



TIPS WITH YOUR TAX RETURN

Believe it or not your tax return is due again. The deadline for paper forms is September 18, and November 20 for e-filing.

This year SARS has customized your return. Once you have requested your return it should be populated with the information at the disposal of SARS. This includes your personal information and information received from you employer.

The first decision you need to make is: Do you have to submit a tax return? If you earn less than R120 000 for the full year from one employer and have no additional deductions you want to claim for, then you don't have to submit a tax return.

The next decision is: Do you want to file you tax return manually or the electronic route? If you select manual you need to request a return. The form will be pre-populated as stated above in pink. You need to verify your information changes with black ink or draw a line through it if it is no longer relevant.

If you select e-filing you will find your return already populated with your personal and financial information. You can then complete the questionnaire and file it electronically. You should check the pre-populated information and make changes where necessary. An easy way to check for missing information is to click "print". A window will pop up if there are any blank fields.

PRACTICAL GUIDE ON CERTAIN KEY ISSUES TO COMPLETE YOUR RETURN

General Completion Tips

- Ensure that the pre-populated tax return details are correct. Check your name, surname, date of birth, physical and postal address, banking details (account number and branch number). Also check the information provided by employers on IRP5 and IT3 (a);
- Ensure you provide your bank name and branch name. This section must be completed or the form will be rejected;
- When using a passport number as the identification document, a country code must be provided for the country where the passport was issued. There is a comprehensive country code guide on the SARS website; and
- There are new fields under the travel allowance claim section — these include details of the make and model of your vehicle and year of manufacture.

Income Tips

Ensure all your income received is declared. SARS will be completing the income you received from your employer based on the information submitted by your employer.

If you have worked for more than one employer then your return should reflect a page for each one.

If you have received commission income your employer is obliged to deduct tax unless the recipient is a resident carrying on an independent trade. The provisions in the Income Tax Act relating to independent contractors were changed with effect from 1 March 2007.

Investment Income Tips

You need to declare all income from investments. This includes local interest, foreign interest and foreign dividends. In this section you will also declare any withholding tax on foreign investments of foreign dividends if applicable.

If you are married in community of property, show 100 percent of the investment income received and SARS will split the income equally between spouses.

If any investment income is excluded from a communal estate, mark the box with an "X" and include this amount in the total amount of investment income declared.

Note that any foreign income must be converted to Rand. The SARS website has a table for the average exchange rate, which can be used to convert foreign currencies into Rand.

Capital Gains Tips

All capital gains must be declared. Local and foreign transactions should be declared separate.

Once you have disposed of an asset any capital gain is taxable. A disposal normally occurs when you change your residence, the conversion of an asset from a capital asset to a trading stock (or visa versa) or when you sell shares as well as some other events relating to the sale of assets. As an individual 25 percent of the gain is subject to tax.

Some assets are exempt such as:

- The first R1.5 million of your gain or loss of your primary residence;
- Personal used assets;
- Any retirement savings;
- Profit made from life assistance policies;
- Any gains as a result of compensation;
- Gains or losses made as a result of the sale of foreign currency level left over from your travel allowance;

- Gains and losses made from any legal gambling (including the lotto);
- Donations to public benefit organisations; and
- Transfer of assets between spouses/partners.

Each disposal must be reflected separately in the return and requires the information relating to the proceeds, base cost, exclusion (where applicable) and the gain or loss.

Employee share incentive schemes

You may be subject to income tax when you acquire shares from your employer or from an employee share purchase trust set up by your employer. Any gain or loss in respect of shares so acquired is determined in accordance with special rules contained in Sections 8A, 8B and 8C of the Income Tax act. These rules are complex and a full discussion of them is beyond the scope of this guide. Your employer will usually determine the gain or loss and deduct the required amount of employees' tax (PAYE). The gain or loss will be reflected on your IRP 5 employees' tax certificate.

If you have to pay capital gains tax you need to ensure that you complete your return correctly. If you are not sure get professional advice.

DEDUCTIONS

Medical expenses

On the medical expenses page indicate the number of members covered on your medical aid each month.

If your medical aid contributions were made by your employer, complete code 4040 as 0 (zero) on the page where medical deductions are reflected. If medical contributions are paid personally code 4040 should reflect the contributions paid. Complete other medical expenses not covered by the medical aid under code 4020.

If you did not belong to a medical aid fund you must add together the receipts for qualifying medical expenses actually paid and insert this amount next to the code 4020.

If you, your spouse or child has a disability the amount of expenditure must be filled in next to code 4022.

Retirement and income protection contributions

Your current pension fund contributions should be reflected on your return as well as current and arrear retirement annuity contributions.

If you have made any contributions to protect your income use the amount on the certificate provided by the institution to enter in next to code 4018.

Travel allowance

You can claim either on the deemed or actual mileage.

For actual mileage, a logbook is required. Ensure it contains the following information:

- Date on which the travel took place;
- Destination to and from;
- Kilometres travelled; and
- The reason for traveling.

For deemed travel the first 18 000 kilometres travelled will be deemed as private travel. The total travel claim will be limited to 32 000 kilometres.

To claim travel expenses, provide the following information: cost price or cash value of the vehicle (includes VAT and excludes finance charges); start and end dates of travel allowance; opening and closing mileage (odometer reading); total kilometres travelled and business kilometres.

NB! It is compulsory to keep a “log book” as from 1 March 2009.

A Person who derives income from “employment” is entitled to claim the following expenses – Section 23(m) of the act:

Note: The restrictions contained in s 23(m) do not apply to a person who is an agent or representative who normally derives his income mainly in the form of commissions based on his sales or turnover.

Section 23(m) limits the section 11 deductions in respect of expenditure, losses or allowances which relate to employment (or the holding of office) to the following:

Deductions in respect of domestic premises which are not disallowed under section 23(b);

- Contributions to a pension fund – s 11(k);
- Contributions to a retirement annuity fund – s 11(n);
- Legal fees – s 11(c);
- Bad debts – s 11 (i);
- Doubtful debts – s 11(j);
- Wear and tear – s 11(e);

Premiums paid in terms of an insurance policy to the extent that it covers the person against loss in income as a result of injury, illness, disability or unemployment – s 11(a). [The proceeds from such policy must constitute income in the taxpayers hands].

In addition to the deductions listed above such persons may also deduct:

- Medical expenses in terms of s 18; and
- Donations to PBO's (Public Benefit Organisations) in terms of s 18A.

Should you qualify for any of the abovementioned expenses and you are unsure how to claim the expense we recommend that you refer the matter to a Tax Practitioner or SARS.

(Source: Money Brief Newsletter)