South African Revenue Service

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COMPREHENSIVE GUIDE TO THE ITR12 INCOME TAX RETURN FOR INDIVIDUALS

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1 SUMMARY

The purpose of this document is to provide guidance for the completion of the ITR12 return and to briefly explain the various sections of the Income Tax Act No. 58 of 1962 that will be applied during the assessment process.

Should any aspect of this guide be in conflict with the applicable legislation the legislation will take precedence.

2 GENERAL INFORMATION

2.1 WHEN MUST THE RETURN BE SUBMITTED?

a) The due date for submission of income tax returns is published annually in the Government Gazette. Every year SARS embarks on an extensive publicity campaign to inform taxpayers of the deadline for the year.

b) For the 2024 year of assessment (YOA), the income tax returns for individuals must be submitted on or before the following due dates:

- **21 October 2024** – if you are a non-provisional taxpayer
- **20 January 2025** – if you are a provisional taxpayer and your return is submitted via eFiling.

c) eFiling is the quickest, easiest and most convenient way to submit the return and is the option recommended by SARS.

d) If you are required to submit a return and you do not submit it by the relevant deadline, you will be liable for an administrative penalty due to non-compliance.

2.2 WHO IS NOT REQUIRED TO SUBMIT A RETURN?

a) Although a taxpayer must still register for income tax, he/she is not liable to submit a return for the 2024 year of assessment if any of the following apply:

b) The taxpayer does not have any deductions to claim **and** the gross income for the tax year consists **solely of gross income** described in one or more of the following:

- Remuneration income that:
  - Is for the full year of assessment
  - Is paid or payable from one single source (e.g. one employer)
  - Employees' tax has been deducted or withheld in terms of the deduction tables prescribed by the Commissioner
  - Does not exceed R500 000
  - Does not include any allowance or advance (e.g. travel allowance)
  - Does not include any taxable benefit granted in terms of paragraph 7 of the Seventh Schedule to the Income Tax Act (i.e. right of use of motor vehicle from employer)
  - Does not include any amount received or accrued in respect of services rendered outside the Republic (i.e. foreign services).
- Interest income from a source in the Republic not exceeding:
  - R23 800 in the case of an individual below the age of 65 years
  - R34 500 in the case of an individual aged 65 years and above
  - R23 800 in the case of the estate of a deceased person.
- Dividends exempt from normal tax, and the individual was a non-resident for the year of assessment
- Amounts received or accrued from a tax free investment.
- A single lump sum was received from a pension/provident/pension preservation/provident preservation/retirement annuity fund and tax was deducted/withheld from that lump sum in terms of a directive issued by the Commissioner.

c) The taxpayer is notified by the Commissioner in writing that he/she is eligible for automatic assessment; **AND** the person's gross income, exemptions, deductions and rebates reflected in the records of the Commissioner are **complete and correct as at the date** of the assessment based on an estimate to give effect to automatic assessment.

2.3 HOW TO REQUEST AND SUBMIT A RETURN?

a) You can request a return through any of the following channels described below.

b) **eFiling:**

- The quickest and easiest way to obtain a return is to register as an eFiler on www.sarsefiling.co.za, request your return and submit the completed return online.

c) **SARS MobiApp:**

- If you have a smartphone, install the SARS eFiling App from the App Store (for Apple devices) or Google Play Store (for Android devices).
- Once installed, login with your eFiling profile to request and submit the return via the App.

d) **Telephonically:**

- You can use our eBooking System to book a telephonic appointment with SARS.
- A SARS official will assist you to complete and submit your return telephonically. Please ensure that you have all the required supporting documents readily available before your appointment.

2.4 DOCUMENTATION REQUIRED TO COMPLETE YOUR RETURN

a) Supporting documents are required to complete an income tax return. Below are examples of the documentation/information that may be required:

- IRP5/IT3(a) Employees' Tax Certificate for remuneration received or in respect of lump sums from your employer, pension fund, provident fund or retirement annuity fund
- Certificates received for local interest income, foreign interest income and foreign dividend income
  - If you are **married in community of property**, the certificates received by both you (the taxpayer) **and** your spouse are required
  - If you **married out of community of property**, only the certificates that you receive are required
- Documents relating to medical expenditure such as:
  - The tax certificate received from your medical scheme for the period 1 March 2022 and ending 28 February 2023 (if you belong to a medical scheme)
  - Proof of qualifying medical expenses paid by you and not recovered from a medical scheme
  - Completed ITR-DD Confirmation of Diagnosis of Disability form (if you want to claim disability related expenses)
- If you received a travel allowance or a fringe benefit for an employer provided vehicle, you must have a logbook to claim the business travel deductions
- The income tax certificate(s) received from the financial institution for retirement annuity contributions made
- The tax certificate(s) received from the financial institution(s) for tax free investments
- Section 18A donation tax certificate
- All information relating to capital gain transactions (local and foreign) for e.g. proof of proceeds for each asset disposed of (such as sales agreement, invoices, IT3(c) certificate), calculation of the base cost in respect of each asset
- Documents and receipts for commission related expenditure including a logbook to claim

