Tax guide

What you need to know to prepare for the 2022 SARS Tax Filing Season.

July 2022

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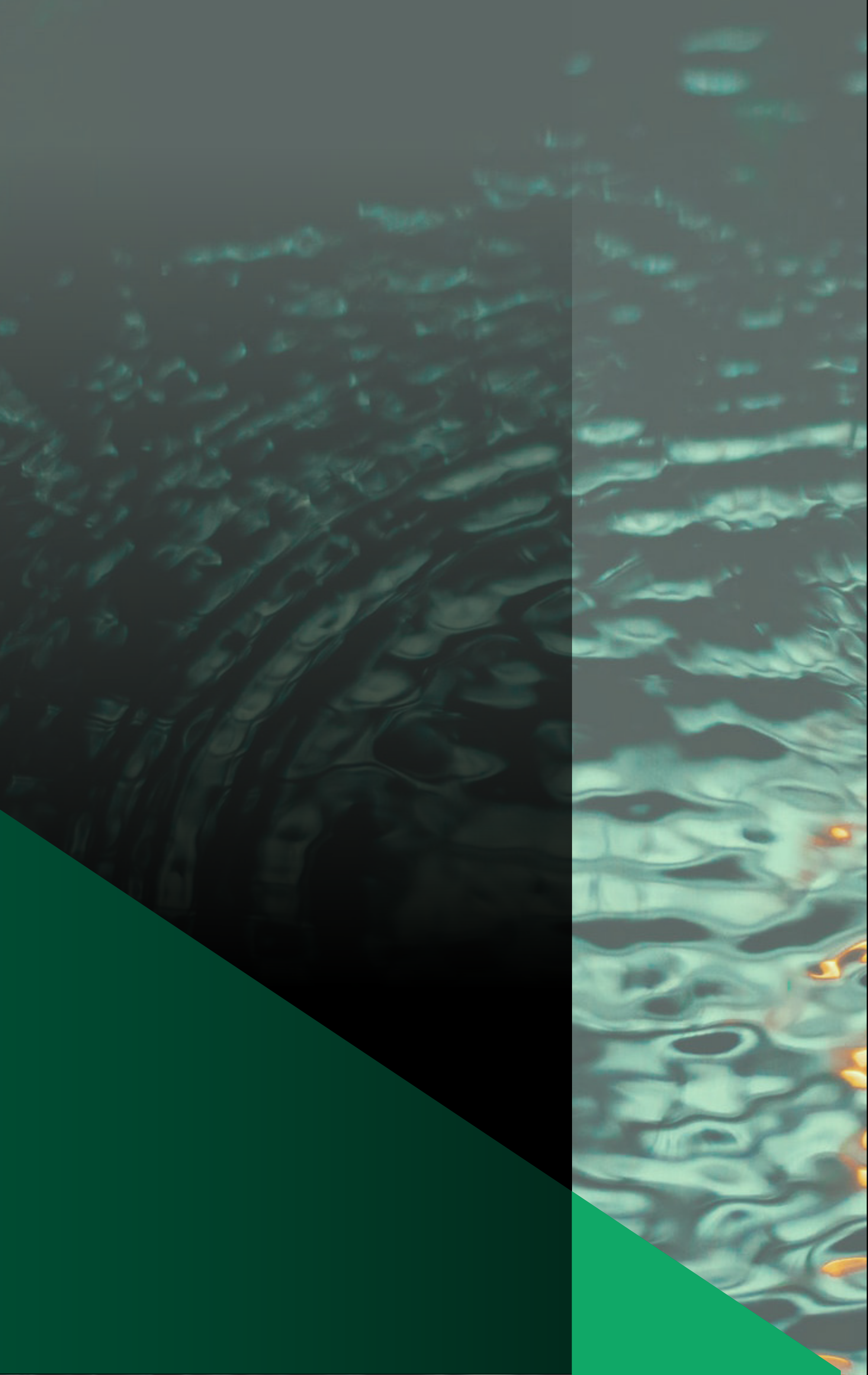

Since 1 January 2001 all South African tax residents have been taxed on their worldwide income, subject to certain exemptions. Income tax returns (ITRs) are submitted on this basis. Non-residents are subject to tax on receipts and accruals derived from sources within South Africa (certain exceptions apply).

Who is affected by the tax season?

On an annual basis the Commissioner of SARS issues a gazetted notice in terms of section 25 of the Tax Administration Act, 28 of 2011, specifying who must submit an ITR for the year of assessment (ie tax year). To view the 2022 Gazette Notice 2130 **click here**.

