South African Institute of Taxation

SARS Operations

SAIT Webinar
6 February 2025

YOUR KEY TO THE TAX COMMUNITY

Anchors: **Yolisa Nomathamsanqa Dyasi**

Yolisa Dyasi is a Tax Technical Specialist at the South African Institute of Taxation and General Tax Practitioner (SA). Her career spans over notable national regulatory bodies and reputable organisations such as SARS, the Office of the Tax Ombud and private practise, where she has been gainfully employed and specialised in Tax Administration and SARS Operations.

Yolisa holds a B.Com Honours degree in Taxation from the University of Johannesburg. Her contributions to the tax landscape continue as she continuously represents the interests of stakeholders with SARS and focuses her efforts on tax practitioner education.

At SAIT, Yolisa is responsible for facilitating the SARS operational relationship, (regional & national meetings) and relevant stakeholders, and managing the communication process to and from these engagements. She manages the SAIT Tax Technical Helpline and escalations to the various SARS regions. Yolisa is also involved in contributing towards the body of knowledge in taxation in the form of CPD worthy webinars and leads media interviews on national and commercial media on behalf of the Institute.

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Anchors: Cecile Bothe

Cecile Bothe is a seasoned tax professional with 44 years of extensive experience at the South African Revenue Service (SARS), where she held various senior positions from 1974 to 2018. Her areas of specialization include income tax for corporations, individuals, and trusts, as well as provisional tax, deceased and insolvent estates, donations tax, and estate duty.

Throughout her distinguished career, Cecile contributed to key roles such as Manager of Policy and Procedure at SARS Head Office, Manager of the Pretoria Receiver of Revenue Office, and Assistant to the SARS Commissioner. Her expertise extends to legal interpretation, special investigations, estate valuations, and auditing.

Cecile holds a B.Com and B.Com (Hons) from the University of Pretoria and has completed advanced management programs at the Graduate School of Business Leadership, University of South Africa.

Her professional contributions include presenting estate duty seminars, representing SARS at OECD conferences in the United Kingdom and Sweden, serving as a UIF Board member for 12 years, and acting as the SARS Audit Committee liaison to the Auditor General. With her wealth of knowledge and leadership, Cecile continues to be a respected authority in taxation and estate management.

Agenda:

This session will contain a brief overview of SARS Operations, reporting and eFiling including the following aspects:

- ❖ Expert Corner: Back-to-Basics

- ❖ General SARS Ops updates
  - ✓ Important filing, payment and/or reporting dates
  - ✓ Current challenges in the SARS operational space
  - ✓ New procedures, systems and SARS implementations
  - ✓ New matters affecting the tax practice management

- ❖ Question and Answer Session

Expert Corner: Back-to-Basics

Provisional Tax

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Agenda:

1. Understanding Provisional Tax Requirements
2. Key Considerations Before Submission
3. Streamlining the Submission Process
4. Identifying Potential Risks
5. The Audit Process
6. Turnover Tax Provisional Payments and
7. Section 89quat Interest

Understanding Provisional Tax Requirements

“provisional taxpayer” means—

(a)any person (other than a company) who derives income by way of—

- (i) any remuneration from an employer that is not registered in terms of paragraph 15; or
- (ii) any amount which does not constitute remuneration or an allowance or advance contemplated in section 8 (1);

(b)any company;

(*b*A) any labour broker in respect of which a certificate of exemption has been issued in terms of paragraph 2 (5) (*a*);

Understanding Provisional Tax Requirements

but shall exclude—

(*aa*) any public benefit organisation as contemplated in paragraph (*a*) of the definition of "public benefit organisation" in section 30 (1) that has been approved by the Commissioner in terms of section 30 (3);

(*bb*) any recreational club as contemplated in the definition of "recreational club" in section 30A (1) that has been approved by the Commissioner in terms of section 30A (2);

(*cc*) any body corporate, share block company or association of persons contemplated in section 10 (1) (*e*);

(*dd*) any—

(A) person in respect of whose liability for normal tax for the relevant year of assessment payments are required to be made under section 33;

