

Personal and Business Income Tax for Bookkeepers

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Course Outline

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The webinar will cover the following topics:

Personal Income Tax.

- Registration.
- Calculation.
- Filing with SARS.
- Penalties.

Course Outline

Corporate Income Tax.

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Taxation of a Small Business Corporation.

- Qualification as an SBC.
- Advantages.
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Learning objectives

Attending this webinar will equip you with knowledge on the following crucial competencies:

- How to register for income tax.
- How to calculate personal and corporate income tax;
- Knowledge of tax returns to be submitted to SARS and when they must be submitted.
- Knowledge of penalties meted out by SARS for late or non-submission of returns.
- Awareness and understanding of the latest income tax updates.

Quote:

The secret to success is to be ready for your opportunity when it comes.

- Benjamin Disraeli

Session One – Personal Income Tax

Introduction

General Information

What is (Personal) Income Tax?

Income Tax is the normal tax which is paid on your taxable income.

Examples of Taxable Income include:

- Remuneration
- Profit or losses from a business or trade
- Trust Income (Beneficiaries)
- Board / Director's Fees
- Investment Income
- Rental Profits or losses
- Royalties
- Annuities
- Pension, etc.

Remuneration

Remuneration means any amount of income which is paid or is payable (whether in cash or otherwise) to any person by way of any:

- Salary
- Wage
- Bonus
- Commission
- Emolument
- Leave Pay
- Overtime Pay
- Gratuity
- Pension
- Allowance (Stipend/Retiring/superannuation, etc.)

Definition Cont.

Remuneration includes:

- annuities,
- restraint of trade payments,
- 80%/20% of any travel allowance,
- 80%/20% of the cash equivalent of the user of motor vehicle fringe benefit,
- any amount received for services rendered by virtue of any employment or the holding of any office,

Who must pay (personal) income tax?

You are liable to pay income tax if you earn more than:

For the 2022 year of assessment (1 March 2021 – 28 February 2022)

- R87 300 if you are younger than 65 years.
- If you are 65 years of age to below 75 years, the tax threshold (i.e. the amount above which income tax becomes payable) is R135 150.
- For taxpayers aged 75 years and older, this threshold is R151 100.

Who must pay (personal) income tax?

You are liable to pay income tax if you earn more than:

For the 2021 year of assessment (1 March 2020 – 28 February 2021)

- R83 100 if you are younger than 65 years.
- If you are 65 years of age to below 75 years, the tax threshold (i.e. the amount above which income tax becomes payable) is R128 650.
- For taxpayers aged 75 years and older, this threshold is R143 850.

Submission of a personal income tax return:

You do not need to submit a return if:

- Your total employment income / salary for the year (March 2020 to February 2021) before tax (gross income) was not more than R500 000; and
- You only received employment income / salary for the full year of assessment (March 2020 to February 2021) from one employer; and
- You have no car allowance/company car/ travel allowance or other income (e.g. interest or rental income); and
- You are not claiming tax related deductions/rebates (e.g. medical expenses, retirement annuity contributions other than pension contributions made by your employer, travel).

Submission of a personal income tax returns:

When should it be submitted?

1 July to 23 November 2021:

- Taxpayers who file online
- Taxpayers who cannot file online can do so at a SARS branch by appointment only.

Submission of a personal income tax returns:

Supporting Documents:

- IRP5 / IT3a Certificate
- Certificates you received for local interest income earned.
- Any other documentation relating to income received or accrued
- Details of medical expenses paid and medical scheme contributions made.
- The relevant certificates reflecting your retirement annuity fund contributions made.
- A logbook and other documents in support of business travel expenses
- Any other documentation relating to the allowable deductions you wish to claim.

Tax Deductions

Definitions

Statutory Limits

The total annual deduction for any contributions (including buy-back & voluntary contributions) towards retirement funds are limited to the lesser of:

- 27.5% of remuneration (excluding severance benefits and retirement fund lump sums), or
- R350 000.

Medical Tax Credits

Definitions

Medical Tax Credits

Medical scheme fees tax credits are allowed as rebates, reducing the PAYE liability of an individual.

The medical tax credits consist of a two-tier system:

- medical scheme fees tax credit, and
- additional medical expenses tax credit.

Definitions

Medical Tax Credits

The monthly medical scheme fees tax credit amounts are:

- R332 for the main member,
- R332 for the first dependant, and
- R224 for each additional dependant.

Monthly Reconciliation and Payments

Accounting for PAYE

- Payments must be made before or on the seventh day of the next month.
- The EMP201 (monthly declaration) serves as a remittance advice.
- If the 7th falls on a weekend or public holiday, the payment must be made before or on the last business day before the weekend or public holiday.

Annual Reconciliation and Tax Certificates

Accounting for PAYE

- In terms of the Fourth Schedule to the Income Tax Act, an employer must submit a tax certificate (EMP501) to SARS at the end of the tax year for every employee as defined above.
- IRP5(a)'s must be issued for those employees from whom employees' tax has been withheld during the tax year, and IT3(a)'s for those employees from whom no employees' tax has been withheld.

Employment Tax Incentives (ETI)

Employment Tax Incentive

- The Employment Tax Incentive Act came into effect on 1 January 2014.
- The initial effective period was three years but it was extended to end on 28 February 2029.

