EXTERNAL GUIDE

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1 OVERVIEW

The introduction of Turnover Tax is part of Government’s broader mandate to encourage entrepreneurship and to create an enabling environment for micro businesses to be profitable, sustainable and to grow. For more information on this please refer to the Draft Tax Guide for Micro Businesses on the SARS website (www.sars.gov.za).

Turnover Tax was introduced for micro businesses with a qualifying turnover of R1 million or less per annum and came into effect for years of assessment commencing on or after 1 March 2009. The objective of this is to streamline tax compliance requirements for micro businesses and to reduce the administrative burden, thereby reducing the overall cost of complying with tax obligations.

- Please note that any reference to a section in this guide, unless otherwise specified, refers to a section of the Income Tax Act No. 58 of 1962 (the Act).
- Where reference is made to an Act other than the Income Tax Act, it will be specified.
- Any reference to a paragraph in this guide, unless otherwise specified, refers to the Sixth Schedule to the Act.

2 APPLICATION FOR TURNOVER TAX

2.1 Application form

- To register as a micro business for Turnover Tax, a TT01 application form must be completed in full.

Note: certain fields are mandatory and if not completed will result in the automatic rejection of the application.

- This application form can be obtained through the following channels:
  - The SARS website www.sars.gov.za > Types of Tax > Turnover Tax;
  - At any SARS branch.

- TT01(a) – Application for Turnover Tax form (Manual Completion) can be printed and completed at home and be submitted to SARS.

- TT01 – Application for Turnover Tax form (Online completion) will require the taxpayer to complete the mandatory fields before printing it out to be submitted to SARS.

- This completed TT01 application form must be submitted to a SARS branch or via post to the following addresses:

<table>
<thead>
<tr>
<th>Postal address</th>
<th>Physical Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>P.O.Box 436</td>
<td>7 Protea Street</td>
</tr>
<tr>
<td>Pretoria 0001</td>
<td>Centurion Pretoria</td>
</tr>
<tr>
<td></td>
<td>0157</td>
</tr>
</tbody>
</table>

- The eFiling option is not yet available for submission of the Turnover Tax(TT01) Application Form.
• When requesting a TT01 application form, you will be required to complete the Quick Test screen before a form can be created.

Note: If the answer to any of the Quick Test questions is “No”, the business will not qualify for Turnover Tax.

• If the Quick Test screen is not completed correctly or one of the answers is “NO”, the following message will pop-up:

Warning: JavaScript Window - Quick Test

Your business does not qualify for Turnover Tax. (Please refer to the Tax Guide for Micro Businesses for further assistance)

OK

• When the taxpayer has completed the Quick Test screen click on the button “Create Form” and the following message will pop-up:
2.1.1 Particulars of applicant

- Tick the appropriate box to indicate whether the applicant is a:
  - Sole proprietor (individual)
  - Partnership
  - Close corporation
  - Co-operative
  - Company

**Note:** Failure to tick any of the boxes will result in the rejection of your application.

- Establishment date
  - This is the date on which the business was started. Please ensure that the CCYMMDD format is used, e.g. 20020601 for a business that started trading on 01 June 2002.

**Note:** This section is mandatory.

- Registered name
  - This is the name that the business is legally registered under with the relevant authority, e.g. Companies and Intellectual Property Commission (CIPC).

**Note:** This is a mandatory field only if the close corporation, co-operative or company box at the top of the form is ticked.

- Trading/other name
  - This is the name under which the business trades or by which it is generally known to its customers.

**Note:** This section is mandatory.

- Income Tax Reference Number
  - This is the registration number that a business obtains from SARS when it registers for income tax.

**Note:** This section is mandatory.

- PAYE Reference Number
  - This is the registration number that a business obtains from SARS when it registers for Pay-As-You-Earn (PAYE).

- VAT number
  - This is the registration number that a business obtains from SARS when it registers for Value-Added Tax.

- CIPC registration number
  - This is the registration number that a close corporation, co-operative or company obtains when it registers with CIPC.

**Note:** This is a mandatory field only if the close corporation, co-operative or company box at the top of the form is ticked.
Main income source code

This is the code for a specific sector in the economy, e.g. manufacturing, from which the business’s main income is derived. The codes for the various sectors in the economy can be found in Annexure A.

Note: This section is mandatory.

2.1.2 Business Address

This is the physical address of the business, i.e. the premises the business is trading from.

- If the business is trading from a flat or townhouse, the actual flat or townhouse unit number must be inserted in “unit no”
- The name of the block or the block of flats or townhouse complex must be inserted in “complex”, and
- Where the business does not trade from a flat, townhouse or complex these fields are left blank.
- Street number
- Street/Name of farm
- Suburb/District
- City/Town; and
- Postal code.

Note: This section is mandatory.

2.1.3 Postal Address

This is the address that the business would like its post to be sent to. It may be the same as the business address above or it may be a post box number or other address. If it is the same as the business address simply, mark the relevant box with an “X”.

If the answer is “No”, the following fields will be displayed as open and editable:

- Postal Agency or Other Sub-unit (if applicable) (e.g. Postnet Suite ID)
- PO Box: Indicate on the applicable tick box if the postal address is ‘P.O. Box’ or ‘Private Bag’.
- Private Bag: Indicate on the applicable tick box if the postal address is ‘P.O. Box’ or ‘Private Bag’.
- Other PO Special Service (specify)
- Post Office
- Postal Code
- Registered Postal Address indicator
Note: This section is mandatory.

2.1.4 Bank Account Details

- These are the particulars of the bank account that will be used by the business.
  - Mark here if you do not have a local savings or cheque account.
  - Account No.

Note: The following fields must be completed after the selection of the Bank Name.