(B) natural person who does not derive any income from the carrying on of any business, if—

(AA) the taxable income of that person for the relevant year of assessment does not exceed the tax threshold; or

(BB) the taxable income of that person for the relevant year of assessment which is derived from interest, dividends, foreign dividends, rental from the letting of fixed property and any remuneration from an employer that is not registered in terms of paragraph 15 does not exceed R30 000;

(*ee*) a small business funding entity;

(*ff*) a deceased estate; and

(*gg*) any entity as defined in section 30B that has been approved by the Commissioner in terms of section 30B (2);

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Understanding Provisional Tax Requirements

- Any company
- Deriving income from the carrying on of any business;
- Deriving TAXABLE INCOME from interest, dividends, foreign dividends, rental from letting fixed property and remuneration from an employer that is not registered for employees' tax EXCEEDING R30 000;
- Person who receives any remuneration from an employer that is <u>not registered</u> in terms of paragraph 15; or
- Notified by the SARS Commissioner that they are a provisional taxpayer.

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Understanding Provisional Tax Requirements

NOT A PROVISIONAL TAXPAYER

- Approved PBOs (Tax Exempt Institutions)
- Body Corporates, Share block companies or associations of persons
- Non-resident owner or charterer of ships or aircraft.
- Person who DOES NOT meet the tax threshold
- Small business funding entity
- Deceased Estate*

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Understanding Provisional Tax Requirements

Scenario 1

40 year old male is unmarried with no dependants

Receives a salary of R900 000 from an American based company (not registered for employees' tax in South Africa)

Receives R40 000 in interest from Stanlib

Received R30 000 dividends for a JSE Listed entity

Is the taxpayer a provisional taxpayer?

If yes, on what basis?

If no, why not?

Understanding Provisional Tax Requirements

Answer 1

40 year old male is unmarried with no dependant

Receives a salary of R900 000 from an American based company **(not registered for employees' tax in South Africa**)

Receives R40 000 in interest from Stanlib

Received R30 000 dividends for a JSE Listed entity

Yes.

(a)any person (other than a company) who derives income by way of—

(i) any remuneration from an employer that is not registered in terms of <u>paragraph 15</u>

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Understanding Provisional Tax Requirements

Scenario 2

40 year old male is married in community of property.

Receives a salary of R1 500 000 from a South African based company

Receives R80 000 in interest from Stanlib

Received R60 000 dividends for a JSE Listed entity

Is the taxpayer a provisional taxpayer?

If yes, on what basis?

If no, why not?

Understanding Provisional Tax Requirements

Answer 2

No

(A) natural person who does not derive any income from the carrying on of any business, if—

(BB) the taxable income of that person for the relevant year of assessment which is derived from interest, dividends, foreign dividends, rental from the letting of fixed property and any remuneration from an employer that is not registered in terms of paragraph 15 does not exceed R30 000;

	R
Salary	1,500,000
Interest (80 000 x 50%)	40,000
Interest exemption	(23,800)
Local Dividend (60 000 x 50%)	30,000
Local dividend exemption	(30,000)
Taxable income	1,516,200
Passive income (1 516 200 -1 500 000)	16,200

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Understanding Provisional Tax Requirements

Scenario 3

66 year old woman is married out community of property.

She received R250 000 from a SA employer

Receives rental income of R2000 per month for a garden cottage

Receives R80 000 in interest from Stanlib

Received R60 000 dividends for a JSE Listed entity

Is the taxpayer a provisional taxpayer?

If yes, on what basis?

If no, why not?

Understanding Provisional Tax Requirements

Scenario 3

Yes

(A) natural person who does not derive any income from the carrying on of any business, if—

(BB) the taxable income of that person for the relevant year of assessment which is derived from interest, dividends, foreign dividends, rental from the letting of fixed property and any remuneration from an employer that is not registered in terms of paragraph 15 does not exceed R30 000

	R
Salary	250 000
Rental income (2000 x 12)	24,000
Interest	80,000
Interest exemption	(34,500)
Local Dividend	60,000
Local dividend exemption	(60,000)
Passive Taxable income	69,500

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Understanding Provisional Tax Requirements: Registration process

- There is no Provisional Tax registration or deregistration process.
- Activating the Tax Type on eFiling does not equate to registering for provisional tax.
- The submission of an IRP6 return does not equate to registering for provisional tax.
- Provisional tax status is not static and may change year-to-year depending on the circumstances.

