

2019.

SARS intends to improve its service delivery with the revamped MobiApp available to smart phone users as well as improvements to eFiling. New features on the MobiApp will include:

- simpler navigation
- the introduction of biometric authentication
- a one-time pin as an added security feature
- the ability to reset username and password
- security questions
- and the scanning and uploading of supporting documents.

For the 2019 tax season, taxpayers whom meet the following requirements do not need to submit a tax return, namely:

- total employment income does not exceed R500000;
- employment income is received from one employer for the full tax year;
- no other form of income is received, e.g. car allowance, business income, rental income or taxable interest; and
- no additional allowable tax related deductions or rebates are claimed, e.g. medical expenses, retirement annuity contributions and travel expenses.

SARS intends to issue a simulated outcome to taxpayers whom are not required to submit a tax return as if they had in fact done so and the taxpayer may accept this outcome or update the tax return and submit such to SARS.

Lessons from the last tax season

SARS has over the last few years expanded its third party reporting requirements now not only requiring employers to provide data in order to pre-populate the tax returns with the employees tax certificates (IRP5s), but requiring medical aid schemes and retirement fund administrators to provide similar data in order to pre-populate tax returns with information pertaining the contributions paid by the taxpayer.

However, notwithstanding this pre-populated data taxpayers and tax practitioners alike continue to experience high volumes of SARS enquiries requesting the verification of the tax returns which necessitates the submission of supporting documents, including the tax certificates from the medical aid scheme and the retirement fund.

Surely this request for supporting information is superfluous as SARS should be relying on the accuracy of the third party reporting data with which it had allowed the pre-population of the tax returns in the first place!

Another major cause of frustration for taxpayers and tax practitioners was the endless issues experienced with the PDF version documents or accessing, saving and the eventual printing of tax returns and various other SARS documentation. Apparently, it all had to do with ones browser compatibility, therefore ensure taxpayers should ensure they are using the latest versions required by SARS (see the SARS website for

details).

Common missteps when filling out their tax returns

A friendly reminder that taxpayers should have all their supporting documentation readily available should SARS request the verification of their 2019 tax return. This information must be kept for a five-year period from the submission of such.

Taxpayers should be receiving their various tax certificates and other related documentation from their employers, financial and similar institutions as well as their medical aid schemes as these institutions were obliged to submit their tax data to SARS by end May 2019.

Some useful tips in the completion of the 2019 tax return:

- Only tick the question did you cease to be a resident of RSA where you ceased to be a resident for tax purposes during the tax year in question. The question is not relevant where your tax status changed in prior tax years.
- Where you receive income from two sources e.g. two different employers, you will need to submit a tax

return in order for the taxable incomes to be combined and assessed to income tax.

- Only donations made to an approved public benefit organisation qualifies for a deduction against your taxable income, subject to a maximum deduction of ten per cent of your taxable income.

- You need a detailed logbook of your business kilometers travelled should you wish to claim a deduction against your travel allowance or to reduce the taxable benefit in respect of the right of use of a company vehicle.

- Distributions received from a qualifying REIT company are taxable dividends and should not be disclosed as dividends or interest. REIT distributions should be reflected under code 4238. Where you are not a resident of South Africa for tax purposes and you receive a distribution from a REIT company the distribution will qualify as a dividend which is subject to dividends withholding tax as opposed to income tax.

- Where you have paid the contributions towards a medical aid scheme for a qualifying person you need to disclose this information separately to the contributions paid towards your own medical aid scheme. A qualifying person is essentially a family member whom is dependent on you for family care and support, for example a mother, father, mother-in-law, father-in-law, brother, sister, grandparents, grandchildren. It also includes a person whom is recognised as a dependant of the taxpayer in terms of the rules of the medical aid scheme.

- If you are a beneficiary of a discretionary trust and are in receipt of awards or distributions made by the trustees of such trust the disclosure of such income and or capital is required separately.