business travel deductions
- All information relating to the letting of assets, e.g. rental/lease agreement, bond statement reflecting interest on bond if claimed on return, schedule of details on rental expenses, related invoices
- Financial statements for trading and farming activities (if applicable)
- Any other documents relating to income that must be declared or deductions that may be claimed.

b) Please note you are required to keep all supporting documents for a period of five (5) years from the date of submission of the return. SARS may request these documents to verify the information declared on your income tax return.

c) If the documents are requested by SARS, you can upload it via eFiling; the SARS MobiApp or the online service on the SARS website. Please ensure that the documents are not password protected.

2.5 AUTOMATIC ASSESSMENT (AUTO ASSESSMENT)

a) In terms of section 95(2) of the Tax Administration Act, SARS can raise an original assessment based on estimate by using information that is readily available to SARS. This is commonly referred to an as "automatic assessment" or "auto-assessment".

b) A person who is automatically assessed is not required to submit an income tax return (in terms of paragraph 3(3) of Government Gazette No. 50741 published on 7 June 2024).

c) An auto-assessment will be based on information available on SARS records and data received from employers, financial institutions, medical schemes, retirement annuity fund administrators and other third party data providers. SARS will provide each eligible taxpayer with the following information pertaining to the auto-assessment:

- An 'ITR12 return' that has been auto completed
- A 'Notice of Assessment (ITA34)' Note: the type of assessment will indicate '**original estimate assessment**' to denote that it is an *original assessment based on estimate.*

d) If you are selected for auto-assessment, you will receive an SMS notification from SARS. To view the details of your auto-assessment, you can:

- Log on to eFiling, or
- Log on to the SARS MobiApp; or
- Book an appointment with a SARS for an official to assist you.

2.5.1 AGREE WITH AUTO-ASSESSMENT

a) If you **agree** with the auto-assessment (i.e. the information is true and correct), you do not have to do anything.

- If a refund is due, it will be paid to you
- If an amount is payable to SARS, you must pay it by the interest free/grace period date stipulated on the notice of assessment (ITA34). You may apply for a suspension of payment.
- No administrative penalties will apply
- If you later identify additional income/deductions/credits not reflected on your auto-assessment, please refer to the following sections for the process to declare this information:
  - Disagree with Auto-Assessment
  - Request for Extension
- After the filing season due date for non-provisional taxpayers, the 'original assessment based on estimate' will become final.
- Please note an 'original assessment based on estimate' is only subject to objection or appeal if SARS takes a decision not to make a reduced or additional assessment after the taxpayer submits the relevant material within the time stipulated. (Section 95(5) of the Tax Administration Act).

2.5.2 DISAGREE WITH AUTO-ASSESSMENT

a) If you do **not agree** with the auto-assessment (the information is not true and correct, or you have additional income/deductions/credits to declare) you must **edit** the ITR12 return and **file** it by the filing season due date for non-provisional taxpayers. Note: where you disagree with the prepopulated data, you must inform your employer/service provider to correct the data and resubmit it to SARS. Once corrected, you can edit and file your return.

b) If any financial changes are made on your edited return, please note the following:

- The return will be evaluated
- If supporting documents are required to verify the declarations on the return, SARS will issue a letter to notify you and pend the case.
  - You must provide the supporting documents within 21 business days from the date of the letter
  - If you do not provide the supporting documents on time, the case will be closed automatically
- SARS may either accept or decline to reassess your return after evaluation
  - If SARS reassesses your return, you will receive a notice of assessment (ITA34)
  - If SARS declines to reassess your return, you will receive a rejection letter. If you are dissatisfied with the SARS decision, you may lodge an objection within 30 business days from the date of the rejection letter (in terms of Section 95(8) of the Tax Administration Act).