- Branch No: If the ‘Bank Name’ has a universal bank code, this field will be locked and default to the universal branch code, alternatively this field will be editable and must be completed.
- Branch Name: If the ‘Bank Name’ has a universal bank name, this field will be locked and default to “Universal branch”, alternatively this field will be editable and must be completed.
- Account Type – Select Cheque or Savings/Transmission
- Account Holder Name (Account name as registered at bank) – Bank Name: Click on the + sign for the list of bank names to be displayed and a selection to be made. Click the “OK” button to continue.
- Account Holder Name

2.1.5 Particulars of Sole Proprietor/Applying Partner/Public Officer

- The following particulars are required:
  - Sole proprietorship: details of the sole proprietor or individual.
  - Partnership: Details of the partner applying for Turnover Tax. Where two or more partners are applying for Turnover Tax, each partner must complete a separate application form.
  - Close corporation: Details of the main member of the close corporation.
  - Company: Details of the public officer of the company.
  - Co-operative: Details of the applying partners of the cooperative.
  - The Income Tax reference number and date of appointment of the persons listed must also be supplied.
  - First name
  - Initials
  - Surname
  - Home tel Number
  - Position held
  - Bus tel Number
  - ID Number
  - Date of birth (CCYYMMDD)
  - Income Tax Reference Number
  - Fax Number
  - Passport Number
  - Passport country (e.g. South Africa = ZAF)
  - Date of appointment (CCYYMMDD)
2.1.6 Particulars of Three Partners/Members/Shareholders

- Where there are two or more Partners/Members/Shareholders, they must complete the number of Partners/Members/Shareholders.

**Note:** All the fields in this section are mandatory. However, the applicant can provide either his/her ID number or a passport number, i.e. both need not be provided. He or she must also provide at least one contact phone number.

### Particulars of Three Partners/Members/Shareholders

<table>
<thead>
<tr>
<th>Number of partners/members/shareholders</th>
</tr>
</thead>
</table>

2.1.7 Particulars of Partners/Members/Shareholders

- Complete the following fields for Partners/Members/Shareholders:
  - First name
  - Initials
  - Surname
  - Income tax reference Number
  - ID Number
  - Passport Number
  - Passport country (e.g. South Africa = ZAF)

**Note:** If the taxpayer is printing the TT01 form, without completing mandatory fields an error message will be displayed.
Note: If the taxpayer does not want to submit the form immediately or if there is uncertainty about details on the form or certain information needs to be recaptured, the taxpayer can either:

- Click “Save” to retain captured information and complete the form at the later stage; or
- Click “Reset” to restart capturing information on the form; or
- Click “Print” to print the form to sign and submit the return to SARS.

2.1.8 Declaration

- After all the information fields have been completed, the applicant is required to complete, print and sign the declaration on the first page of the application form. Failure to do so will result in the application being rejected.
3 COMPLETION OF THE ANNUAL TURNOVER TAX RETURN (TT03)

3.1 How to obtain and submit a Turnover Tax Return

- The qualifying registered micro business can obtain the TT03 via the following SARS channels:
  - By visiting a SARS branch

- When the TT03 is correctly completed it can be submitted via the following channels:
  - By visiting a nearest SARS branch
  - The following addresses must be used for submitting Turnover Tax Return (TT03):

<table>
<thead>
<tr>
<th>Postal address</th>
<th>Physical Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>PO Box 436 Pretoria</td>
<td>7 Protea Street Centurion Pretoria 0157</td>
</tr>
<tr>
<td>0001</td>
<td></td>
</tr>
</tbody>
</table>

3.1.1 How to complete the Turnover Tax Return

- The TT03 will not be populated with information therefore; all the mandatory fields must be completed. The return will be rejected if the mandatory fields are not completed.

3.1.2 Taxpayer information

- The following information must be completed on the TT03:
  - Select the relevant taxpayer type. Please ensure the correct box is marked for the appropriate form to be generated in full for completion:
    - Individual – if you are a sole proprietor or a partner in a partnership
    - Company – if completing for a close corporation, company or co-operative.
The Income Tax Reference Number.
The year of assessment - this is the period commencing on 1 March of a previous year to the end of February of the current year.

**Note:** The “Personal details” container is required if “Individual” has been selected as a taxpayer type or “Company/Close Corporation” container if “Company” has been selected as a taxpayer type.

- If “Individual” is selected as a taxpayer type, the following information must be completed:
  - First two names: This is a mandatory field
  - Surname: This is a mandatory field
  - Initials: This is a mandatory field
  - Date of birth: This is a mandatory field
  - Identity number: You must complete this field if you are a South African resident
  - Passport number: This number must only be completed if you do not have an identity number
  - Passport Country: This field will be pre-populated with “ZAF”, representing South Africa. If this is not applicable, change to the relevant country. Refer to the list of country codes as per Annexure B.
  - Marital status: This field is mandatory
  - Contact telephone numbers
  - Contact email
  - Spouse details: Completion of these fields is mandatory if you have indicated your marital status as “married in community of property” and must be completed in full
    - If you have indicated your marital status as “Married out of community of property/ not married” the spouse details would not be displayed.

