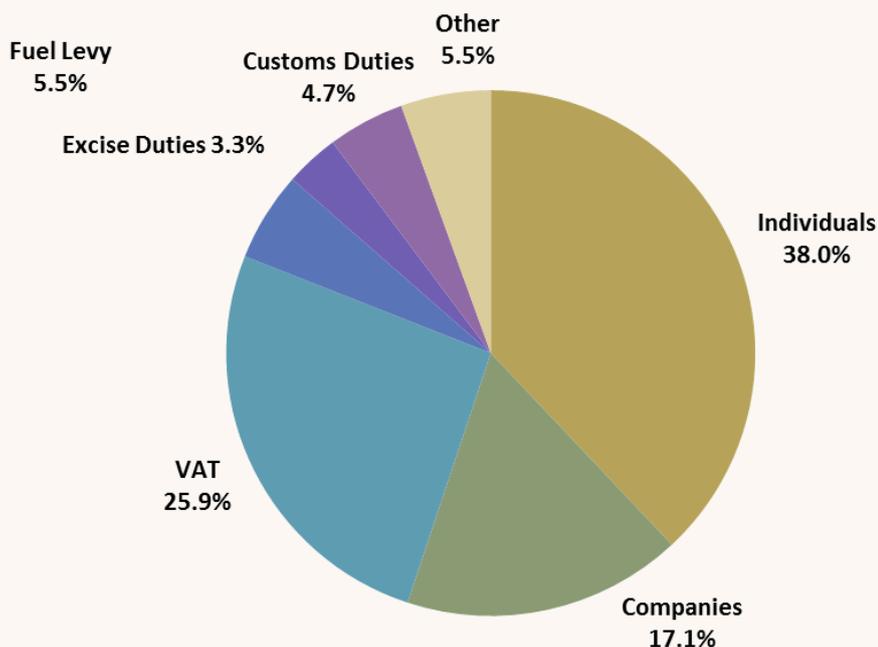
We were however encouraged by references to doing some work in SA Airways, a need to install proper Boards of Directors at SOEs and a mention of the need to encourage proper governance at these institutions.

Consumers will be happy that Income Tax was not increased, but those who pay Capital Gains Tax regularly will have been unhappy to learn that Capital Gains Tax increased.

The petrol levy was increased, a tyre tax introduced and the Minister announced that a sugar tax will commence from next year.

Also encouraging, was a commitment to reduce the budget deficit and to stabilise government debt.

We thought you would like to know the make-up of South Africa's tax revenue as illustrated by the below pie chart:



Perhaps the most interesting point is that, while personal income tax was not increased, it does seem that the budget only did enough to defer the downgrade to junk status temporarily and perhaps did not do enough at all. Large international rating agencies have commented that they are appeased by the budget but concerned at the lack of concrete growth plans.

How will this affect you on a day to day basis? Your cost of living is likely to increase because the budget did enough to stabilise the Rand/Dollar exchange rate but probably not enough to negate its gradual decline against the Dollar.

This is the reason that the asset class and current diversification of our Fund is so important. We are, and have for some time been invested up to the maximum allowable international limit of 25%. As far as the local component of our Fund is concerned, an increasing proportion thereof is invested in companies that do their business internationally and derive their revenue in Dollars or other strong currencies.

The budget has highlighted the importance of investing and equally so the importance of having the maximum portion allowable invested in strong currencies.

For your further information, we have set out the new tax tables for the tax year commencing 01 March 2016.

| Individuals and Special Trusts | |
|--|---|
| Taxable Income (R) | Rate of Tax (R) |
| 0 – 188 000 | 18 % of taxable income |
| 188 001 – 293 600 | 33 840 + 26% of taxable income above 188 000 |
| 293 601 – 406 400 | 61 296 + 31% of taxable income above 293 600 |
| 406 401 – 550 100 | 96 264 + 36% of taxable income above 406 400 |
| 550 101 – 701 300 | 147 996 + 39% of taxable income above 550 100 |
| 701 301 and above | 206 964 + 41% of taxable income above 701 300 |
| Trusts other than special trusts: rate of tax 41% | |
| Tax rebates and tax thresholds | |
| Rebates | |
| Primary | R13 500 |
| Secondary (persons 65 and older) | R7 407 |
| Tertiary (persons 75 and older) | R2 466 |
| Age | |
| Tax Threshold | |
| Below age 65 | R75 000 |
| Age 65 to below 75 | R116 150 |
| Age 75 and over | R129 850 |