2.5.3 REQUEST FOR EXTENSION

a) If you do **not agree** with the auto-assessment and you are **unable to file the return by the filing season due date for non-provisional taxpayers**, you can provide SARS with reasonable grounds and **request for an extension** of the period (in terms of Section 95(7) of the Tax Administration Act).

b) You can request an extension via eFiling, the SARS MobiApp or by booking an appointment with a SARS for assistance.

2.5.4 THIRD PARTY DATA RECEIVED AFTER ASSESSMENT ISSUED

a) Third party data providers may submit new or updated data (e.g. IRP5/IT3(a), IT3(b), IT3(s), retirement annuity or medical tax certificates) after the annual third party data submission due date.

b) SARS will determine if new/updated third party data received impacts the assessment issued to you.

- If you have been auto assessed, SARS may issue a newer version of the auto assessment.
- If you have already submitted an original return, SARS will notify you of the new third party data received and you will have an opportunity to amend and file your return. If you do not file an amended return, your assessment will be auto revised.

2.6 MARRIAGE IN COMMUNITY OF PROPERTY

a) Income received by (or accrued to) a taxpayer (other than that from the carrying on of any trade, but including investment income and capital gain transactions), is deemed to accrue to the spouses in equal portions. This includes rental from the letting of fixed property/assets that forms part of the communal estate.

b) Where the income does not accrue to the communal estate, it must be included in the income of the spouse who owns the property/asset. SARS may request the details regarding these excluded amounts to ensure the correct assessment of the return. Please ensure that a will and/or antenuptial contract is available to support this declaration

c) Income received by (or accrued to) a taxpayer from the carrying on of a trade (excluding the letting of fixed property) will be deemed to be the income of the spouse who is carrying on the trade. Where the spouses are trading in partnership, the income will (subject to the anti-avoidance provisions) accrue in the agreed profit-sharing ratio.

d) Any benefit paid by a pension fund, provident fund or retirement annuity fund is deemed to be trade income and will be taxed in the hands of the member/previous member of the fund. Any annuity received as a result of a purchased annuity ("annuity contract"), as defined in section 10A of the Income Tax Act, is also deemed to be trade income and will be taxed in the hands of the person to whom the annuity is payable.

e) Where a taxpayer's income is deemed to be the income of his/her spouse, any deductions or allowances relating to that income will be allowed in the same proportion in which the income is taxed.

2.6.1 SPOUSAL ASSESSMENT

a) SARS will identify taxpayers who are 'married in community of property' based on information declared on previous tax returns. This information will be validated against the Department of Home Affairs and if a match is confirmed the taxpayers (i.e. both spouses) will be linked on the SARS systems

b) If investment income is identified for a taxpayer based on third party data received (e.g. IT3(b) certificate for interest earned), the third party data will be prepopulated on the returns of both spouses (Taxpayer A and Taxpayer B) if they are linked on the SARS system.

- The investment income will be apportioned accordingly and will reflect on the notice of assessment (ITA34) issued to each spouse.
- Note: Where applicable, the registration process may be initiated for a spouse who is not registered for tax.
- Examples of investment income:
  - Local interest (4201)
  - Foreign interest (4218)
  - Foreign tax credits on foreign interest (4113)
  - Gross foreign dividends subject to SA normal tax (4216)
  - Foreign tax credits on foreign dividends (4112)
  - Distribution from a REIT/taxable local dividends (4238)
  - Dividends deemed to be income s8E and s8EA (4292).

c) The following will be excluded from spousal assessments:

- Deceased and insolvent individuals
- Ceased to be resident individuals
- Unregistered spouses
- Taxpayers not required to file tax returns due to the tax threshold

d) It is possible that after a spousal assessment is issued, one of the spouses (e.g. Taxpayer A) can change the marital status or communal estate indicator and file a return. These changes will impact the assessment already issued to the other spouse (i.e. Taxpayer B). In this scenario:

- If the affected spouse (i.e. Taxpayer B) is aware of the changes, he/she can also file a return containing the same amendments as his/her spouse (i.e. correct marital status/communal estate indicator).
- If the affected spouse (Taxpayer B) is unaware of the changes made on Taxpayer A's return, SARS will:
  - Notify the spouse (Taxpayer B) that recent changes to the marital status and/or communal estate impacts the assessment issued to him/her
  - Request him/her to review the changes and submit and original return/request for correction within 21 business days failing which SARS will raise a reduced or additional assessment for the tax year.

e) From the 2024 YOA each investment income section on the return will display a sub-section to separately declare investment income received by the spouse.