- The following fields are mandatory for **Individuals**:
  - Year of Assessment
  - Turnover Tax Reference Number
  - Surname/Registered name
  - First names
  - Identity Number
  - Initials
  - Cell Number
  - Passport Number
  - Date of Birth (CCYYMMDD)
  - Home Telephone Number
  - Business Telephone Number
  - Fax Number
3.1.3 Company/Close Corporation Details

- If “Company” is selected as a taxpayer, type the following information must be completed:
  - Registered name: The name that appears on your Companies and Intellectual Property Commission registration certificate
  - Trading name
  - Company/Close Corporation registration number: the number as per the Companies and Intellectual Property Commission registration certificate
  - Financial year end: this must be captured as year, month and day (CCYYMMDD)

- The following fields are mandatory for a Company:
  - Year of Assessment
  - Turnover Tax Reference Number
  - Registered name
  - Trading name
  - Financial Year End (CCYYMMDD)
  - Account Number
  - Branch Number
  - Account Type
  - Bank Name
  - Account Holder Name
  - Suburb/District
  - City/Town
  - Postal Code
  - Street/Name of Farm
  - Country Code

3.1.4 Bank account details

- It is imperative that you ensure that your bank account details are correct, as refunds will be delayed if bank details are not provided or incorrect.
  - If you do not have a local bank account (cheque or savings/transmission), indicate such by placing an “X” next to the applicable field.
  - The “No local Saving/Cheque Bank Account Declaration” fields and “Reason for no Local Savings/Cheque bank account” fields becomes mandatory
    - Select the relevant reason for no bank account details
    - Place “X” on the “Agreement Statement” check box to declare that the information provided for non local bank account is true and correct.
  - If you do have a local cheque or account savings/transmission, the relevant fields become mandatory and must be completed.

- Where your banking details have changed from the previously submitted details, presentation of supporting documents in person by the individual or entity’s
The following fields are mandatory:
- Account number
- Branch number
  - Use the list provided in Annexure C to complete this field
  - If you cannot find the code on list, please enquire with your bank.
- Account type
- Account holder name
- Bank name
- Branch name.

- If neither the tick box nor banking details are completed, the return will be sent back to you as incomplete.

Note: SARS will not pay a refund into an account of a third party.

3.1.5 Banking detail changes

- With effect from 1 July 2011, the process to change banking details requires a verification process.
- Where you request banking details to be changed on your TT03, you must visit your nearest SARS branch in person for the verification and change of banking details.
- Should you require any further information concerning banking detail changes, you can:
  - Visit your nearest SARS branch; or
  - Visit the SARS website.

3.1.6 Physical Address

- This is the physical address of the business, i.e. the premises the business is trading from.
  - If the business is trading from a flat or townhouse, the actual flat or townhouse unit number must be inserted in “unit no”
  - The name of the block or the block of flats or townhouse complex must be inserted in “complex”, and
  - Where the business does not trade from a flat, townhouse or complex these fields are left blank.
  - Street number
  - Street/Name of farm
  - Suburb/District
  - City/Town; and
  - Postal code.

Note: This section is mandatory.
3.1.7 Postal Address

- This is the address that the business would like its post to be sent to. It may be the same as its business address above or it may be a post box number or other address. If it is the same as the business address simply mark the relevant box with an “X”.

- If the answer is “No”, the following fields will be displayed as open and editable:
  - Postal Agency or Other Sub-unit (if applicable) (e.g. Postnet Suite ID)
  - PO Box: Indicate on the applicable tick box if the postal address is ‘P.O. Box’ or ‘Private Bag’.
  - Private Bag: Indicate on the applicable tick box if the postal address is ‘P.O. Box’ or ‘Private Bag’.
  - Other PO Special Service (specify)
  - Post Office
  - Postal Code
  - Registered Postal Address indicator

**Note:** This section is mandatory.

3.1.8 Tax Practitioner details

- If the service of a tax practitioner is used to complete the return, the tax practitioner must complete this information.

3.1.9 Taxpayer’s signature and declaration

- The TT03 is a legal declaration to SARS declaring the total receipts that the taxpayer has received during a specific tax year.

- The owner or legal representative is obliged to ensure that a full and accurate disclosure is made of all relevant information as required in the TT03. Misrepresentation, neglect or failure to submit a return, or supplying false information can give rise to interest, penalties and/or prosecution.
• After completion of the return, the owner or legal representative must read the declaration of the return and sign accordingly.

• Please note if a return is submitted to SARS without being signed, it will be returned and be regarded as outstanding. This could result in penalties being levied for the late submission of the return.

3.1.10 Voluntary Disclosure Programme (VDP)

• Where an approved VDP agreement exists between yourself and SARS, make sure that you have:
  □ Inserted an “X” in the “Y” box
  □ Completed the VDP application number.

• Should you require more information, a Comprehensive Guide concerning VDP is available on the SARS website www.sars.gov.za

3.1.11 Public Officers particulars

• Complete this section if “Company” was selected as a taxpayer type. The following fields must be captured:
  □ Surname
  □ Cell number
  □ Initials
  □ Date of Appointment
  □ Identity Document Number
  □ Other Telephone Number
  □ Passport Number
  □ Passport Country
  □ Email address
3.1.12 Turnover Tax Calculation

- This part of the guide is a step by step process that is designed to assist the taxpayer to determine the taxable turnover. The taxable turnover will be used to determine the final tax liability for the year of assessment.

- The following information must be captured in the TT03:
  - Select the relevant taxpayer type. Please ensure the correct box is marked for the appropriate form to be generated in full for completion:
    - Individual – if you are a sole proprietor or a partner in a partnership
    - Company – if completing for a close corporation, company or co-operative.

### Turnover Tax Calculation

#### Sole proprietors and Partnerships

**Type of Business**
- Sole proprietor
- Partnership

If partnership, state taxpayer's share of the partnership profit as a percentage: [ ]

- Company – if completing for a close corporation, company or co-operative.

### Turnover Tax Calculation

#### Companies, Close Corporations and Cooperatives

**Type of Business**
- Company
- Close Corporation
- Cooperative

- **Individuals**
  - Select the relevant type of business:
    - Sole proprietor, if you are an individual running your own business
    - Partnership, if you are an individual in a partnership.
      - If partnership, state taxpayer's share of the partnership as a percentage.

- **Sole proprietor**
  - Determine the total amounts received from business activities excluding investment income and capital receipts (e.g. sale of assets used mainly for business purposes).