Who is required to register for income tax and by when?

Every person (including individuals, trusts, companies, and deceased estates) who is liable for any income tax or is required to submit any ITR according to the gazetted notice issued by the Commissioner of SARS must register for income tax. **However, not all persons registered for income tax are required to submit an ITR.**

In this guide

Terms you need to know

<table>
<tr><td>Income tax assessment (ITA)</td><td>A form showing tax due (if any) that SARS issues based on the ITR submitted for the tax year. This may result in a refund to the taxpayer or the amount owing by the taxpayer as an advance amount may have been paid during the year by the employer or through provisional taxes.</td></tr>
<tr><td>Income tax return (ITR)</td><td>A declaration of a person's annual income, certain expenses and information required to determine the person's tax liability for that particular year.</td></tr>
<tr><td>Person</td><td>Any natural person, juristic person (ie company), any trust, an insolvent estate, any deceased estate, or any portfolio of a collective investment scheme.</td></tr>
<tr><td>Taxpayer</td><td>Any person chargeable with any tax leviable under the Income Tax Act, 58 of 1962.</td></tr>
<tr><td>Tax resident</td><td>Resident means either of the following:
1 A natural person who is:
• ordinarily resident in South Africa (you consider South Africa to be your real home); or
• physically present (from 1 March 2005) in South Africa for:
– at least 92 days in the current; and
– each of the preceding five tax years; and
– at least 916 days during the five preceding tax years.
Note: The above days do not need to be consecutive.

Resident excludes:
• A natural person who was previously regarded as a deemed resident, if physically absent from South Africa for a continuous period of at least 330 days from the date of departure.
• A person who is deemed to be exclusively a resident of another country for the purposes of the application of any double taxation agreement.

2 A company or trust that is incorporated, established, formed or has its place of effective management in South Africa.</td></tr>
<tr><td>Non-tax resident</td><td>Any person other than a tax resident (see 'tax resident').</td></tr>
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Taxable income	The amount of your income remaining after having deducted expenses, allowances such as wear and tear, assessed losses as allowed by the Income Tax Act and including taxable capital gain. Your tax liability will be calculated based on this amount.
Taxable turnover	Applicable to qualifying micro businesses having revenue of not more than R1 million per tax year and carried on by an individual (sole proprietor), a company or a close corporation but not a trust.
Provisional tax	An estimated tax paid by a person (called a **provisional taxpayer**) with a non-remuneration income such as rentals or interest that may be subject to an advance payment of tax made in instalments during the tax year. For example, the first payment for individuals is on or before 31 August, the second payment is to be by no later than the last day of tax year, ie 28 or 29 February. A voluntary top-up payment may be made by the end of September, ie seven months after the tax year-end, to avoid interest on any shortfall between the estimated tax liability for the tax year and the actual tax liability determined when the ITR is submitted, and an ITA is issued.
Year of assessment (tax year)	A period of 12 months. For individuals and trusts, the commencement date of the year of assessment is 1 March and ends on 28 or 29 February each year. For companies or close corporations, the year of assessment is the applicable financial year of the company or close corporation.
Controlled foreign company (CFC)	A foreign company where South African shareholders hold more than 50% equity shares or control in the foreign company. The effect of CFC provisions is to attribute income of a CFC on a proportional basis to a South African shareholder's taxable income where that shareholder owns at least 10% equity shares or controlling interest.
Foreign currency	In the case of a South African tax resident person, the currency other than the rand, eg a US dollar or the euro.

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Do you need to submit an income tax return, and by when?

This section explains who needs to submit an income tax return. It also provides the required submission dates.
If you do not submit your ITR by the relevant deadline, you may be liable for an administrative penalty due to non-compliance ranging from R250 to R16 000 a month for each month that the non-compliance continues as set out in the table below. You can ask SARS to waive the penalty, but you will have to provide the reasons to them, and they will consider them.

Amount of administrative non-compliance penalty

	Assessed loss or taxable income for 'preceding year'	Penalty
(i)	Assessed loss	R250
(ii)	R0 – R250 000	R250
(iii)	R250 001 – R500 000	R500
(iv)	R500 001 – R1 000 000	R1 000
(v)	R1 000 001 – R5 000 000	R2 000
(vi)	R5 000 001 – R10 000 000	R4 000
(vii)	R10 000 001 – R50 000 000	R8 000
(viii)	Above R50 000 000	R16 000

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Who you are determines whether you need to submit a return.