2.7 REVISED ESTIMATED ASSESSMENT

a) If the ITR12 return you submit is routed for verification and there is no response to the request for supporting documents within the required period (after delivery of more than one request for such material) SARS may make a revised estimated assessment in terms of section 95(1)(c) of the Tax Administration Act. A notice of assessment (ITA34) will be issued to notify you of the reduced/additional estimated assessment and the reason for the adjusted assessment.

b) You will have the option to submit the outstanding supporting documents to SARS within 40 business days from the date of assessment under section 95(6) of the Tax Administration Act. You may provide SARS with reasonable grounds and request an extension of this period (in terms of Section 95(7) of the Tax Administration Act)

- You can submit supporting documents via eFiling; the SARS MobiApp; the online service on the SARS website or by booking an appointment at a SARS for assistance.
- If you do not provide the supporting documents to SARS within the required period, the estimated assessment will become final and is not subject to objection or appeal.

2.8 RESIDENCE BASIS OF TAXATION

a) With effect from 1 January 2001, the Income Tax system in South Africa changed from a source-based system to a residence basis of taxation. Residents are subject to tax on their worldwide income, subject to certain exemptions. Non-residents are subject to tax on receipts and accruals derived from sources within South Africa (certain exceptions apply).

b) A resident (pertaining to individuals) means:

- A person who is ordinarily resident in South Africa (the term 'ordinarily resident' means the country to which a person would naturally and as a matter of course return from his/her travels)
- A person who has been present in South Africa for:
  - More than 91 days in aggregate during the current year of assessment; and
  - More than 91 days in aggregate during each of the five preceding years of assessment; and
  - More than 915 days in aggregate during the five years of assessment preceding the current year of assessment.
- Note: In this instance, the person will be a resident with effect from the first day of the relevant year of assessment (for this purpose a day includes a part of a day).

c) A person will not be regarded as a resident in the following cases:

- A person is outside South Africa for a period of 330 full continuous days immediately after the day on which he ceases to be physically present in South Africa (if that person was a resident in terms of the physical presence test).
- A person is deemed to be exclusively a resident of another country for purposes of the application of any agreement entered into between the government of South Africa and the government of the other country for the avoidance of double taxation.

d) Remuneration as a result of services rendered for an employer outside South Africa is partially **exempt from tax** in terms of section 10(1)(o)(ii) of the Income Tax Act if:

- The employee is outside South Africa for a period exceeding 183 full days in any twelve-month period

- The employee is outside South Africa for a continuous period of more than 60 full days during that twelve-month period
- The services were rendered during that period
- This provision does not apply to employees of national, provincial or local governments, and to employees of certain public entities
- From 1 March 2020, only the first R1.25 million of foreign employment income earned will qualify for exemption.

e) Pensions received by or accrued to a resident under the social security system of another country are exempt from normal tax in South Africa. Foreign income received by (or accrued to) a resident individual is taxable.

f) Any pension received or accrued to any resident from a source outside South Africa, which is not deemed to be from a South African source, in consideration of past employment outside South Africa is exempt from normal tax in South Africa.

2.9 UTILISING THE SERVICES OF A TAX PRACTITIONER

a) In terms of section 240 of the Tax Administration Act No.28 of 2011, all individuals who complete and submit tax returns on behalf of clients must be registered with both a Recognised Controlling Body (RCB) and with SARS as tax practitioners. Such tax practitioners have the full authority to prepare and submit tax returns on behalf of their clients. Individuals who are not registered as Tax Practitioners will not have this privilege. To ensure you are working with a registered tax practitioner, please request their PR Number and verify its validity on the SARS website.

b) In the event that you receive assistance from an individual who is not a tax practitioner or who is no longer a tax practitioner (e.g. they have been deregistered by the RCB or by SARS), the system will not allow that individual to submit your return to SARS. In this instance, only the following options will be available on eFiling for that individual:

- '**Save'** – this option will allow the return to be saved on eFiling for completion at a later stage, without performing form validations.
- '**Save for Filing'** – this option will allow form validations to be performed when the prepared ITR12 is saved on eFiling.

c) In such instances, to ensure that your tax return is submitted to SARS before the due date you can:

- Book an appointment with SARS where a SARS official will retrieve the completed return for you and submit it for processing; or
- You can also register for eFiling, obtain shared access or revoke the other's party's access and submit your own return. For more information refer to the guide 'GEN-ELEC-18-G01 - How to Register for eFiling and Manage Your User Profile' published on the SARS website.