- **Note:**
  - Investment income is any income in the form of annuities, dividends, foreign dividends, interest, rental derived in respect of immovable property, royalties, or income of a similar nature and any proceeds derived from the disposal of financial instruments.
  - This income will be taxed in the hands of the individual/sole proprietor as per the normal income tax rules and an Income Tax Return (ITR12) is required to be
submitted to declare the investment income separately (and any other non-micro business income such as salary). This will allow the individual/sole proprietor to access the income tax exemptions for interest and dividends.

- Determine “Inclusions” to be declared on the TT03 as follows:
  - 50% of receipts of a capital nature;
    - Determine the total of the sales of business assets that were mainly used for business purposes for the year of assessment. For this purpose, trading stock consisting of immovable property should be excluded as well as financial instruments. Where the business asset is immovable property, only include that portion of the sale that can be attributed to the part of the property that was used for business purposes. Calculate 50% of the total of the sale of business assets and add it to the gross receipts.

- Determine “Exclusions” to be declared on the TT03 as follows:
  - Turnover from business activities carried on outside South Africa
    - Determine the total of the sales from business activities outside South Africa for the year of assessment and deduct this from the gross receipts.
  - Government grants(section 12P) and/or funding received from a SARS approved small business funding entity (section 10(1)(zK)
    - Determine the total of Government grants as contemplated in section 12P and/or funding received from a SARS approved small business funding entity (section 10(1)(zK) received for the year of assessment and deduct this from the gross receipts. These grants are specifically exempted from Income Tax.
  - Amounts previously subjected to Income Tax
    - Amounts that were previously subjected to Income Tax should not be taxed again and should therefore be deducted from the gross receipts.
  - Refunds paid or received in respect of goods and services
    - Credit notes: For example, damaged goods returned.
  - Taxable Turnover
    - The Turnover Tax liability of the business for the year of assessment will be determined by SARS by applying the appropriate tax rate as per the annual Turnover Tax rates.
  - Amount received from rendering Professional Services
    - In the case of natural persons, if more than 20% of total receipts are received due to the rendering of a professional service, you will not qualify for the Turnover Tax regime and you will be taxed under the normal Income Tax system.

- Indicate whether you are in receipt of any income other than trading income:
  - An ITR12 must be submitted with the TT03 if “Y” was selected. Refer to the SARS website: www.sars.gov.za on how to request and submit an Income Tax Return (ITR12).
### Turnover Tax Calculation

**Sole proprietors and Partnerships**

<table>
<thead>
<tr>
<th>Type of Business</th>
<th>Sole proprietor</th>
<th>Partnership</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If partnership, state taxpayer’s share of the partnership profit as a percentage. %

If the business is a partnership, the information requested below must be for the partnership as a whole. A partner's share of the taxable turnover based on the profit-sharing percentage will be determined by SARS on assessment.

<table>
<thead>
<tr>
<th>Amounts received from business activities excluding investment income and capital receipts (e.g. sale of business assets)</th>
<th>R</th>
</tr>
</thead>
<tbody>
<tr>
<td>Add: 50% of sale of business assets</td>
<td>R</td>
</tr>
<tr>
<td></td>
<td>R</td>
</tr>
</tbody>
</table>

Less: Turnover from business activities carried on outside South Africa

Less: Government grants (section 13B) and/or funding received from a SARS approved small business funding entity (section 10(1)(zK))

Less: Amounts previously subjected to income tax

Less: Refunds paid or received in respect of goods and services

Taxable turnover

Amount received from rendering “Professional services”

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**Example:** A sole proprietor, who received the following amounts for the year of assessment:

- **Sales** $R359,600
- **Sales of business assets – sewing machine** $R4,000
- **Interest from the business bank account** $R1,000
- **Turnover from business activities carried outside SA** $R5,400

**Taxable turnover for the year of assessment will be determined as follows:**

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The taxable turnover of R358 200 will be assessed by SARS. According to the 2019 Turnover Tax rates, the Turnover Tax payable on R358 200 is R232 (R358 200 less R335 000 x 1%). Assuming that the taxpayer made interim payments of R116 in August and R116 in February, the assessment will show that the amount owing, after taking the interim payments into account, is nil (R232 less R116 less R116).

An ITR12 must be submitted to declare the R1, 000 interest but will be exempt from tax since it is below the exempt interest threshold (any other income, for example salary income is also to be declared in the ITR12). The ITR12 must be submitted with the TT03. Refer to the SARS website: www.sars.gov.za on how to request and submit an ITR12.

3.1.13 Partnerships

The process is the same for sole proprietors in 3.2.11.2 except that the final taxable turnover of the business will be apportioned and taxed in the hands of each partner based on the profit sharing ratio as per the partnership agreement. The total turnover of the business must therefore be declared (it is important to note that the qualifying turnover of the partnership may not exceed R1 million for the tax year in question).

Example: Two brothers are partners in an electronic equipment repair business. They share the profits of the business equally, do not have any other business interests, and were never registered for Income Tax previously. Their business received the following amounts for the year of assessment:

- Amounts from repairs: R800 000
- Sales of business assets – repair equipment: R 30 000
- Interest from the business bank account: R 2 000
- Rental from a portion of their property: R 6 000
- Amount received due to business activities in Australia: R 8 000
- Grant received from government(section 12P) and/or funding received from a SARS approved small business funding entity (section 10(1)(zK): R 1 000
- Amounts received but taxed in previous years: R 3 500
- Credit note: R 1 000
Their taxable turnover for the year of assessment will be determined as follows:

- **Turnover Tax Calculation**

  **Sole proprietors and Partnerships**

  **Type of Business**
  - Sole proprietor [ ]
  - Partnership [ ]

  If partnership, state taxpayer's share on the partnership profit as a percentage: 50%