A South African tax resident person who during the 2022 tax year (1 March 2021 to 28 February 2022) falls within the following definitions and requirements:

<table>
<tr><th>Who are you?</th><th>Definition and requirements</th><th>Submission dates and how to do this</th></tr>
<tr><td>Individuals</td><td>An individual who:

carried on any trade;
had capital gains or capital losses exceeding R40 000;
held any funds in foreign currency or owned any assets outside South Africa, if the total value of those funds and assets exceeded R250 000;
received any income or capital gains from funds in foreign currency or assets outside South Africa was attributed in terms of the Income Tax Act;
held any participation rights, as referred to in section 72A of the Income Tax Act, in a controlled foreign company;
had taxable turnover;
is issued an income tax return or who is requested by the SARS Commissioner in writing to furnish a return;
has earned gross income that exceeds (at the end of the 2022 tax year) the thresholds in the table below:

Income tax thresholds for year ending 28 February 2022
<table>
<tr><th></th><th>Gross income exceeded</th></tr>
<tr><td>Under the age of 65</td><td>R87 300</td></tr>
<tr><td>Age 65 years but under the age of 75</td><td>R135 150</td></tr>
<tr><td>Age 75 years or older</td><td>R151 100</td></tr>
</table>
However, you are not required to submit an income tax return even though the income thresholds above are exceeded if the gross income consisted solely of one or more of the following:

Remuneration paid or payable from one single source, which remuneration does not exceed R500 000 and with employee tax having been deducted or withheld in terms of the deduction tables prescribed by the SARS Commissioner;
Interest (other than interest from a tax-free investment) from a source in South Africa not exceeding –
</td><td>1 July to 24 October 2022
For taxpayers who file online via eFiling or the SARS MobiApp. Taxpayers who cannot file online can do so at a SARS branch by appointment only.

<u>Provisional taxpayers:</u>
1 July to 23 January 2023
Provisional taxpayers may file via eFiling or the SARS MobiApp. Provisional taxpayers who cannot file online can do so at a SARS branch by appointment only.</td></tr>
</table>

Who are you?	Definition and requirements	Submission dates and how to do this
Individuals (continued)	i. R23 800 in the case of a natural person below the age of 65 years at the end of the tax year; or ii. R34 500 in the case of a natural person aged 65 years or older at the end of the tax year, • and any amount received or accrued from a tax-free investment.	
Trusts	Every trust must submit a return.	**1 July to 24 October 2022** For taxpayers who file online via eFiling or the SARS MobiApp. Taxpayers who cannot file online can do so at a SARS branch by appointment only. <u>Provisional taxpayers:</u> **1 July to 23 January 2023** Provisional taxpayers including trusts may file via eFiling or the SARS MobiApp. Provisional taxpayers who cannot file online can do so at a SARS branch by appointment only.
Estate of a deceased person	1 Every estate of a deceased person that had gross income must submit a return. 2 However, it is not required to submit an ITR if the gross income consisted solely of an interest (other than interest from a tax-free investment) from a source in South Africa not exceeding R23 800.	**1 July to 24 October 2022** For taxpayers who file online via eFiling or the SARS MobiApp. Taxpayers who cannot file online can do so at a SARS branch by appointment only. <u>Provisional taxpayers:</u> **1 July to 23 January 2023** Provisional taxpayers may file via eFiling or the SARS MobiApp. Provisional taxpayers who cannot file online can do so at a SARS branch by appointment only.
Company	All companies need to submit a tax return.	**Within 12 months from the date on which its financial year ends** For taxpayers who file online via eFiling or the SARS MobiApp. Taxpayers who cannot file online can do so at a SARS branch by appointment only. Provisional taxpayers who cannot file online can do so at a SARS branch by appointment only.

A non-resident person who during the 2022 tax year (1 March 2021 to 28 February 2022) falls within the following definitions and requirements:

<table>
<tr><th>Who are you?</th><th>Definition and requirements</th><th>Submission dates and how to do this</th></tr>
<tr><td>Individuals</td><td>An individual who:
carried on any trade (eg property rental);
had capital gains or capital losses mainly from immovable property or a permanent establishment (a branch in South Africa carrying on a business);
had gross income from a source in South Africa during the 2022 year of assessment comprising interest from a source in South Africa to which the exception provisions contained in section 10(1)(h) of the Income Tax Act do not apply;
is issued an income tax return or who is requested by the SARS Commissioner in writing to furnish a return; or
has earned gross income that exceeds (at the end of the 2022 tax year) the thresholds in the table below:
Income tax thresholds for year ending 28 February 2022<table><tr><th></th><th>Gross income exceeded</th></tr><tr><td>Under the age of 65</td><td>R87 300</td></tr><tr><td>Age 65 years but under the age of 75</td><td>R135 150</td></tr><tr><td>Age 75 years or older</td><td>R151 100</td></tr></table>However, you are not required to submit an income tax return even though the income thresholds above are exceeded if the gross income consisted solely of dividends and the natural person was a non-resident throughout the 2022 tax year.</td><td>1 July to 24 October 2022
For taxpayers who file online via eFiling or the SARS MobiApp. Taxpayers who cannot file online can do so at a SARS branch by appointment only.

