# Tax - Employee Notes - Free shares / RSUs

## South Africa

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| **When will I be taxed in relation to my plan benefits?** | **Award**: No income tax. No social security.<br><br>**Vesting**: Income tax and social security.<br><br>**Transfer to participant**: No income tax. No social security.<br><br>**Sale by participant**: Capital gains tax on increase in value since vesting. No social security.<br><br>**Note**: the above responses assume, among other things, that the relevant shares will be unrestricted, the time of 'vesting', for tax purposes, coincides with the vesting date, in accordance with the plan rules, and that participants will hold the shares as capital (as opposed to revenue) assets. |
| **What is the maximum rate of income tax payable in relation to my plan benefits?** | 45% (2024/25). Any change in tax rates usually takes effect from 1 March. |
| **Income tax rates** | Tax rates are progressive. The tax rates from 1 March 2024 to 28 February 2025 are:<br>• ZAR1 to 237,100: 18% (of taxable income)<br>• ZAR237,101 to 370,500: 26%<br>• ZAR370,501 to 512,800: 31%<br>• ZAR512,801 to 673,000: 36%<br>• ZAR673,001 to 857,900: 39%<br>• ZAR857,901 to 1,817,000: 41%<br>• ZAR1,817,001 and above: 45%. |
| **Will my employer withhold income tax in relation to my plan benefits?** | Yes |
| **Are my plan benefits subject to social security contributions?** | Yes<br><br>Both employer and employee social security applies.<br><br>Employer must withhold the employee contribution. |
| **Employee social security** | **Employee social security (max rate)**: 1% Unemployment Insurance Fund (UIF).<br><br>**Employee social security (cap)**: capped at ZAR212,544 remuneration per year or ZAR17,712 per month (the cap is unchanged since 1 June 2021).<br><br>**Note**: South Africa does not have a formal social security system but requires contributions to the UIF (employer and employee) and payment of the Skills Development Levy (SDL) (employer only). For the purposes of this table, 'social security' refers to these contributions and payments. |

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| **What is the maximum rate of capital gains tax?** | 18%<br><br>**Capital gains tax**: only 40% of the capital gain (after deducting an exempted amount of ZAR40,000 per year and ZAR300,000 in year of death) is taxed. This amount is included in the individuals' income and taxed at progressive tax rates. As a result, the effective tax rate on capital gains for an individual taxed at the highest marginal rate of 45% is 18% (i.e. 40% x 45%). |
| **What is the maximum tax rate payable on dividends?** | 20% (maximum rate).<br><br>**Dividend tax**: a foreign dividend will be subject to South African Dividends Tax (i.e. withholding tax) of 20%, if the dividend is paid by a foreign company which is listed on an exchange in South Africa licensed in terms of the Financial Markets Act No.19 of 2012.<br><br>**Income tax**: foreign dividends must be included in the 'gross income' of South African tax residents for South African income tax purposes. It should accordingly be considered whether any exemptions may apply.<br><br>A foreign dividend may be fully exempt from income tax in the hands of the shareholder (being a resident individual) if:<br>• the shareholder holds at least 10% of the total equity shares and voting rights in the company declaring the foreign dividend; or<br>• the foreign dividend is paid in respect of a company listed on the Johannesburg Stock Exchange (JSE).<br><br>If the full exemptions described above do not apply, the foreign dividend will be partially exempt from South African income tax in the shareholder's hands, resulting in a maximum effective rate of 20% (ignoring any foreign tax credits), provided that:<br>• A foreign dividend received in respect of services rendered or in respect of, or by virtue of, employment (which is determined based on a factual analysis), is not exempt (fully or partially) from South African income tax unless the person:<br>    ◦ holds the foreign share (this requirement will be easy to satisfy where a person is a shareholder of a foreign share); or<br>    ◦ the foreign share qualifies as a 'restricted equity instrument' (e.g. a share which is subject to restrictions on the ability of the employee to sell the share at market value).<br>• If dividend equivalents are paid, such amounts will be taxable at the participant's marginal rate of tax when the participant obtains an unconditional legal entitlement to the relevant amount.<br>• A foreign dividend, received or accrued, will not be exempt from tax in respect of a restricted equity instrument, if that foreign dividend is derived directly or indirectly from an amount transferred or applied by a company as consideration for the acquisition or redemption of any share in that company, or which is received or accrued in anticipation or in the course of the winding-up, liquidation, deregistration or final termination of the company. |
| **Do I have to report any income in relation to the plan to my local tax authority?** | An employee is required to file an annual tax return (and in certain circumstances, provisional tax returns).<br><br>There is no specific filing in relation to equity related incentives.<br><br>**Report name**: Annual Tax Return. Capital gains and dividends are reported on the same return. The return can be filed online by the employee registering for e-filing on the website here.<br><br>**Tax period**: 1 March to 28/29 February.<br><br>**Reporting deadline**: fixed each year by government notice but generally at the end of September (if submitted in hard copy) or by the end of November (if electronically filed).<br><br>**Payment of tax**: a payment may be due once an assessment has been issued by the South African Revenue Service (SARS). |

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This summary assumes that you only pay tax in one place. Different rules may apply if you pay tax in different places.

This summary is only a guide. It is limited to a general description of national tax laws and does not address various issues which may impact the tax result, including: local, city, regional, state or other provincial taxes; retention and holding periods; restrictions on the shares; clawback terms and periods; and your own individual circumstances. We do not guarantee any particular tax result. Therefore, we recommend that you consult your own tax advisor regularly to determine your tax position.

The information provided is understood to be correct as of 14 February 2025. Changes in legislation or practice after this date may affect the tax treatment.