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Key Considerations Before Submission

YEAR – END CHANGE

FEBRUARY 2024 → JUNE 2024

First Payment	August 2024 (remains unchanged)
Second Payment	June 2025

<u>Payments thereafter</u>

First Payment	December 2025
Second payment	June 2026
Third voluntary payment	December 2026

Key Considerations Before Submission

Using the Basic amount

Basic amount is the taxpayer's taxable income assessed by the Commissioner for the latest preceding year of assessment LESS the amount of any taxable capital gain in that year of assessment.

The basic amount for all taxpayers must be **increased by 8%** if the estimate is made more than 18 months after the end of the latest preceding year of assessment

"Year last assessed", refers to an assessment preceding the year of assessment for which the estimate is made, and for which a notice of assessment relevant to the estimate has been issued by SARS not less than **14 calendar days** prior to the due date of such estimate.

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Key Considerations Before Submission

Using the Basic amount: Example 1

Estimate for 28 February 2025 (second estimate):

A) Notice of assessment for the 2024 tax year of assessment was issued on 15 August 2024.

B) The IRP6 for the 2025 tax year 1st period was submitted on the due date, 31 August 2024.

C) The notice of assessment for the 2023 tax year of assessment was issued on 15 July 2023.

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Key Considerations Before Submission

Using the Basic amount: Solution 1

The notice of assessment of the 2024 year of assessment was issued 15 days before the date on which the provisional tax estimate for the first period of 2025 was submitted (the period between 15 August 2024 and 31 August 2024). Due to the 14 calendar days criteria being met, the latest preceding year is the 2024 tax year.

The estimate is not made more than 18 months (the period between 28 February 2024 and 31 August 2024)

Since the estimate is not made more than 18 months, therefore the basic amount will not be increased by 8%

The taxpayer's basic amount will be based on the taxable income as assessed in 2024.

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Key Considerations Before Submission

Using the Basic amount: Example 2

Estimate for 28 February 2025 (second estimate):

A) Notice of assessment for the 2021 tax year of assessment was issued on 30 July 2021.

B) The taxable income as assessed in 2021 was R260 000 and included a taxable gain of R25 000 and severance benefit of R40 000

C) The IRP6 for the 2025 tax year 1st period was submitted on the due date, 31 August 2024.

D) The 2022, 2023 and 2024 tax returns have not been submitted.

Key Considerations Before Submission

Using the Basic amount: Solution 2

The 2021 notice of assessment was issued more than 14 calendar days before the date on which the provisional tax estimate was submitted on 31 August 2024. The 2022, 2023 and 2024 tax returns have not been submitted.

The estimate is submitted more than 18 months (the period between 28 February 2021 and 31 August 2024) after the end of the last preceding year (2021)

Key Considerations Before Submission

Using the Basic amount: Solution 2

Taxable income assessed in 2021	260,000
Less: Taxable capital gains	(25,000)
Less: Severance benefit	(40,000)
	195,000

The basic amount (R195 000) must be increased by 8% for each year from 2021 to 2025,

[R195 000 + (R195 000 x 8% x 4)]

therefore **R257 400** is the basic amount for the 2025 tax year.

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Key Considerations Before Submission

Taxable income of up to R1 million

Where the estimate is less than 90% of the actual taxable income and also less than the basic amount, a penalty is levied (deemed to be a percentage based penalty under Chapter 15 of the TAACT equal to 20% of the difference between

A) The lesser of –

I) The amount of normal tax calculated in respect of a taxable income equal to 90% of such actual taxable income (after taking into account any amount of deductible rebates); and

II) The amount of normal tax calculated in respect of a taxable income equal to such basic amount (after taking into account any amount of deductible rebates); and

B) The amount of employees' tax and provisional tax paid by the end of that year of assessment.