2.10 SITE TAXPAYERS

a) The Standard Income Tax on Employees (SITE) was a component of the Pay as You Earn (PAYE) method of paying income tax and was in effect a final withholding tax levied on the first R60 000 of remuneration. SITE was phased out over the 2012 and 2013 tax years and is applicable to taxable income that consisted solely of remuneration of which the full amount was subject to SITE (done in terms of section 6(5) of the Income Tax Act through the application of a SITE rebate).

b) A SITE rebate is only applicable to the 2012 and 2013 tax years for taxpayers who earned net remuneration from more than one source and the net remuneration of each source of income was less than or equal to R60 000 per annum. The SARS system will validate whether you qualify for a SITE rebate. If you meet the criteria, the amount of normal tax payable by you will be reduced as follows:

- 1 March 2011 to 29 February 2012 – normal tax payable reduced by a SITE rebate of 2/3
- 1 March 2012 to 28 February 2013 – normal tax payable reduced by a SITE rebate of 1/3.

2.11 REMUNERATION OF EMPLOYEES WORKING FOR FOREIGN GOVERNMENTS IN SOUTH AFRICA

a) In terms of section 10(1)(c)(iii) any remuneration paid to any person of a foreign diplomatic or consular mission in South Africa is exempt from normal tax in South Africa on condition that the person is based in South Africa solely for the purpose of holding office as an official of a foreign government and he/she is not ordinarily resident in South Africa.

b) The remuneration paid to any domestic or private servants of the foreign government employees is also exempt from normal tax under section 10(1)(c)(iv) provided that the domestic or private servant is not a South African citizen and is not ordinarily resident in South Africa. The exemption is not applicable to any other income (e.g. interest income or rental income) that the person of a foreign government may earn while working in South Africa.

c) This exemption will cease to apply and the remuneration will become taxable if:

- The employee receives a permit for permanent residence in South Africa
- The foreign government carries on business activities in South Africa (any double taxation agreements in place will be taken into account).

d) The s10(1)(c) exemption does not apply to remuneration paid to any persons who are ordinary residents in South Africa (i.e. employees that are recruited locally).

e) In the case where a person's remuneration is not exempt from normal tax in terms of section 10(1)(c)) and the diplomatic or consular mission has not voluntarily deducted or withheld PAYE, that person is regarded as a provisional taxpayer. For more information refer to the following guides available on the SARS website:

- 'Guide for Provisional Tax'
- 'Guide on the Taxation of Foreigners working in South Africa - External Guide'

2.12 INSOLVENCY

a) Based on legislation, a person (purely for personal income tax purposes) may be issued with up to three tax reference numbers to finalise an insolvent estate. The taxpayer or the appointed trustee/administrator is required to contact a SARS office to request for the tax number to be coded as an insolvent person. The tax reference numbers are defined and issued as follows:

- The first tax reference number refers to the **taxpayer's** original number registered and is applicable to assessments for the income and deductions up to the date preceding the date of sequestration.
- The second tax reference number refers to the **insolvent estate** managed by the court appointed administrator/trustee. It is not a compulsory tax reference number and is for any income and deductions applicable to the "**insolvent estate**" from the date of sequestration until the estate is finalised.
  - The taxpayer or appointed representative may either be aware of the income received/accrued or assets disposed of at the time when the first tax reference number is coded as insolvent by SARS or at a much later stage.
  - This registration may be initiated by the appointed representative on eFiling if he/she is already recorded and verified as the registered representative at SARS. For more information on how to register via eFiling refer to the external guide 'GEN-REG-01-G04 - How to complete the registration amendments and verification form (RAV01)' available on the SARS website.

- The third tax reference number refers to the **taxpayer's** 'new identity' and is applicable to income and deductions after the date of sequestration. The taxpayer will only use this number to comply with his/her tax liabilities after the date of sequestration.

b) The date of sequestration/insolvency implies:

- The date of voluntary surrender of an estate, if accepted by the Court; or
- The date of provisional sequestration of an estate if final order or sequestration is granted by the court.
- **Example**: If the date of insolvency is 4 March 2023, the date after insolvency will be 5th March 2023. This implies that first tax reference number (described above) will be applicable to transactions up to 4 March 2023 and the third tax reference number (described above) will be applicable from 5 March 2023 onwards.

c) The court appointed representative may appoint a tax practitioner to complete returns in respect of the first and second tax reference numbers. The normal eFiling user rights rule will apply.

d) New tax reference number after date of sequestration:

- If the taxpayer is an eFiler, he/she must ensure that the newly allocated tax reference number (i.e. effective from after the sequestration date) is linked to his/her eFiling profile.
- Ensure that the correct tax reference number is reflected on the applicable individual income tax return.
- Certain information is prepopulated by SARS on the return, such as IRP5/IT3(a) details, retirement annuity contributions, medical contributions; etc. Where the sequestration date is in the middle of the year of assessment, (example sequestration date is 12 September 2023 and the tax year end is 29 February 2024) an apportionment of the prepopulated income will be required between the first and third tax reference numbers. In this instance, please lodge a dispute in order to notify SARS that the prepopulated income must be split.

e) For information on how to complete the income tax return for an insolvent estate, please refer to 'IT-GEN-06-G01 - Guide to the Individual Income Tax Return for Deceased and Insolvent Estates' on the SARS website.

2.13 RETURNS FOR FUTURE YEARS OF ASSESSMENT

a) Each year SARS makes a public announcement to inform taxpayers of the official start date of filing season. Taxpayers who are liable to submit an ITR12 for the current year of assessment can do so from the filing season start date.

b) There may be cases where a taxpayer's return must be filed for the next (future) year of assessment.

- Example: deceased taxpayers, insolvent taxpayers, emigrants (taxpayers who cease to be South African residents).
- In these instances, SARS will validate if the tax number is coded deceased, insolvent or emigrant on the SARS systems.
- The following pop-up message will display on the return. Please take note of the information in this message and the impact of filing a return early:
  "Please note that if the return you requested is not in respect of a deceased; or insolvency or upon emigrating, your return, when filed by you, will be selected for verification or audit, because the process in SARS of authenticating 3rd party data, that may have an impact on your assessment, has not been completed. If you do not fall within the stated categories, you are encouraged to file the return during the official Filing Season published on the website www.sars.gov.za"

2.14 RETURNS FOR OLD YEARS OF ASSESSMENT

a) The e-Filing and MobiApp platforms will only allow taxpayers to request, save or submit returns that are not older than 5 years.

b) The limitation does not apply to active tax practitioners with an approved PR number; returns with a voluntary disclosure program (VDP) indicator, returns for which an administrative penalty was levied, returns for which and estimated assessment was raised.

c) Please make an appointment with SARS if you need to submit ITR12 returns older than 5 years.

d) Example: if the year of assessment (YOA) is 2024:

- Returns for the 2018 YOA and prior years will be blocked on eFiling and the MobiApp.
- Taxpayers can request and submit returns for the current YOA (2024) and the 5 years preceding the current YOA (i.e. 2023, 2022, 2021, 2020, 2019)
- If a taxpayer is coded as an insolvent estate/ceased residency/deceased estate, returns can be requested and submitted for the current YOA+1 (2025), the current YOA (2024) and the 5 years preceding the current YOA (i.e. 2023, 2022, 2021, 2020, 2019).

3 INFORMATION TO CREATE YOUR PERSONAL INCOME TAX RETURN (FORM WIZARD)

a) The first page of the income tax return for individuals (Form Wizard) consists of several questions. Your return is customised according to your answers to these questions. These questions are discussed very briefly below. For further details, please refer to the applicable sections in this guide.

b) If you are registered for eFiling you can customise your own return on the eFiling website.

c) If you contact SARS for assistance you will have to answer the mandatory questions to enable the SARS official to customise your return.

3.1 STANDARD QUESTIONS

3.1.1 PERSON MAKING THE DECLARATION

a) **'Mark with an "X" if this declaration made by a tax practitioner'**.

- The answer to this question is used to create the correct declaration on the return. If you are completing and submitting your own return, a 'Taxpayer Declaration' will be added to the return for you to sign. If a Tax Practitioner is completing and submitting the return on your behalf, a 'Tax Practitioner Declaration' will be added to the return for the tax practitioner to sign.