  **Amounts received from business activities excluding investment income and capital receipts (e.g. sale of business assets):**
  - R 800 000
  - R 150 000
  - R 315 000

  **Less: Turnover from business activities carried on outside South Africa**
  - R 800 000

  **Less: Government grants (section 12F) and / or funding received from a SARS approved small business funding entity (section 12E)**
  - R 100 000

  **Less: Amounts previously subjected to income tax**
  - R 350 000

  **Less: Refunds paid or received in respect of goods and services**
  - R 100 000

  **Taxable turnover**
  - R 80 000

  **Amount received from rendering “Professional services”**
  - R 0

  **Are you in receipt of any taxable income other than trading income?**
  - Yes [ ]

- Since this is a partnership, the taxable turnover will be taxed in the hands of each partner based on the profit sharing percentage the partners share profits equally, each partner will be taxed as follows:
  - The taxable turnover of business X profit sharing % (R801 500 x 50%) R400 750. The tax of each partner on taxable turnover as per the 2019 Turnover Tax rates is R657.50 (R400 750 less R335 000 x 1%). Assuming that each partner made interim payments of R328.75 in August and R328.75 in February, his/her assessment will show that the amount owing, after taking the interim payments into account, is nil (R657.50 less R328.75 less R328.75).

**Note:** The interest of R1 000 (R2 000 x 50%) will be taxed in the hands of each partner according to the normal Income Tax rules but will be exempt from tax since it is below the interest exemption threshold. The rental income of R3 000 (R6 000 x 50%) will also be taxable in the hands of each partner. Any other income for each partner where relevant, for example, salary is also to be declared in each partner’s ITR12.

- Indicate whether you are in receipt of any income other than trading income:
  - An ITR12 must be submitted with the TT03 if “Y” was selected. Refer to the SARS website: [www.sars.gov.za](http://www.sars.gov.za) on how to request and submit an ITR12.

### 3.1.14 Close Corporations, Companies and Cooperatives

- Select the relevant type of business
  - Company
  - Close Corporation
  - Co-operative

- Determine “**Total amounts received from business activities excluding investment income and capital receipts (e.g. sale of business assets)**”.
This is the total of amounts received from business activities in South Africa. This amount will be referred to as gross receipts for the determination of the taxable turnover.

Investment income is generally annuities, dividends, foreign dividends, interest, rental derived in respect of immovable property, royalties, or income of a similar nature and any proceeds derived from the disposal of financial instruments.

Adjust the gross receipts by adding:

- “50% of sales of business assets”
  - Determine the total of the sales of business assets for the year of assessment. Where the business asset is immovable property, only include that portion of the sale that can be attributed to the part of the property that was used for business purposes. Calculate 50% of the total of the sale of business assets and add it to the gross receipts.

- “Investment income (except local and foreign dividends)”
  - Investment income like annuities, dividends, foreign dividends, interest, rental derived in respect of immovable property, royalties, or income of a similar nature and any proceeds derived from the disposal of financial instruments received by the business must be added to gross receipts.

Adjust the gross receipts by deducting the following:

- **Turnover from business activities carried on outside South Africa**
  - Determine the total of the sales from business activities outside South Africa for the year of assessment and deduct this from the gross receipts.

- **Government grants (section 12P) and/or funding received from a SARS approved small business funding entity (section 10(1)(zK)**
  - Determine the total of Government grants received for the year of assessment and deduct this from the gross receipts. These grants are specifically exempted from Income Tax.

- **Amounts previously subjected to Income Tax**
  - Amounts that were previously subject to income tax should not be taxed again and should therefore be deducted from the gross receipts.

- **Refunds paid or received in respect of goods and services**
  - Credit notes: for example damaged goods.

**Taxable turnover**

- The taxable turnover will be used to assess the Turnover Tax liability of the business for year of assessment.

- The only difference from individuals and partnerships is that investment income (interest, rentals, annuities and royalties), with the only exception of Local and Foreign dividends, will be included in full in the taxable turnover of the Company/Close Corporation/Co-operative.

The process for determining the taxable turnover for Close Corporations, Companies and Cooperatives is summarised in the following table:

- The total “Amount received from professional services” rendered during the year of assessment must be stated on the return.
  - If more than 20% of total receipts are received due to investment income and the rendering of a professional service, the company will not qualify for the Turnover Tax regime and must be taxed under the normal income tax system.

- Indicate the amount of “Dividends declared for the year of assessment” by the company.
- Investment income excluding dividends is included in taxable turnover.
  - The first R200 000 is exempt from dividends withholding tax, however, any amount in excess of R200 000 will be subject to the dividends withholding tax.

**Example:** Micro CC is a close corporation with five members. Its main business concerns the sale and distribution of computer hardware and software in South Africa and to neighbouring countries. On small scale, it also offers its clients a computer repair service. After being on the income tax register for a while, Micro CC decided to register for Turnover Tax. The business received the following amounts for the year of assessment:

- Amounts from sales in South Africa \( R885 \, 000 \)
- Amounts from sales outside South Africa \( R100 \, 000 \)
- Amounts from services and repairs \( R \, 25 \, 000 \)
- Government grant that is exempt from income tax (Section 12P) and/or funding received from a SARS approved small business funding entity (section 10(1) (zK)) \( R \, 5 \, 000 \)
- Sales of business assets – packaging machine \( R \, 10 \, 000 \)
- Dividends from investments in another company \( R \, 4 \, 000 \)
- Interest from the business bank account \( R \, 6 \, 000 \)
- Credit note \( R \, 4 \, 500 \)
- Amounts previously subjected to income tax \( R \, 15 \, 000 \)

**Note:**
- The credit note relates to a refund received by Micro CC for faulty equipment that was returned to the supplier.
- The sales figure includes an amount of R15 000 received from a client in South Africa for a contract concluded in the previous year of assessment. The R15 000 had accrued to Micro CC in the previous year of assessment and was already subject to normal Income Tax.
- The amount for services and repairs constitutes professional services.

