



3 August 2023

To: South African Revenue Service (SARS)

Lehae La SARS
299 Bronkhorst Street
PRETORIA
0181

Via email: SARS SNtombela3@sars.gov.za;
CC: SARS LNetshiombo@sars.gov.za; CDavis2@sars.gov.za
SAIT escalations@thesait.org.za

Challenges experienced following the implementation of the Department of Home Affairs interface

Earlier this year, SARS announced the roll out of the first phase of the Department of Home Affairs interface project. This enables SARS to confirm whether a taxpayer is married in community of property as previously declared to SARS.

Where SARS has, via the interface with the Department of Home Affairs, confirmed that a taxpayer is married in community of property, the local interest income received or accrued for the 2023 year of assessment would be pre-populated on both spouses' income tax returns and appropriated 50/50 per spouse upon assessment. All other passive income must still be manually captured by both spouses and split 50/50 upon assessment.

While SAIT appreciates the continuous strides made by SARS in collecting and verifying more third-party information from other government agencies, however there are some challenges for both taxpayers and SARS that have been identified.

- 1. Change in marital status during the year of assessment:** Where a taxpayer got married, divorced, or deceased during the year of assessment, the communal income must be apportioned between the period the taxpayer was married in community of property and when the taxpayer was not married.

The local interest income currently pre-populated in the 2023 income tax returns does not consider any apportionment and assumes that the taxpayer has been married in community of property for the full year of assessment.

- 2. Correction of marital status on the income tax return:** There have been instances where a taxpayer's marital status does not match with the information of the Department of Home Affairs.

Understanding that the formal process of rectifying the marital status has not yet been communicated by SARS, it may be assumed that a taxpayer would need to visit the Department of Home Affairs directly to rectify the marital status.

It is however unclear whether SARS will automatically be updated with the correct information once the Department of Home Affairs information is corrected.

- 3. Manual addition of other passive income:** Considering that other forms of passive income, such as foreign interest; local and foreign dividends, distributions from a Real Estate Investment Trusts (REIT) and capital gains/losses, are often available as third-party data [IT3(b) and IT3(c)], many taxpayers are unable to disclose this income because of the validation rules implemented on the ITR12 return. The following error message is displayed on eFiling when a taxpayer attempts to disclose addition data on the return:

"Please note that this tax return was not processed because SARS could not match pre-populated 3rd party data to the submitted data on the return. Refresh your data on the return and resubmit or visit the nearest branch for assistance".

SAIT's request for clarity

1. What process must a taxpayer follow where the marital status changed during the year of assessment and the communal income received during the 2023 year of assessment needs to be apportioned?
2. What process must be followed to correct the marital status confirmed by the Department of Home Affairs and what supporting documentation will be deemed sufficient to prove to SARS that a taxpayer is not married in community of property?
3. Will SARS consider the relaxation of the validation rules contained in the personal income tax return to enable taxpayers to include additional IT3 certificates or to amend prepopulated information based on third- party certificates available on eFiling?

Yours faithfully,

SAIT Tax Technical

Disclaimer

This document has been prepared within a limited factual and contextual framework, in order to provide technical guidance regarding a specific query relating to tax practice. This document does not purport to be a comprehensive review in respect of the subject matter, nor does it constitute legal advice or legal opinion. No reliance may be placed on this document by any party other than the initial intended recipient, nor may this document be distributed in any manner or form without the prior, written consent of the South African Institute of Taxation NPC having been obtained. The South African Institute of Taxation NPC does not accept any responsibility and/or liability, of whatsoever nature and however arising, in respect of any reliance and/or action taken on, or in respect of, this document. Copyright in respect of this document and its contents remain vested in the South African Institute of Taxation NPC.