C) Any retirement fund lump sum benefit, retirement fund lump sum withdrawal benefit or severance benefit received/accrued should be excluded from the above penalty calculation.

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Key Considerations Before Submission

Taxable income above R1 million

A penalty, which is deemed to be a percentage-based penalty imposed under Chapter 15 of the TAACT; will be equal to 20% of the difference between –

A) The amount of normal tax as determined in respect of such estimate, and the amount of normal tax calculated after taking into account any amount of deductible rebates, at the rates applicable in respect of such year of assessment, in respect of a taxable income equal to 80% of such actual taxable income; and

B) The amount of employees' tax and provisional tax paid by the end of that year of assessment. Any retirement fund lump sum benefit, retirement fund lump sum withdrawal benefit or severance benefits received/accrued should be excluded from the penalty calculation.

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Key Considerations Before Submission

- **The First Period**:
  - Half of the total estimated tax for the full year;
  - Less the employees tax for this period (6 months);
  - Less any allowable foreign tax credits for this period (6 months).
  - Less any applicable rebates or medical tax credits.

	R
Estimated taxable income for the year of assessment	XXXX
Normal tax on estimated taxable income	XXXX
Less: Primary, secondary and tertiary rebates under section 6	(XXXX)
Less: Tax credit for medical scheme fees under section 6A	(XXXX)
Less: Additional medical expenses tax credit under section 6B	(XXXX)
Total Tax Payable (A)	XXXX
Half of the normal tax payable on estimated table income (A/2)	XX
Less: Employees' tax deducted from the provisional taxpayer's remuneration during the first period	(X)
Less: Foreign tax credits under section 6quat proved to be payable by the end of the first period.	(X)
FIRST PROVISIONAL TAX PAYMENT	XXXX

Key Considerations Before Submission

- **The Second Period**:
  - The total estimated tax for the full year;
  - Less the employees tax paid for the full year;
  - Less any allowable foreign tax credits for the full year;
  - Less any applicable rebates or medical tax credits;
  - Less the amount paid for the first provisional period.

	R
Estimated taxable income for the year of assessment	XXXX
Normal tax on estimated taxable income	XXXX
Less: Primary, secondary and tertiary rebates under section 6	(XXXX)
Less: Tax credit for medical scheme fees under section 6A	(XXXX)
Less: Additional medical expenses tax credit under section 6B	(XXXX)
Total Tax Payable	XXXX
Less: Employees' tax deducted from the provisional taxpayer's remuneration during the year	(X)
Less: First provisional tax payment (if actually paid)	(X)
Less: Foreign tax credits (section 6quat) for the year	X)
SECOND PROVISIONAL TAX PAYMENT	XXXX

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Key Considerations Before Submission

- **The Third Period** (voluntary):
  - The total estimated tax for the full year;
  - Less the employees tax paid for the full year;
  - Less any allowable foreign tax credits for the full year;
  - Less any applicable rebates or medical tax credits;
  - Less the amount paid for the 1st and 2nd provisional tax periods.

	R
Estimated/actual taxable income for the year of assessment	XXXX
Normal tax on estimated taxable income	XXXX
Less: Primary, secondary and tertiary rebates under section 6	(XXXX)
Less: Tax credit for medical scheme fees under section 6A	(XXXX)
Less: Additional medical expenses tax credit under section 6B	(XXXX)
Total Tax Payable	XXXX
Less: Employees' tax deducted from the provisional taxpayer's remuneration during the year	(X)
Less: First provisional tax payment (if actually paid)	(X)
Less: Second provisional tax payment (if actually paid)	(X)
Less: Other provisional tax top-up payments (if any, if actually paid)	(X)
Less: Foreign tax credits (section 6quat)	(X)
TOP-UP PAYMENT	XXXX

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Submission Process

Live Navigation on eFiling

Submission Process

Payment dates and Payment Reference numbers

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Identifying Potential Risks

Under-estimation of the provisional tax

4 months after the year end, a Request for Correction of the IRP6 may be done to avoid the under-estimation penalty.