**Determine taxable turnover:**

- Sales in SA \( R885 \, 000 \)
- Add: Sales outside SA \( R100 \, 000 \)
- Professional Services \( R \, 25 \, 000 \)
- Total amounts received \( R1 \, 010 \, 000 \)
The taxable turnover of R996 500 will be assessed by SARS. According to the 2019 Turnover Tax rates, the Turnover Tax payable on R996 500 is R14 045 (R6 650 + 3% of an amount exceeding R750 000, namely R996 500 = R7 395). Assuming that the taxpayer made interim payments of R10 000 in August and R3 045 in February, the assessment will show that the amount owing, after taking the interim payments into account, is R1 000 (R14 045 less R10 000 less R3 045).

As the total “Amount received from professional services” rendered during the year of assessment is less than 20% of total receipts the company will qualify for the Turnover Tax regime.

As the first R200 000 is exempt from dividends withholding tax, the R4000 will not be subject to the Dividends Withholding Tax.

3.1.15 Assessment of Taxable Turnover

SARS will assess the taxable turnover of each business, based on the above determination, to calculate the Turnover Tax liability of the business. The Turnover Tax liability of the business for the year of assessment will be calculated by applying the appropriate Turnover Tax rate (available on the SARS website) to the taxable turnover.

Ideally, the interim payments that were made by the business by the last business day of August and February of the year of assessment should be sufficient to discharge this liability in full. However, if there is an excess or a shortfall, this will be refunded or recovered by SARS on assessment.
4 COMPLETION OF THE PAYMENT ADVICE FOR TURNOVER TAX (TT02)

4.1 How to request, complete and make payment

- The qualified registered micro business can obtain a Payment Advice for Turnover Tax (TT02) via the following SARS channels:
  - By visiting a SARS branch
  - On the SARS website: www.sars.gov.za > Tax Types > Turnover Tax
  - A bank - refer to Annexure C.

When payment is made, it is essential that the ‘Beneficiary ID’ and ‘Payment Reference Number’ (PRN) be quoted. The TT02 will assist with this and other matters relating to interim payments. Refer below on how the ‘Payment Reference Number’ is structured.

<table>
<thead>
<tr>
<th>Tax types</th>
<th>Tax type indicator</th>
<th>Date format</th>
<th>Beneficiary IDs applicable to listed banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover Tax</td>
<td>P</td>
<td>Unique 19-digit PRN appearing on the relevant payment form (payment allocation is for 3rd period only)</td>
<td>SARS-PROV</td>
</tr>
</tbody>
</table>

Note. The TT02 is for taxpayer’s record and it should not be submitted to SARS.

- When the micro business is registered for Turnover Tax, the taxpayer is required to make a first and second interim payment for a particular year of assessment. These two interim payments are used to offset against the final Turnover Tax liability on assessment as per the annual Turnover Tax return for that year of assessment.

- The first interim payment must be based on an estimate of the taxable turnover of the micro business for the year of assessment, and amounts to 50% of the Turnover Tax payable on the estimate. This estimate must not be less than the taxable turnover for the previous year of assessment unless SARS accepts the lower estimate and must be paid by not later than the last business day of August.

- The second interim payment is based on an estimate of the taxable turnover for the full year of assessment. The payment, which is equal to the amount of Turnover Tax payable on the estimate for the full year, less the first interim payment, must be submitted to SARS by no later than the last business day of February.

- Where the estimate of the taxable turnover for the second interim payment is less than 80% of the actual taxable turnover for the year of assessment, a percentage based penalty, equal to 20% of the difference between the following, will be charged:
  - Turnover Tax on the estimate; and
  - Turnover Tax on 80 percent of the actual taxable turnover for the year of assessment.

- The percentage based penalty may be waived in certain circumstances.
4.2 Registration Particulars

- Complete following fields:
  - Registered Name
  - Turnover Tax Reference Number
  - Turnover Tax period.

Note. This Section is mandatory.

4.3 Turnover Tax Calculation

- Complete the following fields:
  - Estimated taxable turnover for the full year of assessment.
  - Tax on the estimated taxable turnover (apply the applicable Turnover Tax Rates – Annexure D).
  - Tax payable for this period (refer to Turnover Tax liability refer to Annexure E).

Note. This Section is mandatory.

4.4 Payment Notes

- These are rules when making payments to SARS; adherence is required to allocate the payment to the correct account.

- Complete following fields:
  - Name
  - Reference number
  - Name of banking institutions - refer to Annexure C
  - Bank account name
  - Payment Reference Number
  - Amount payable.

5 DEREGISTRATION

5.1 How to request deregistration

- A taxpayer can send a written request via post; or
- A letter can be sent by SARS to the taxpayer informing him/her of the deregistration from Turnover Tax.
5.1.1 A voluntary deregistration from Turnover Tax:

- A registered micro business can volunteer to deregister from Turnover Tax
  
  - A registered micro business may elect to be deregistered before the beginning of a year of assessment or such later date during the year of assessment as the Commissioner may prescribe by notice in the Government Gazette.
  
  - Where a registered micro business elects to be deregistered, the deregistration will be effective from the beginning of that year of assessment.

Note: A registered micro business that exits the Turnover Tax system will not be allowed to re-enter the system.

5.1.2 Compulsory deregistration of a registered micro business from Turnover Tax:

- It is compulsory to deregister a micro business from Turnover Tax if the registered micro business has a qualifying turnover from operating business activities exceeding R1 million and the business cannot demonstrate that this will be a small and temporary event. In this event, the registered micro business must notify SARS within 21 days from the date on which it no longer qualifies as a registered micro business.
  