Changes to the tax return

In SARS pursuit for continued efficient and effective service delivery especially with regards to the eFiling platform, improvements to the format and content of tax returns are continually done. It is also necessary to update the tax return due to the additional disclosure requirements driven by legislative changes which is largely the case with the new 2019 tax return.

GREATSOFT, the software development company which is a recognised Independent Software Vendor by SARS, has advised of the following changes to the 2019 individual tax return.

ITR12 STANDARD QUESTIONS

1. Interest income:

SARS has changed the wording of this question. Please note SARS has inserted the word **any** and deleted the word **section**. It will now read as follows:

2. Capital Gain / Loss (Excluding amounts received / accrued as a beneficiary of a trust/s, or deemed to have accrued in terms of s7).

SARS has changed the wording in this section; **cryptocurrencies** will be accommodated in this area of the return. It will now read as follows:

Authors note: In April 2018 SARS issued a notice explaining its stance on the tax treatment of cryptocurrencies, namely that it would apply the normal tax principles to cryptocurrencies while the responsibility remains with the taxpayer to declare the gains or losses either as capital or revenue in nature.

PERSONAL DETAILS

1. Marital Status:

The option for **Not Married** will include Single, Divorced and Widow/Widower.

INVESTMENT INCOME

1. SARS has introduced a new form of interest, this will fall under source code 4237 and local interest will exclude SARS interest.

Authors note: Interest payable by and to SARS. Effective from the 2019 tax year interest payable by SARS, generally arising on the assessment of the tax return and due to the overpayment of provisional taxes, is deemed to accrue on the date that the amount is paid to the taxpayer and must therefore be disclosed in the tax return of the tax year of receipt. Similarly, a deduction is now allowed where interest was incorrectly paid to a taxpayer by SARS and he or she was not entitled to such and this interest was included in the taxpayers taxable income but is subsequently repaid to SARS.

FOREIGN TAX CREDITS

1. SARS has deleted source code 4291.

TRUST INCOME INCOME DISTRIBUTED TO THE TAXPAYER / VESTED IN THE TAXPAYER AS A BENEFICIARY OF A TRUST OR DEEMED TO HAVE ACCRUED IN TERMS OF S7

1. SARS has introduced SARS interest (source code 4237) in the local income section.
2. SARS has introduced new **source code 4276 and 4122** in the foreign income section.

CAPITAL GAIN / LOSS

1. SARS will require practitioners to select **source codes** for any disposal made during the course of the year. The primary residence question has been rephrased. These amendments have been made to both the local and foreign capital gain/loss sections.

2. SARS has introduced a section for **Exclusion/Roll-over (excluding annual exclusions)** for both local and foreign capital gain sections.

TAX FREE INVESTMENTS

1. SARS has introduced a new source code **4257** that will cater for other.

MEDICAL DEDUCTIONS

1. SARS has rephrased the wording of source code **4005** and introduced a section for source code **4493**.

OTHER DEDUCTIONS

1. SARS has deleted source code **4032**.
2. SARS has introduced source code **4052 and 4053**.

QUALIFYING CRITERIA FOR S10 (1) (0) (II) EXEMPTION (EXCLUDING S8A/ 8C GAINS AND DIVIDENDS)

1. A new question has been introduced by SARS.

QUALIFYING CRITERIA FOR THE DEDUCTION OF FOREIGN TAXES PAID OR PROVED TO BE PAYABLE TO A FOREIGN GOVERNMENT OF ANY COUNTRY ON ANY SA SOURCED TRADING INCOME (INCLUDING SALARY INCOME).

1. SARS has introduced a new section in the Other Deductions section.

STATEMENT OF LOCAL ASSETS AND LIABILITIES

1. SARS has introduced **cryptocurrencies** in this section.

Conclusion

It is the taxpayers responsibility to register with SARS as a taxpayer and to be aware the obligations to submit a tax return.

If you are unsure whether you qualify to register as a taxpayer or whether you are required to submit a tax return it is recommended that you contact a tax practitioner to assist

you in order to mitigate the risk of any penalties or interest on non-compliance.

ENDS

Kind Regards,

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