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# Turnover Tax

[www.sars.gov.za](http://www.sars.gov.za)  
0800 00 7277

 **SARS**  
At Your Service

## Introduction

Turnover tax for micro businesses is for businesses with a qualifying turnover of up to R1 million per annum. Its purpose is to assist micro businesses by reducing the tax burden normally associated with other types of tax. Qualifying micro businesses are able to choose between turnover tax and normal income tax.

## What is turnover tax?

Turnover tax is a simplified system aimed at making it easier for micro businesses to meet their tax obligations. Turnover tax replaces income tax, Value-Added Tax (VAT), provisional tax, capital gains tax and dividends tax for qualifying micro businesses. Turnover tax is optional, meaning that a micro business can decide if it wants to use it or the normal income tax system. You may, however, elect to remain in the VAT system if you feel it is in your best interest to do so.

## Who is it for?

Micro businesses with an annual qualifying turnover of R1 million or less may qualify. The following taxpayers may qualify:

- Individuals (sole proprietors)
- Partnerships (the benefit is in the hands of the individual partners)
- Close corporations
- Companies
- Co-operatives

## How do I register for turnover tax?

Qualifying micro businesses can register by completing and submitting a Turnover Tax Application form (TT01) which is available on the SARS website and at your nearest SARS branch.

## When and how should an application for registration be submitted?

The TT01 application form must be submitted before the beginning of a year of assessment (a year of assessment runs from 1 March to 28 February), or a later date that may be determined by the Commissioner in a Government Gazette.

The timing differs slightly for new registrations and existing registered businesses:

- If a new micro business starts trading during a year of assessment and wishes to register for turnover tax, the application must be submitted within two months from the date that the business started
- Existing businesses can register for or switch to turnover tax before the start of a new tax year.

You can hand in the completed TT01 application form at your nearest South African Revenue Service (SARS) branch or post it to:

SARS Revenue Branch Office  
PO Box 1003  
Alberton  
1450

SARS will send you a letter reflecting the outcome of the application. Where the submitted TT01 application form is incomplete, you will be informed and the application will be re-considered once all of the information has been provided.

### **What are the benefits of turnover tax?**

The major benefits for micro businesses under the turnover tax system is a reduced administrative and compliance burden as well as reduced tax rates. The reason for reduced tax rates is that tax is calculated on taxable turnover instead of taxable income. The calculations below show tax savings for micro businesses that are utilising the turnover tax system.

To highlight the benefits of turnover tax with regard to tax payable, a comparative figure is also provided with regard to tax payable on taxable income within the normal income tax system. Please note for purposes of the personal income tax calculation, the tax payable is after taking the primary tax rebate based on a person not older than 65 years of age (R13 257.00 for the 2016 year of assessment) into account.

The calculations below are based on the following tax rates:

### **Turnover tax rates for micro businesses for the 2016 year of assessment**

<b>Total annual turnover</b>	<b>Total annual tax payable</b>
0 – 335 000	0%

335 001 – 500 000	1% of the amount above 335 000
500 001 – 750 000	1 650 + 2% of the amount above 500 000
750 001 and above	6 650 + 3% of the amount above 750 000

### Corporate tax rate for the 2016 year of assessment

28% on taxable income

### Personal income tax rate for the 2016 year of assessment

Total annual turnover	Total annual tax payable
0 – 181 900	18%
181 901 – 284 100	32 742 + 26% of the amount above 181 900
284 101 – 393 200	59 314 + 31% of the amount above 284 100
393 201 – 550 100	93 135 + 36% of the amount above 393 200
550 101 – 701 300	149 619 + 39% of the amount above 550 100
701 301 and above	208 587 + 41% of the amount above 701 300

### Tax calculations

In the case of an **individual/sole proprietor** who has a taxable turnover of R600 000 per annum versus a taxable income of R600 000 per annum:

- If registered for turnover tax: tax payable: R3 650
- If not registered for turnover tax: tax payable: R155 823

In the case of a **company** which has a taxable turnover of R600 000 per annum versus a taxable income of R600 000 per annum:

- If registered for turnover tax: tax payable: R3 650
- If not registered for turnover tax: tax payable: R168 000

### How do I make a turnover tax payment?

Using the tax tables above, calculate the amount payable for a specific period. You need to complete a Payment Advice for turnover tax (TT02) form and submit it on 31 August and again on 28/29 February. Payments can be made via Electronic Funds Transfer (EFT) or at any Absa, FBN, Nedbank

and Standard Bank. The TT02 form is available on the SARS website and your nearest SARS branch.

### **Which form do I need to complete annually?**

You need to complete and submit the Turnover Tax Return (TT03) form once a year. The form is available on the SARS website and at your nearest SARS branch.

The TT03 can be submitted at your nearest SARS branch or by post to:

SARS Revenue Branch Office  
PO Box 1003  
Alberton  
1450

### **Assessment of taxable turnover: What happens after I submit my TT03?**

The turnover tax liability of the business for the year of assessment will be calculated by applying the appropriate rate from the turnover tax table above.

Interim payments made by the business by the last day of August and the last day of February of the year of assessment should be sufficient to cover turnover tax liability in full. However, if there is an excess or a shortfall, this will be refunded or recovered by SARS on assessment and you will be informed of the outcome of the assessment.

### **What records should I keep?**

One of the advantages of turnover tax is the reduced record-keeping requirements. However, the following records must still be kept:

- Records of all amounts received
- Records of all dividends received
- A list of each asset with a cost price of more than R10 000

### **Can I deregister from turnover tax?**

Deregistration of a micro business from turnover tax is either done on a voluntary or compulsory basis.

- A **voluntary deregistration** is where the taxpayer still qualifies as a micro business for turnover tax purposes but after registering for turnover tax, realises that the normal tax system will be more suitable to their specific needs. Deregistration is done at the beginning of a year of assessment or a later date during the year as may be prescribed by the Commissioner by notice in a Government Gazette. The deregistration will then be

effective from the beginning of that year of assessment.

- A **compulsory deregistration** is where the taxpayer no longer qualifies as a micro business as it no longer meets all the requirements. For instance, if a business makes more than R1 million qualifying turnover, it no longer qualifies. Should a business registered for turnover tax no longer qualify for the system, that micro business must notify SARS within 21 days from the date on which it no longer qualifies as a micro business. SARS will then register the taxpayer on the normal tax system.

**It must be noted that once you leave the turnover tax system, you are never allowed back into it.**

### More information

If you would like further information on turnover tax please visit the Small Business Desk at your nearest SARS branch, visit the SARS website [www.sars.gov.za](http://www.sars.gov.za) or call the SARS Contact Centre on 0800 00 SARS (7277).

### DISCLAIMER

The information contained in this leaflet is intended as guidance only and is not considered to be a legal reference, nor is it a binding ruling. The information does not take the place of legislation and readers who are in doubt regarding any aspect of the information displayed in the leaflet should refer to the relevant legislation, or seek a formal opinion from a suitably qualified individual. This leaflet also does not reflect the qualifying requirements that need to be met in order to be allowed into the turnover tax system.

For more information on turnover tax you may –

- Visit the SARS website [www.sars.gov.za](http://www.sars.gov.za);
- Visit your nearest SARS branch;
- Contact your registered tax practitioner;
- Contact the SARS National Contact Centre –
  - o If calling locally, on 0800 00 SARS (7277); or
  - o If calling from abroad, on +27 11 602 2093 (only between 8am and 4pm South African time).