  - In the case of a Natural Person:
    
    o At any time during its year of assessment, any holder of shares in that micro business holds any shares or has any interest in the equity of any other company other than a share or interest described in paragraph 4.
    
    o More than 20% percent of that personal’s total receipts during that year of assessment consist -
      
      ▪ Where that person is a natural person (or the deceased or insolvent estate of a natural person that was registered micro business at the time of death or insolvency), income from the rendering of professional service; and
      
      ▪ Where that a person is a company, investment income and income from rendering of professional service.
    
    o At any time during that year of assessment that person is a ‘personal services provider or labour broker’ without a SARS exemption certificate.
    
    o The total of all amounts received by person from that the disposal of -
      
      ▪ Immovable property used mainly for business purposes;
      
      ▪ Any other asset of a capital nature is used mainly for business purposes, other than any financial instrument.
      
      ▪ Exceeds R1.5 million over a period of three years comprising the current years of assessment and the immediately preceding two years of assessment, or such shorter period during which that person was registered micro business.
  
  - In the case of a Company:
    
    o Its year of assessment ends on a date other than the last day of February;
    
    o At any time during its year of assessment, any holder of shares in that micro business is a person other than a natural person (or the deceased or insolvent estate of a natural person);
    
    o At any time during its year of assessment, any holder of shares in that micro business holds any shares or has any interest in the equity of any other company other than a share or interest described in paragraph 4: Provided that the provisions of this item do not apply to the holding of any shares in or interest in the equity of a company.
  
  - If the company— has not during any year of assessment –
- Carried on any trade; and
- Owned assets, the total market value of which exceeds R5 000; or
- Has taken the steps contemplated in section 41(4) to liquidate, wind up or deregister: Provided further that this paragraph ceases to apply if the company has at any stage withdrawn any step so taken or does anything to invalidate any step so taken, with the result that the company will not be liquidated, wound up or deregistered;
- It is a public benefit organisation approved by the Commissioner in terms of section 30;
- It is a recreational club approved by the Commissioner in terms of section 30A;
- It is an association approved by the Commissioner in terms of section 30B; or
- It is a small business funding entity approved by the Commissioner in terms of section 30C;

□ In the case of a person that is a Partner in a Partnership during that year of assessment:
- Any of the person in that partnership in not a natural person;
- That person is a partner in more than one partnership at any time during that year of assessment;
- The qualifying turnover of that partnership for that year of assessment exceed the amount of R1 million.

• A business that no longer qualifies to be registered for Turnover Tax will be deregistered from the first day of the month following the month in which it no longer qualifies.

• A registered micro business will also be deregistered from Turnover Tax if it closes down. The business will be deregistered from the day following the day on which it ceased to exist and care must be taken to ensure that income from winding up, such as the disposal of assets, is accounted for in taxable turnover.

□ If a business closed down or in the case of a deceased estate, the normal deregistration process must be followed as for sequestrated/liquidated companies and deceased estates.

□ If the increase in the qualifying turnover of that person to an amount greater than the amount described in paragraph 2 (refer to the questions on the wizards) is of a nominal and temporary nature, the person must apply to the Commissioner for a decision whether the person must remain a registered micro business or not.

Note: If qualifying turnover of that person is greater than the R1 million as prescribed by legislation, is of a nominal value and is of a temporary nature (for example a once off tender contract), it is the taxpayer’s responsibility to inform SARS within 21 business days after becoming aware of the fact that the R1 million qualifying turnover is going to be exceeded, in a form of a letter of request together with any supporting document(s) to motivate that their registered micro business still qualifies for Turnover Tax even though it will exceed R1 million for that year of assessment.

If the micro business fails to disclose/motivate or cannot demonstrate that the amount greater than the R1 million threshold is of a nominal value and temporary nature, this will then trigger SARS to automatically deregister a registered micro business from Turnover Tax and register the business for normal Income Tax.

Note: Registered micro businesses are allowed to be registered for Turnover Tax as well as VAT as from 1 March 2012. Also note that as from 1 March 2014, a registered micro
business may elect to only submit VAT and/or PAYE returns on a six-monthly basis, at the end of August and February of each tax year.

6 PERMISSIBLE SHARES AND INTEREST

- The disqualification in terms of paragraph 3(a) or 3(F)(iii) does not apply to a share or interest -
  - In a company of the definition of “listed company”;
  - In a portfolio in a collective investment schemes;
  - In a company body corporates and share block companies;
  - In a venture capital companies in section 28;
  - That constitutes less than 5% of the interest in a social or consumer or co-operatives or co-operative burial;
  - That constitutes less than 5% of the interest in a or primary savings co-operative banks or primary savings and loans co-operative banks;
  - In any friendly societies;

7 RECORD KEEPING

- A registered micro business must retain a record of the following documents for audit purposes:
  - Amounts received during a year of assessment
  - Dividends declared during a year of assessment
  - Each asset at the end of a year of assessment with a cost price of more than R10,000
  - Each liability at the end of a year of assessment exceeding R10,000.

8 CONCLUSION

- Should you require any further information which is not addressed in this brochure:
  - Visit the SARS website at www.sars.gov.za;
  - Visit your nearest SARS branch;
  - Contact your registered tax practitioner;
  - If calling from within South Africa, contact the SARS Contact Centre on 0800 00 7277;
  - If calling from outside South Africa, contact the SARS Contact Centre on +27 11 602 2093 (only between 8am and 4pm South African time).