Consequences of getting the status wrong?

- Different filing deadlines for prov/non prov taxpayers.
- Administrative non-compliance penalties.
- Late payment penalties, interest and underestimation penalties

The Audit Process

Paragraph 19(3) of the Fourth Schedule of the Income Tax Act

"The Commissioner may call upon any provisional taxpayer to justify any estimate made by the provisional taxpayer in terms of subparagraph (1), or to furnish particulars of the provisional taxpayer's income and expenditure or any other particulars that may be required, and, if the Commissioner is dissatisfied with the said estimate, he or she may increase the amount thereof to such amount as he or she considers reasonable, which increase of the estimate is not subject to objection and appeal."

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The Audit Process

Things to consider:

- This is a manual process. It means that, for now, it is completely off eFiling.
- Auditors would send requests for supporting documents via email and same must be furnished via email.
- The estimates raised by SARS are **not** subject to objection and appeal.
- Supporting documents may include:
  - Management Accounts
  - Contracts
  - Serious calculation of the provisional tax estimates

Turnover Tax Provisional Payments

Turnover tax is a stand-alone tax and is determined separately and independently from the normal tax system. The turnover tax system replaces Income Tax, VAT, Provisional Tax, Capital Gains Tax and Dividends Tax for micro businesses. This method eliminates the need to keep detailed records of all business expenses, which would have, under the normal tax system, been deductible in terms of section 11(a) of the Income Tax Act, No. 58 of 1962 (Income Tax Act).

Turnover tax has three payment dates:

- **1st payment** is in the middle of the year of assessment on the last business day of August i.e. 31 August 2024 on the TT02 – Payment Advice for Turnover Tax.
- **2nd payment** is at the end of the year of assessment on the last business day of February i.e. 28 February 2025 on the TT02 – Payment Advice for Turnover Tax.
- **Final payment** is after the annual TT03 – Turnover Tax Return submitted and processed.

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Section 89quat Interest

Section 89quat interest pertains to the interest charged on the underpayment or overpayment of provisional tax.

This interest is charged if the provisional tax paid is less or more than the assessed tax liability at the end of the tax year.

(2) If the taxable income of any provisional taxpayer as finally determined for any year of assessment exceeds—

(a) R20 000 in the case of a company; or

(b) R50 000 in the case of any person other than a company,

and the normal tax payable by him in respect of such taxable income exceeds the credit amount in relation to such year, interest shall, subject to the provisions of subsection (3), be payable by the taxpayer at the prescribed rate on the amount by which such normal tax exceeds the credit amount, such interest being calculated from the effective date in relation to the said year until the date of assessment of such normal tax.

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Section 89quat Interest

- ***“effective date”***, *in relation to any year of assessment of a provisional taxpayer, means—*

  (a)where the provisional taxpayer is a company which has a year of assessment which ends on the last day of February or is a person (other than a company) who has not been granted permission by the Commissioner under the provisions of section 66 (13A) to render accounts for a period ending on a date other than the last day of February, the date falling seven months after the last day of such year; or

  (b)in any other case, the date falling six months after the last day of such year as applicable for the purposes of the provisions of paragraph 21 or 23 of the Fourth Schedule;

Questions and Answers

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Important filing, payment and/or reporting dates

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Important filing, payment and/or reporting dates

07/02/2025	Employment Taxes	**EMP201 -** Submissions and payments
25/02/2025	Value-Added Tax	**VAT201** - Manual submissions and payments
28/02/2025	Value-Added Tax	**VAT201 -** Electronic submissions and payments
28/02/2025	Income Tax	**ITR14** - Submission deadline for the 2024 returns for companies with a February year-end
28/02/2025	Income Tax	**2nd provisional (2025)** - Submissions and payments for individuals, trusts and companies with a February year-end
28/02/2025	Income Tax	2025 closing odometer reading for logbook purposes
28/02/2025	Turnover Tax	**2nd TT02 (2025)** - Payments for micro-businesses registered for turnover tax
07/03/2025	Employment Taxes	**EMP201 -** Submissions and payments (last payment for the 2025 year of assessment)

