

## Tax and Vat Interest Rates

It is important to remember that interest and penalties paid to SARS are not deductible for tax purposes. On the other hand, interest received from SARS is fully taxable (after deducting the current initial exemption of R22 300 per annum (R32 000 if you are 65 or older)) for all interest and foreign dividend income earned by natural persons. Out of the total exemption, foreign interest and foreign dividends are only exempt up to R3 700.

### VAT

Payable to SARS on late payments: 9,5% (was 10,5% from 1 September 2009) per annum from 1 July 2010.

Payable by SARS on VAT refunds after prescribed period: 9,5% (was 10,5% from 1 September 2009) per annum from 1 July 2010.

### Income Tax, Provisional Tax, STC, etc

Payable to SARS on short payments of all such taxes (other than VAT): 9,5% (was 10,5% from 1 September 2009) per annum from 1 July 2010.

Payable by SARS on refunds of tax (where interest is applicable): 5,5% (was 6,5% from 1 September 2009) per annum from 1 July 2010.

If the refund is made after a successful tax appeal, the interest rate is 9,5% (was 10,5% from 1 September 2009) per annum from 1 July 2010.

### Fringe Benefits

Official interest rate for loans to employees below which a deemed fringe benefit arises: 8% (was 8,5%) per annum with effect from 1 September 2009. (See further details in our next circular).

### STC

Official interest rate for loans (designated in Rands) to shareholders below which such loans can be deemed to be dividends on which STC is payable: 8% (was 8,5%) per annum with effect from 1 September 2009. (See further details in our next circular).



### General

The rates of penalties for late payments (where applicable) have been substantially increased with effect from 1 March 2009. You have already received a circular from us with details of all new administrative penalties for non-compliance with the requirements of SARS.

### Interest on Refunds

The following will apply for both income tax and VAT -

- payment to SARS is not suspended due to objection
- the circumstances are to be formalised where payment will be required despite objection
- provision is to be made for interest where a payment is made pending consideration of an objection and is subsequently refunded

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