<u>Provisional taxpayers:</u>
1 July to 23 January 2023
Provisional taxpayers may file via eFiling or the SARS MobiApp. Provisional taxpayers who cannot file online can do so at a SARS branch by appointment only.</td></tr>
<tr><td>Trust or another juristic person</td><td>Trust or another juristic person who:
carried on a trade through a permanent establishment in South Africa;
derived income from a source in South Africa;
had capital gains or capital losses mainly from immovable property or a permanent establishment (a branch in South Africa carrying on a business);
received gross income from a source in South Africa during the 2022 year of assessment comprising interest from a source in South Africa to which the exception provisions contained in section 10(1)(h) of the Income Tax Act do not apply; or
is issued an income tax return or who is requested by the SARS Commissioner in writing to furnish a return.</td><td>1 July to 24 October 2022
For taxpayers who file online via eFiling or the SARS MobiApp. Taxpayers who cannot file online can do so at a SARS branch by appointment only.

<u>Provisional taxpayers:</u>
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Provisional taxpayers including trusts may file via eFiling or the SARS MobiApp. Provisional taxpayers who cannot file online can do so at a SARS branch by appointment only.</td></tr>
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Who are you?	Definition and requirements	Submission dates and how to do this
Company	A company that: • carried on a trade through a permanent establishment in South Africa; • derived income from a source in South Africa; • had capital gains or capital losses mainly from immovable property or a permanent establishment (a branch in South Africa carrying business); • had gross income from a source in South Africa during the 2022 year of assessment comprising interest from a source in South Africa to which the exception provisions contained in section 10(1)(h) of the Income Tax Act do not apply; or • is issued an income tax return or who is requested by the SARS Commissioner in writing to furnish a return.	**Within 12 months from the date on which its financial year ends** For taxpayers who file online via eFiling or the SARS MobiApp. Taxpayers who cannot file online can do so at a SARS branch by appointment only. Provisional taxpayers who cannot file online can do so at a SARS branch by appointment only.

What documents do you need to complete an income tax return?

Below is a list of some of the documents you may need:

1 **Salary (remuneration) or lump sum certificates:**
   a IRP5 – your employee tax certificate for remuneration received; or
   b IT3(a) for lump sums from your employer, pension fund, provident fund or retirement annuity fund.

2 **Documents relating to donations for charities:**
   a A valid section 18A certificate provided by an s18A-approved organisation.
   b If the donation was made through your employer, the IRP5 certificate will be sufficient.
   The amount donated through your employer will be reflected on your IRP5 against code 4011 and will therefore be prepopulated under 'Employee Tax Certificate Information [IRP5/IT3 (a)]' on your return.

3 **Certificates received for local interest, foreign interest income and foreign dividend income:**
   IT3(b) certificates (or transaction statement for the full period).

4 **Certificate for capital gains or losses, realised from local and/or foreign assets:**
   IT3(c) certificates (or transaction statement for the full period).

5 **Documents relating to medical expenditure:**
   a The tax certificate received from your medical scheme for the period 1 March 2021 and ending 28 February 2022 (if you belong to a medical scheme and you are the main member).
   b Proof of qualifying medical expenses paid by you and **not** recovered from a medical scheme.
   c Completed ITR-DD Confirmation of Diagnosis form (if you want to claim disability-related expenses).

6 **Other documents such as invoices, contracts of sale, and purchases to support your income and expenditure.**

Tax certificates from us that may be helpful.

You should receive the relevant tax certificates relating to your investments. Please speak to your wealth advisor (wealth manager, financial planner, private banker, structured lender) to get copies of these if you don't receive them.

How to complete your income tax return

If you are required to submit an ITR, you may need to complete it yourself or SARS may advise you that you are automatically assessed based on the prepopulated information SARS receives from third party information providers such as us, ie a bank, and investment manager or stockbroker. SARS issues an ITA once the ITR has been submitted or once you have been automatically assessed.

Additional resources to help you:

1 SARS website, for guidance on how to file an ITR.
2 Nedbank Private Wealth tax directory for additional tax guidance.

Why must your ITR be complete and accurate?

