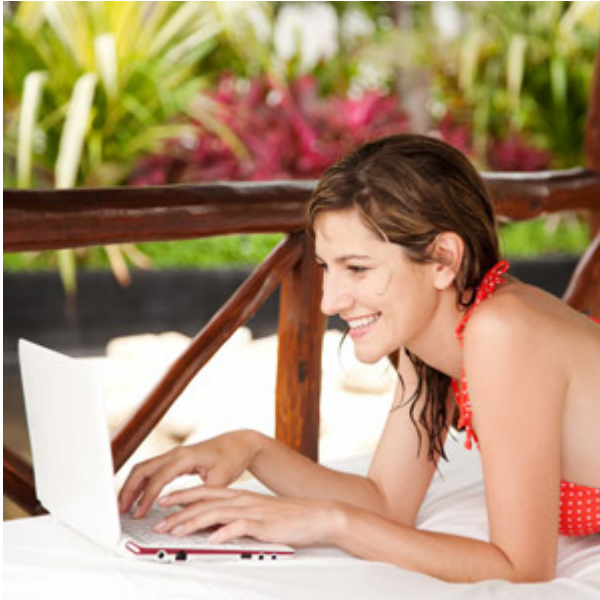


FAQ – How to make the most of tax rebates?



Cape Town – Personal tax and financial planning can be a complex and daunting process. With personal tax legislation and tax thresholds changing almost annually, the average taxpayer is not always aware of the impact of these changes, nor of the potential savings they could lead to.

But with clever planning and structuring of your financial affairs there are a number of ways you can reduce your monthly tax payments, saving you a pretty penny on your year's taxes, says Hein Daffue of Sanlam Legal.

A qualified financial adviser can guide you through the complex issues and help structure your financial portfolio so you can make the most of tax benefits. You may consider several options, depending on your unique requirements. These include:

(a) You can contribute to a retirement annuity (RA) fund and deduct the contributions from tax. Currently, the maximum deductions allowed per year will be the largest amount of: R1 750; R3 500 less any pension fund contributions; or 15% of non-retirement funding taxable income (excluding retirement fund lump sums and severance benefits from your employer).

Just bear in mind the fund benefits are taxable when you retire, but that the lump sum up to certain limits could be tax-free.

(b) If you stopped making contributions to an RA, you can

reinstate the payment of your contributions and if you have arrear contributions, you can deduct up to R1 800 per year until you are up to date. This deduction is additional to the deduction in (a) above.

(c) Where the employer retirement fund allows for arrear pension fund contributions, you can deduct up to R1 800 per year.

(d) You can take out a disability income protection policy and deduct the premiums from your tax. Just bear in mind that should you become disabled, the disability income will be taxable.

(e) If you belong to a medical scheme, take note that from March 1 2012 income tax deductions for medical aid contributions for taxpayers below 65 have been converted into tax credits.

Employers will offset the tax credit, which is a fixed amount, against tax payable. Self-employed people must deduct the tax credits from tax payable.

Note that the tax credits won't reduce taxable income, but serve expressly to reduce tax payable (equal to all).

It will be R230 per month each for the member and 1st beneficiary, and R154 per month for each additional beneficiary. It aims to put people with a marginal rate of up to 30% in a better or the same position.

The case of elderly people and those with a disability is not covered here and should be discussed with a medical scheme expert.

(f) You can invest in interest-bearing investments such as savings accounts, fixed accounts, money market accounts and unit trusts and make use of the interest exemption.

This is R22 800 for persons under age 65 and R33 000 for

persons aged 65 and over. It applies only to local interest, and now excludes foreign interest as well as dividends.

(g) You can invest in unit trusts or shares that yield dividends which are currently exempt from tax, but bear in mind that they became taxable at 15% from April 1 2012.

(h) You may qualify for specific deductions such as wear and tear, for instance if you use a home computer to produce income. However, here it is essential to speak to someone who has the relevant tax knowledge to best advise you in your particular situation.

How to complete a tax form correctly

Here's how to fill in your tax form quickly, correctly and easily. Generally e-filing is the way to go, but first make sure you have all your supporting documents ready.

You'll need IRP5s, retirement annuity and disability income protection contribution certificates, interest and dividend certificates and, where relevant, other items such as capital gains tax certificates.

Once you have all the information at hand, it becomes easier to fill in the form in one go. For actual steps on how to do this, check out the guidance notes on the South African Tax Guide.

Some academic bookshops carry self-help books on the topic. You could also approach a registered tax practitioner to fill in the form on your behalf, which will cost you a minimal amount.

What are the basic tax reductions?

If you look at the basic tax rebate, which is a deduction after the amount per tax table is calculated, it is: R11 440 per year for persons under age 65; R17 830 for persons aged 65 and over and R19 960 for persons aged 75 and over.

How does e-filing work?

You can submit your tax return form electronically by registering as an e-filing taxpayer on the dedicated Sars [website](#).

What is the tax threshold?

You only pay tax if your taxable income is above a certain level, which is called a tax threshold. For persons under age 65 it is currently R63 556 per year, for persons aged 65 and over it is R99 056 and for persons 75 and over it is R110 889.