Dividends Tax

Frequently Asked Questions

Focused Investing

STANLIB

Dividends Tax came into effect on 1 April 2012. The rate is set at 15%. Following are a few questions and answers which may help you understand Dividends Tax and how it affects you.

Dividends Tax is paid to SARS by either the company paying the dividend or by a regulatory intermediary (e.g. STANLIB). Where a Collective Investment Scheme Portfolio (unit trust) invests in shares and receives dividends from the shares, STANLIB Collective Investments and STANLIB Wealth Management are required to withhold 15% of the dividends received from companies and ultimately distributed to clients, and pay this amount to SARS.

A beneficial owner is the shareholder who receives dividend distributions. For example a shareholder is an investor in a STANLIB unit trust, e.g. STANLIB Value Fund, or a Linked product e.g. Classic Investment Plan with underlying equity unit trusts, e.g. STANLIB Growth Fund.

QUESTION	ANSWER
1. **What is Dividends Tax?**	Dividends Tax is a tax on shareholders (beneficial owners of dividends) when they receive dividend distributions from companies. Dividends Tax replaces the Secondary Tax on Companies (STC) which was the tax on dividend distributions previously in force.
2. **When did Dividends Tax come into effect?**	Dividends Tax applies to any dividend declared and paid after 1 April 2012.
3. **Will STC and Dividends Tax overlap?**	There is no overlapping period. If a dividend is declared prior to 1 April 2012 (irrespective of actual payment date) it will be subject to STC. Only where the dividend is declared and paid on or after 1 April 2012 will it be subject to Dividends Tax.
4. **What is the main difference between Dividends Tax and STC?**	The main difference lies in who is liable for the tax. Dividends Tax is a tax imposed on shareholders (beneficial owners of dividends) on receipt of dividends, whereas STC is a tax imposed on companies on the declaration of dividends. There is an exception to this basic Dividends Tax rule in the case of a dividend that consists of a distribution of an asset in specie - in such cases the company paying the dividend retains the liability for the tax (as under STC).
5. **Why was STC replaced?**	The main objectives behind the change to Dividends Tax were: • To align the level of the taxation of dividends in South Africa with the international norm where the recipient of the dividend, not the company paying it, is liable for the tax relating to the dividend (South Africa was one of a few countries with a corporate level tax on dividends) • To make South Africa a more attractive international investment destination by eliminating the perception of a higher corporate tax rate (STC was an additional corporate tax) coupled with lower accounting profits (STC had to be accounted for in the Statement of Comprehensive Income [Income Statement]).

6. What triggers Dividends Tax?	Dividends Tax is triggered by the payment of dividends by any: • South African tax resident company; or • Foreign company in respect of shares listed on the JSE Payment date is deemed to be the earlier of actual payment date or the date the dividend "becomes payable". Where a dividend is declared payable to shareholders registered in the company's share register on a certain date (record date), it becomes payable on that date. Dividend distributions by Headquarter companies are not subject to Dividends Tax.
7. What is the rate of Dividends Tax?	Dividends Tax is levied at 15%.
8. Who is liable for the tax?	The beneficial owner of the dividend (the person entitled to the benefit of the dividend attached to the share) is liable for the Dividends Tax - normally this would be the shareholder. However, if the particular dividend consists of a distribution of an asset in specie the liability falls on the company paying the dividend (similar situation as under STC).
9. Who has to pay the tax to SARS?	The Dividends Tax is categorised as a withholding tax as the tax should be withheld from dividend distributions and paid to SARS by the company paying the dividend or, where the company makes use of a withholding agent (called a regulated intermediary i.e. STANLIB), by the latter. The person liable for the Dividends Tax retains the ultimate responsibility to pay the tax should the company or its withholding agents fail to withhold.
10. When does the Dividend Tax have to be paid to SARS?	By the end of the month following the month in which the dividend was paid or became payable to the beneficial owner (i.e. the STANLIB investor).
11. Are there any exemptions applicable to Dividends Tax?	Dividends payable to the following beneficial owners could be exempt from Dividends Tax (provided the required "declaration" and "undertaking" are provided to the company or withholding agent in time): • South African resident companies • Government (all three spheres) • Public Benefit Organisations (approved ito section 30(3) of the Act) • Mining rehabilitation trusts (section 37A of the Act) • Section 10(1)(cA) persons • Section 10(1)(d) funds (e.g. pension fund, provident fund or medical scheme) • Section 10(1)(t) entities (e.g. CSIR and SANRAL) • Shareholder in a registered micro business (6th Schedule) (insofar as dividend <R200,000 per year) • Non-resident and the dividend is received from foreign company listed on JSE
12. What are these required "declarations" and "undertakings"?	Dividends payable to certain beneficial owners could be exempt if they (the beneficial owner) submit the required declaration and undertaking to the company/withholding agent prior to the distribution of the dividend.
13. Who should complete the declaration and undertaking for exemptions?	The beneficial owner of the dividend, but only if they qualify in terms of the list of exemptions provided above.
14. As a beneficial owner (STANLIB investor) where can I obtain the declaration and undertaking form for exemptions for completion?	The declaration and undertaking form for exemptions is available on our website: http://www.stanlib.com/Individuals/Investwithus/Pages/ApplicationForms
15. Do I have to complete a declaration and undertaking form for exemptions for each dividend/share (or unit trust) in my portfolio?	You only need to declare your exempt status per the declaration and undertaking form once (per company/withholding agent) and it will remain valid until the circumstances of the beneficial owner affecting the exemption change. Therefore, if you are invested in more than one STANLIB unit trust (e.g. STANLIB Balanced Fund and STANLIB ALSI 40 Fund) you only need to complete one form. However, if you have unit trusts at Allan Gray and STANLIB you would have to complete the form for each regulated intermediary (Allan Gray and STANLIB).