9 DEFINITIONS AND ACRONYMS

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<th>Century, Year, Month, Date – e.g. 2009.03.01</th>
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<td>CIPC</td>
<td>Companies and Intellectual Property Commission</td>
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<tr>
<td>PAYE</td>
<td>Pay As You Earn</td>
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<tr>
<td>Investment Income</td>
<td>Any income in the form of annuities, dividends, foreign dividends, interest, rental derived in respect of immovable property, royalties, or income of a similar nature; and</td>
</tr>
<tr>
<td></td>
<td>Any proceeds derived from the disposal of financial instruments;</td>
</tr>
</tbody>
</table>
Qualifying Turnover | Means the total receipts from carrying on business activities, excluding any—
| — (a) amount of a capital nature; and
| — (b) amount exempt from normal tax in terms of section 10(1)(zK) or 12P;

The business does not exceed the amount of R1 million in any year of assessment.

| SARS | The South African Revenue Service (SARS) |
| SDL | Skills Development Levy |
| SM | Service Manager |
| SOP | Standard Operating Procedure |
| TAA | Tax Administration Act |
| TT | Turnover Tax |
| TT01/TT01 (a) | Turnover Tax registration form |
| UIF | Unemployed Insurance Fund |
| VAT | Value-Added Tax |

10 ANNEXURE A

- MAIN INCOME SOURCE CODES:
  - Source code Description

| 3534 | Agencies & other services |
| 3501 | Agriculture, forestry & fishing |
| 3511 | Bricks, ceramics, glass, cement and similar products |
| 3523 | Catering and accommodation |
| 3509 | Chemicals & chemical, rubber & plastic products |
| 3505 | Clothing & footwear |
| 3510 | Coal & petroleum products |
| 3520 | Construction |
| 3527 | Educational services |
| 3519 | Electricity, gas & water |
| 3525 | Finance, insurance, real estate & business services |
| 3503 | Food, drink & tobacco |
| 3506 | Leather, leather goods & fur (excluding footwear and clothing) |
| 3514 | Machinery & related items |
| 3529 | Medical, dental, other health & veterinary services |
| 3535 | Members of CC/Director of company |
| 3512 | Metal |
| 3513 | Metal products (except machinery and equipment) |
| 3502 | Mining & stone quarrying works |
| 3518 | Other manufacturing industries |
| 3508 | Paper, printing & publishing |
| 3532 | Personal & household services |
| 3526 | Public administration |
| 3531 | Recreational & cultural services |
| 3528 | Research & scientific institute |
| 3522 | Retail trade |
| 3517 | Scientific, optical & similar equipment |
| 3530 | Social & related community services |
| 3533 | Specialised repair services |
| 3504 | Textile |
| 3516 | Transport equipment (except vehicle, parts and
11 ANNEXURE B

- LIST OF COUNTRY CODES ARE ALIGNED WITH THE ISO3166 STANDARD

<table>
<thead>
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<th>Code</th>
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<td>LTU</td>
<td>Turks and Caicos</td>
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**Description:**
- ACCESSORIES
  - 3524 TRANSPORT, STORAGE & COMMUNICATION
  - 3515 VEHICLE, PARTS & ACCESSORIES
  - 3521 WHOLESALE TRADE
  - 3507 WOOD, WOOD PRODUCTS & FURNITURE

**Annexure B**

- List of country codes are aligned with the ISO3166 standard.
<table>
<thead>
<tr>
<th>Country Name</th>
<th>Code</th>
<th>Country Name</th>
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12 Annexure C

- List of universal branch codes:

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### Annexure D

- **Turnover Tax rates – year of assessment**

- Any year of assessment (1 March 2016 - 28 February 2020)

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<th>Taxable turnover</th>
<th>Rate of tax</th>
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<td>0% of taxable turnover</td>
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<td>R335 001 - R500 000</td>
<td>1% of taxable turnover above R335 000</td>
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<td>R500 001 - R750 000</td>
<td>R1650 + 2% of taxable turnover above R500 000</td>
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<tr>
<td>R750 001 and above</td>
<td>R6650 +3% of taxable turnover above R750 000</td>
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- Any year of assessment on (1 March 2015 - 29 February 2016)

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<td>1% of taxable turnover above R335 000</td>
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<td>R1650 + 2% of taxable turnover above R500 000</td>
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<tr>
<td>R750 001 and above</td>
<td>R6650 +3% of taxable turnover above R750 000</td>
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- For years of assessment ending on 28 February 2013, 2014 and 2015.

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<th>Taxable turnover</th>
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<td>0 – R150 000</td>
<td>0% of taxable turnover</td>
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14 Annexure E

- Turnover Tax Liability
- The below table demonstrates the required payment periods and due dates for interim payments to be made.
  - Payment Period
  - Due Date
  - Value.

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<td>R150 001 – R300 000</td>
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<td>R300 001 – R500 000</td>
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<td>R1500 + 2% of taxable</td>
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<td>turnover above R300 000</td>
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<tr>
<td>R500 001 – R750 000</td>
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<tr>
<td>R5500 + 4% of taxable</td>
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<td>turnover above R500 000</td>
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<td>R750 000 and Above</td>
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<td>R15500 + 6% of taxable</td>
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<td>turnover above R750 000</td>
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### Turnover Tax Liability

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<th>Due Date</th>
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<td>50% of tax on estimated taxable turnover for the year of assessment</td>
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<td>02</td>
<td>28/29 February</td>
<td>Tax on estimated taxable turnover for the year of assessment (less</td>
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<td>amount paid for payment period 01)</td>
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<td>NA</td>
<td>Payment due on assessment or Ad-hoc payment to top-up account</td>
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DISCLAIMER

The information contained in this guide 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 guide should refer to the relevant legislation, or seek a formal opinion from a suitably qualified individual.

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- Visit the SARS website at www.sars.gov.za
- Visit your nearest SARS branch
- Contact your registered tax practitioner
- If calling from within South Africa, contact the SARS Contact Centre on 0800 00 7277
- If calling from outside South Africa, contact the SARS Contact Centre on +27 11 602 2093 (only between 8am and 4pm South African time).