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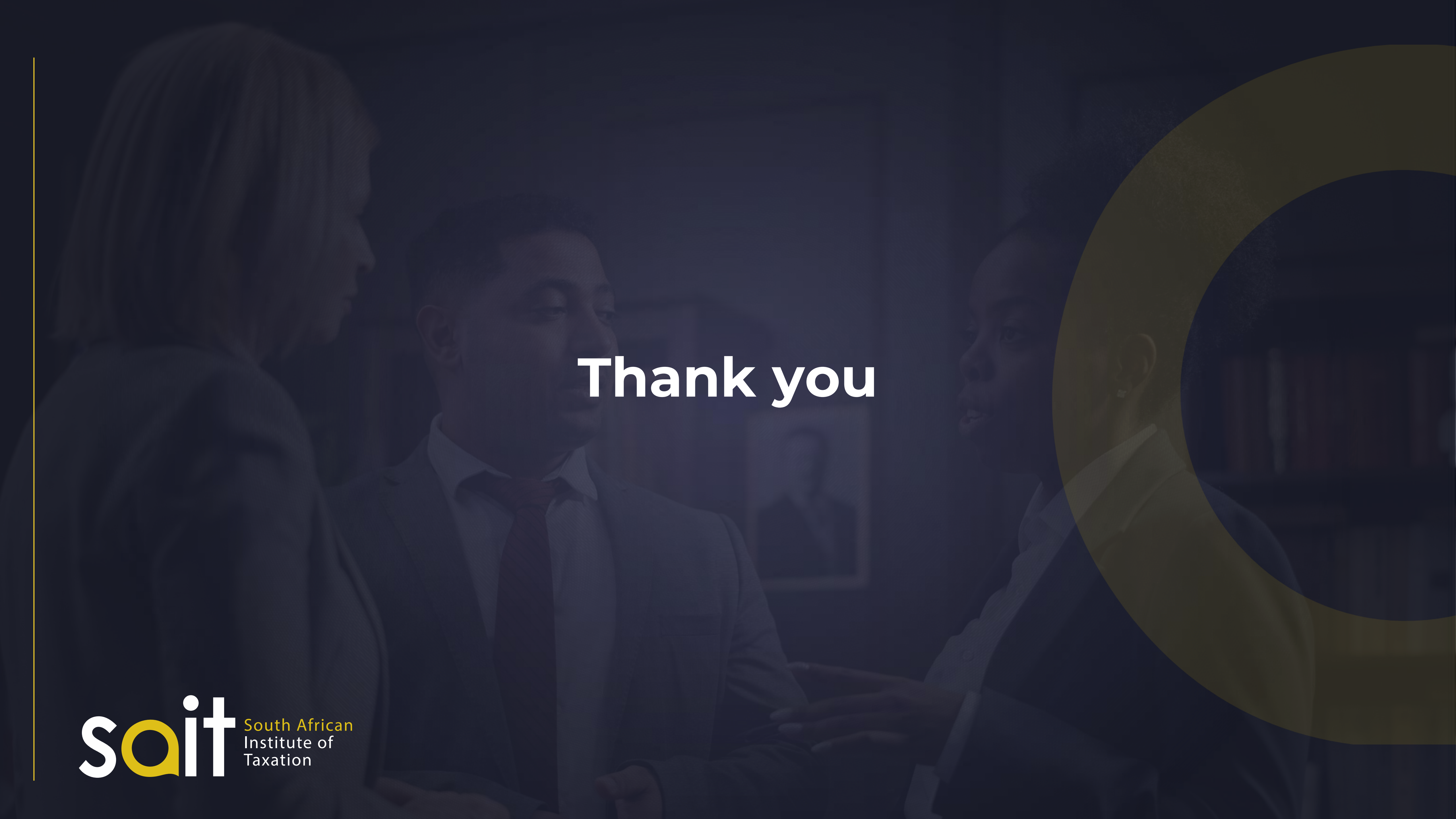

Thank you

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