3.1.2 RESIDENCY

a) **'Mark with an "X" if you are a foreign national and not a RSA Tax-Resident'**

- This is applicable from the 2021 YOA and the field will be pre-populated if the data is available to SARS.
- If your residency status has changed, please refer to the following guide on the SARS website for further assistance: 'GEN-REG-01-G04 - How to complete the registration amendments and verification form (RAV01)'
- Please refer to the SARS website for more information on 'Ceased to be a resident'.

b) **'Mark with an "X" if you ceased to be a resident of the RSA during this year of assessment'**

- Applicable from the 2013 to 2021 YOA
- If you ceased to be a resident and the information has been made available to SARS, the date on which you ceased to be a resident will be pre-populated on your return.
- If you need to declare that you have ceased to be a resident, please refer to the following guide on the SARS website for further assistance: 'GEN-REG-01-G04 - How to complete the registration amendments and verification form (RAV01)'

c) **'Taxpayer ceased to be a tax resident of the RSA'**

- From the 2022 YOA, if you are classified as a 'non-resident' this field will be prepopulated and locked

d) **'Date on which you ceased to be a resident'**

- From the 2022 YOA, if you are classified as a 'non-resident' this field will be prepopulated and locked

3.1.3 EMPLOYMENT STATUS

a) **'Were you unemployed for the full year of assessment and did not receive any income (e.g. pension, interest, etc.) including any capital gain/loss?'** (Select 'Y' or 'N')

- If you select 'Y', please indicate if you made any retirement annuity fund contributions. Retirement annuity contributions amounts that do not qualify for a deduction in the current year of assessment will be carried forward to subsequent years of assessment.

b) **'Were you unemployed for any period during this year of assessment?'** (Select 'Y' or 'N')

- If yes, please indicate: *'For how many periods were you unemployed?'*
- A maximum value of 5 is allowed in this field. Each continuous period of unemployment during the year of assessment is considered as one period. You are also required to complete the 'unemployed *from* date' and the 'unemployed *to* date' for each period

Example: 1

Mr Taxpayer's employment status was as follows for the year of assessment

Mar – May	Employed
Jun	Unemployed
Jul – Nov	Employed
Dec – Jan	Unemployed
Feb	Employed

Mr Taxpayer was therefore unemployed for **2** periods.
(Jun = 1 unbroken period and Dec - Jan = 1 unbroken period)

Example 2:

Mr Taxpayer's employment status was as follows for the year of assessment

1 Mar – 30 Apr	Employed
1 May – 31 May	Unemployed
1 Jun – 16 Jul	Employed
17 Jul – 15 Aug	Unemployed
16 Aug – 30 Sep	Employed
1 Nov – 30 Nov	Unemployed
1 Dec – 31 Jan	Employed
1 Feb – 28 Feb	Unemployed

Mr Taxpayer was therefore unemployed for **4** periods.
(*1 May - 31 May = 1 period, 17 Jul - 15 Aug = 1 period, 1 Nov - 30 Nov = 1 period and 1 Feb - 28*

Feb = 1 period)

3.1.4 INCOME RECEIVED REFLECTED ON AN IRP5/IT3(a) EMPLOYEE TAX CERTIFICATE

a) This section focuses on an individual who received remuneration related income and incurred typical expenditure such as pension fund contributions, medical expenses, retirement annuity contributions, travel expenses against a travel allowance and expenditure against employer provided vehicles. Indicate if you received income reflected on an IRP5/IT3(a) certificate.

b) **'How many certificates did you receive'?**

- The return caters for a maximum of fifteen IRP5/IT3(a) certificates to be captured. If you received more than fifteen certificates, please refer to the section 'Employee's Tax Certificate Information' for the steps to complete your information on the return.
- The number of IRP5 certificates that SARS has prepopulated on the return cannot be changed to a lower number. The value in this field can however be increased if you have more IRP5 certificates to declare. Please note that in this instance the certificates added to the return will be blank and you must complete the information.
- If any of the information prepopulated on the IRP5/IT3(a) section of the return is incorrect, you must contact the third party (i.e. employer or fund administrator) to rectify and resend the correct data to SARS.

c) **'Did you pay any medical expenditure (including medical scheme contributions made by you or your employer towards a medical scheme where you are the principal / main member)?'** (Select 'Y' or 'N')

- This question applies from the 2017 year of assessment and refers to medical expenditure made for yourself, your spouse or your qualifying children only.
- Medical scheme contributions that were paid via your employer will reflect next to source code **4005** on your IRP5/IT3(a) certificate.

d) **'Did you pay any medical expenditure (including medical scheme contributions where you are <u>not</u> the principal/main member of the medical scheme) in respect of any immediate family member who is dependent on you for family care and support?'** (Select 'Y' or 'N')

- From the 2017 year of assessment, medical expenditure that you paid on behalf of family members who are financially dependent on you for family care and support must be declared separately.

e) **'Did you or your employer make any retirement annuity fund contributions for the benefit of yourself?'** (Select 'Y' or 'N')