Employment Tax Incentive

Monthly Remuneration	First 12 Incentive Months	Next 12 Incentive Months
R 0 – R1 999.99	50% of Monthly Remuneration	25% of Monthly Remuneration
R 2 000 – R4 499.99	R 1 000	R 500
R 4 500 – R6 499.99	Formula: R1 000 – (0.5 x (Monthly Remuneration – R4 500))	Formula: R500 – (0.25 x (Monthly Remuneration – R4 500))

Unemployment Insurance Fund (UIF)

Unemployment Insurance Fund

UIF Contributions

- If the employee is not excluded as an employee, then both the employer and the employee must contribute monthly at a rate of 1% of UIF remuneration up to the current limit.
- Employees earning over the current limit of R17 712 per month must pay contributions at the limited amount.
- If the employer is registered with SARS for PAYE purposes, the UIF contribution must be paid to SARS, otherwise to UIF.

Skills Development Levies (SDL)

Skills Development Levy

Skills development levies are paid on a monthly basis to SARS at a rate of 1% of the leviable amount.

Tax Tables: 2021/22

Tax Tables: 2021/22

2022 tax year (1 March 2021 – 28 February 2022)

– See the changes from the previous year

Taxable income (R)	Rates of tax (R)
1 – 216 200	18% of taxable income
216 201 – 337 800	38 916 + 26% of taxable income above 216 200
337 801 – 467 500	70 532 + 31% of taxable income above 337 800
467 501 – 613 600	110 739 + 36% of taxable income above 467 500
613 601 – 782 200	163 335 + 39% of taxable income above 613 600
782 201 – 1 656 600	229 089 + 41% of taxable income above 782 200
1 656 601 and above	587 593 + 45% of taxable income above 1 656 600

End of Session One

Break

Session Two

Corporate Income Tax

Session Outline

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General Information

What is Corporate Income Tax?

- Corporate Income Tax (CIT) is a tax imposed on companies resident in the Republic of South Africa i.e. incorporated under the laws of, or which are effectively managed in, the Republic, and which derive income from within or outside the Republic.
- Non-resident companies which operate through a branch or which have a permanent establishment within the Republic are subject to tax on all income from a source within the Republic.

CIT: General Information

Who is it for?

CIT is applicable (but not limited) to the following companies which are liable under the Income Tax Act, 1962 for the payment of tax on all income received by or accrued to them within a financial year:

- *Listed public companies
- *Private Companies
- *Co-operatives
- *Body Corporates
- *Dormant Companies
- *Small Business Corporation (s12E)
- *Unlisted public companies
- *Close Corporations
- *Collective Investment Schemes
- *Share Block Companies
- *Public Benefit Companies

CIT: General Information

Filing Requirements

For the year of assessment, the filing requirements are as follows:

- Every company or other juristic person, which is a resident that:-derived gross income of more than R1 000
- held assets with a cost of more than R1 000 or had liabilities of more than R1 000 at any time during the year of assessment
- derived any capital gain or capital loss of more than R1 000 from the disposal of an asset to which the Eight Schedule of the Income Tax Act applies, or
- had taxable income, an assessed loss or an assessed capital loss must submit a return.

CIT: General Information

Calculation

- Corporate Income Tax is payable at a rate of 28%.
- Trusts: 45%
- Personal Liability Companies: 33%

CIT: General Information

When should CIT be paid?

Provisional Tax

- First payment (IRP6) – within six months from the beginning of the year of assessment
- Second payment (IRP6)– on or before the last day of the year of assessment
- Third payment (ITR14) – seven months after the year of assessment for taxpayers with February year-end and six months after year of assessment for all other cases

Taxation of a Small Business Corporation

Small Business Corporation Tax (SBC Tax)

Qualifying Criteria:

- All shareholders or members are natural persons.
- All shareholders hold no shares in any other private company.
- All members hold no members' interest in any other Close Corporation.
- Gross income for the year of assessment does not exceed R20 million.
- Not more than 20% of the gross income and all the capital gains consist collectively of investment income and income rendering a personal service.

Small Business Corporation Tax (SBC Tax)

Financial years ending on any date between 1 April 2021 and 31 March 2022:

Taxable Income (R)	Rate of Tax (R)
1 – 87 300	0% of taxable income
87 301 – 365 000	7% of taxable income above 87 300
365 001 – 550 000	19 439 + 21% of taxable income above 365 000
550 001 and above	58 289 + 28% of the amount above 550 000

Turnover Tax

Turnover Tax

What is it?

- Turnover tax is a simplified system aimed at making it easier for micro business to meet their tax obligations.
- The turnover tax system replaces Income Tax, VAT, Provisional Tax, Capital Gains Tax and Dividends Tax for micro businesses with a qualifying annual turnover of R 1 million or less.
- A micro business that is registered for turnover tax can, however, elect to remain in the VAT system (from 1 March 2012).

Turnover Tax

Financial years ending on any date between 1 March 2021 and 28 February 2022:

Taxable Income (R)	Rate of Tax (R)
1 – 335 000	0% of taxable turnover
335 001 – 500 000	1% of taxable turnover above 335 000
500 001 – 750 000	1 650 + 2% of taxable turnover above 500 000
750 001 and above	6 650 + 3% of taxable turnover above 750 000

Rate of Interest (from 1 August 2020)

Description	Rate
Fringe benefits - interest-free or low-interest loan (official rate)	4.5% p.a.
Late or underpayment of tax	7% p.a.
Refund of overpayment of provisional tax	3% p.a.
Refund of tax on successful appeal or where the appeal was conceded by SARS	7% p.a.
Refund of VAT after prescribed period	7% p.a.
Late payment of VAT	7% p.a.
Customs and Excise	7% p.a.

End of Session Two