16. Who qualifies for a reduced rate of Dividends Tax?	Only persons who are not South African tax residents could possibly qualify for a reduced rate of Dividends Tax, and only if: • The criteria for a reduced rate set out in the relevant Double Taxation Agreement (DTA) between South Africa and the country of residence of the beneficial owner (normally Article 10) are met; and • The required declaration and undertaking form is completed (this form is different to the form regarding exemptions).
17. Who should complete the declaration and undertaking form for reduced rates?	The beneficial owner of the dividend, but only if that person qualifies in terms of the criteria listed in the relevant DTA (normally Article 10). The criteria for a reduced rate (with a few exceptions) normally require the foreign beneficial owner to firstly be a company and secondly hold a sizeable stake (at least 10% – 25%) in the company paying the dividend.
18. Is the declaration and undertaking form with regards to reduced rates the same as the form used for exemptions?	There are two different forms, a form for exemptions, and a separate form for reduced rates. Please follow this link: http://www.stanlib.com/Individuals/Investwithus/Pages/ApplicationForms
19. As a beneficial owner (STANLIB investor) where can I obtain the declaration and undertaking form for reduced rates?	The declaration and undertaking form for reduced rates is available on our website: http://www.stanlib.com/Individuals/Investwithus/Pages/ApplicationForms
20. What happens if I qualify for exemption in terms of section 64F or a reduced rate but do not complete the form?	If you do not complete and return the required form to the company/withholding agent (i.e. STANLIB), the latter must deduct the full Dividend Tax from your dividend payment. So, if you are a STANLIB investor, we will be obliged to withhold the tax.
21. Will I be able to claim a refund if I make a mistake or submitted the declaration form late?	Under certain circumstances refunds may be claimed provided the claim is made within a period of three years from the date of payment of the dividend to you. The claim must be made from the person who paid the dividend to you (i.e. the company if it paid the dividend to you directly), alternatively from the regulated intermediary (withholding agent) involved, i.e. STANLIB.
22. How do I obtain a Dividends Tax number?	The Dividends Tax reference number is the same number as the taxpayer's Income Tax reference number. Dividends Tax transactions are distinguishable from assessed income tax and provisional tax by virtue of the tax form type and payment reference number (PRN). There is therefore no additional process to follow to obtain a Dividends Tax reference number.
23. If I am a South African company and I only receive dividends, must I submit Dividends Tax information to SARS?	Yes, all beneficial owners of dividends who are exempt from Dividends Tax (such as South African resident companies) need to submit Dividends Tax returns to SARS. However, SARS has been informed that in many cases substantial systems development will be required by Submitting Entities to comply with the requirements relating to specifically the Dividends Received part of the BRS (i.e. where the Submitting Entity is firstly a regulated intermediary, or secondly a beneficial owner of a dividend which was exempt). In an effort to assist, SARS will afford Submitting Entities in this position a grace period of 12 months from the effective date of the Dividends Tax to comply (i.e. up to 31 March 2013). However, where the Submitting Entity is able to comply prior to the expiry of the grace period it should do so as SARS' systems are ready to process Dividends Tax information.
24. Am I exempt from Dividends Tax if my taxable income is below the threshold?	No, everyone is taxed irrespective of the amount of income they earn.
25. Are Linked Life Annuities exempt from Dividends Tax?	Yes, as the policyholder fund is an exempt entity.
26. Am I exempt from Dividend Tax if I used funds from my preservation fund or a retirement annuity to invest in a unit trust?	No, your dividends will still be taxed.
27. Are pensioners exempt from Dividend Tax?	A pensioner invested in the Classic Investment Plan or a unit trust is not exempt.

28. How do I apply for a tax number if I don't currently have one?	Currently it is not a mandatory requirement. Clients who qualify for exemption or reduced rates may submit declarations without providing tax numbers. STANLIB is waiting for SARS to confirm whether they would allow regulated intermediaries (e.g. STANLIB) to apply for tax numbers on behalf of our clients. Failing this, you will have to follow the normal procedure to register for tax.
29. If, as an individual, I receive dividends, what information do I need to submit to SARS?	Individuals who receive a dividend payment need to declare the dividend on their annual Income Tax Return (ITR12).

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