If incomplete information is provided in your ITR, it leads to a substantial understatement of your income or non-disclosure of material facts in your ITR and you may be liable to understatement penalties and interest depending on the gravity of the situation and your behaviour according to the table on the following page.
Note: Ordinarily, once you have submitted your ITR and SARS issues you an ITA and a three-year period lapses, you can obtain comfort that SARS cannot reopen such an assessment. This is known as the ITA having prescribed (ie a three-year period having passed). However, when incomplete information is provided, you do not obtain this certainty and, irrespective of the timeframe, SARS can challenge previous ITAs.

You should remember that the onus of proof to ensure that the ITR submitted and/or ITA issued is complete and correct falls on you as the taxpayer, even if you were notified of an automatic assessment by SARS.

If you would like to take a particular tax position (where differing views may apply) when completing your ITR, or if you are uncertain, it is prudent to consult a legal (tax) advisor or tax practitioner before submitting your ITR as this will help you avoid penalties should SARS take a different view.

Understatement penalty percentage table

	Behaviour	Standard case	If obstructive, or if it is a 'repeat case'	Voluntary disclosure after notification of audit or criminal investigation	Voluntary disclosure before notification of audit or criminal investigation
(i)	'Substantial understatement'	10%	20%	5%	0%
(ii)	Reasonable care not taken in completing return	25%	50%	15%	0%
(iii)	No reasonable grounds for 'tax position' taken	50%	75%	25%	0%
(iv)	'Impermissible avoidance arrangement'	75%	100%	35%	0%
(v)	Gross negligence	100%	125%	50%	5%
(vi)	Intentional tax evasion	150%	200%	75%	10%

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What can you do if you disagree with your income tax assessment as issued by SARS?

If you disagree with the ITA from SARS and you submitted your ITR via the SARS eFiling or via a branch, you should consider the following:

1 Requesting a correction on an ITR (if you are still able to access it via eFiling) of an error or visit a branch.
Some examples where you should request for correction are where:
   a you have been advised that your capital gains or losses – IT3(c) tax certificate supplied to you and SARS by your investment manager or stockbroker – changed subsequent to you submitting the ITR; or
   b you omitted foreign income and capital gains supplied to you by your international (foreign) investment manager or stockbroker who (as a third-party information provider) does not submit any information to SARS for prepopulation.

   You will be required to provide supporting documents to support your request for a correction as follows:
   - Under 1(a) above, you will need to provide a revised IT3(c) and/or a letter stating the reasons for the change from your investment manager or stockbroker and whether SARS has also been provided with this updated information from the provider. Please note that SARS is unlikely to automatically repopulate your ITR and reissue an ITA without receiving a request for a correction.
   - Under 1(b) above, you will need to provide an IT3(c) (if available) or a transaction statement for the full tax year.

2 Where the request for a correction of error function is no longer available (via eFiling or the branch), you should consider following the **appropriate dispute resolution process**, including lodging an objection.

3 After having submitted your ITR and SARS has issued you an ITA, should you discover a substantial understatement of income, you should consider applying for the Voluntary Disclosure Programme (VDP). The purpose of the VDP is to allow taxpayers an opportunity to regularise their tax affairs with SARS. SARS will either reduce or waive understatement penalties where you sign a VDP agreement with SARS. Taxpayers must voluntarily apply to SARS to disclose their defaults or non-compliance. For details of dispute resolution click here.

How can we help you?

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If you need any assistance with the completion of your tax returns, please speak to your tax practitioner or wealth advisor (wealth manager, financial planner, private banker or structured lender).
If you don't have a tax practitioner, you can speak to your wealth advisor about getting in touch with the tax compliance team at Nedgroup Trust.

You can also contact SARS:
1 via eFiling or the SARS MobiApp; or
2 by booking an appointment at a SARS branch.

Learn more about Nedbank Private Wealth and become a client.

Learn more about how we can help you connect your financial decisions to the future you want with our globally integrated advice.
Read our brochure.

Become a Nedbank Private Wealth client if you:
- earn a personal income of more than R1,5 million per year; or
- have investable assets with a value of at least R5 million, excluding the property you live in.

These qualifying criteria apply to our banking, investment, fiduciary and philanthropy offerings only.

If you would like more information, please complete our online contact form.

If you are interested in our stockbroking services, please contact us here .

If you don't meet the qualifying criteria for Nedbank Private Wealth or would like to explore alternative offerings, Nedbank has a range of investment solutions to suit your needs. Find out more about the different ways that we can connect you to more with our financial planning advice.

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