- If your retirement annuity fund contributions were paid via your employer, it will reflect next to source code **4006** on your IRP5 certificate.
- The institution to which these contributions were made will issue a certificate confirming the total contributions made for the tax year. This amount must be inserted in the *'Retirement Annuity Fund Contributions'* section next to source code 4006 for the deduction to be taken into account during the assessment process.
- Note: Income protection contributions cannot be claimed from the 2016 year of assessment

f) **'Mark with an "X" if you made any contributions to pension and/or provident fund for the purposes of past / additional services bought, and these are not reflected on any IRP5 or IT3(a) certificate'**

- This refers to additional contributions made to the pension and / or provident fund(s) by a taxpayer to create a better retirement benefit.

g) **'Do you want to claim a deduction against a travel allowance?'** (Select 'Y' or 'N').

- You can only claim expenditure if you received a travel allowance and you have kept accurate records of your business travel.
- Indicate the number of vehicles used during the year of assessment. If the number of vehicles exceeds five, please contact the SARS for further assistance.

h) **'Do you want to claim a deduction against an employer provided vehicle?'** (Select 'Y' or 'N').

- You can only claim expenditure if you received a taxable fringe benefit for the right of use of a motor vehicle provided by your employer and you have kept accurate records of your business travel.
- If the taxable fringe benefit is for an employer provided vehicle held under an 'operating lease', this will reflect next to source code **3816** or **3866** on your IRP5/IT3(a) certificate.
- If the taxable fringe benefit is for an employer provided vehicle held under any method other than an operating lease, this will be reflected next to source code 3802 or 3852 on your IRP5/IT3(a) certificate.
- Insert the number of employer provided vehicles used during the year of assessment. A maximum of 12 vehicles is allowed.

i) **'Did you receive any form of remuneration for foreign services rendered that is reflected on your South African IRP5 or IT3(a) certificate(s)'** (Select 'Y' or 'N').

- If you received remuneration for foreign services rendered that is reflected on an IRP5/IT3(a) certificate indicate if any portion of this foreign services remuneration was subject to tax in another country.
- You will also be required to complete the following applicable sections on the return:
  - 'Residency Information'
  - 'Amounts considered non-taxable'
  - 'Other Deductions'
  - 'Foreign Income'
- Note: If you received income for foreign services rendered and it is <u>not</u> reflected on any IRP5/IT3(a) certificate, you must select yes for the following question under the "Comprehensive" section of your return: *'Did you receive any foreign income (including remuneration) apart from foreign interest and foreign dividend income and excluding foreign capital gain transactions?'*
  - The foreign income section will open for completion.

j) **'Mark with an "X" if you received any foreign income, including remuneration for foreign services rendered not reflected on a South African IRP5 or IT3(a) certificate, subject to tax outside RSA and s10(1)(o) exemptions <u>do not apply</u>.'**

- Applicable from the 2024 YOA
- If selected, complete the income amounts next to source codes 4298 and 4304 in the *Foreign Income* section.

k) **'Mark with an "X" if you received any form of remuneration for foreign services rendered, subject to tax outside RSA and <u>s10(1)(o)(i)</u> exemption applies'**.

- Applicable from the 2024 YOA
- If selected, complete the section for '*Qualifying criteria for s10(1)(o)(i)'*

l) **'Mark with an "X" if you received any form of remuneration for foreign services rendered, subject to tax outside RSA and the <u>s10(1)(o)(ii)</u> exemption applies (<u>excluding</u> s8A/8C gains and dividends)'**.

- Applicable from the 2024 YOA
- If selected, complete the section for *"Qualifying Criteria for s10(1)(o)(ii) exemption (excluding s8A/8C gains and dividends)"*

m) **'Mark with an "X" if you received any form of remuneration for foreign services rendered, subject to tax outside RSA and the <u>s10(1)(o)(ii)</u> exemption applies (<u>relating to</u> s8A/8C gains and**

dividends)'.

- Applicable from the 2024 YOA
- If selected, complete the section for *"Qualifying Criteria for s10(1)(o)(ii) exemption relating to s8A/8C gains (excluding dividends)"*

3.1.5 INVESTMENT INCOME

a) **'Did you receive any interest (local and foreign), distributions from a Real Estate Investment Trust (REIT)/taxable local dividends, taxable foreign dividends and / or dividends deemed to be income in terms of s8E & s8EA (excluding amounts received as a beneficiary of a trust(s), or deemed to have accrued in terms of s7)?'** (Select 'Y' or 'N')

- This question will display from the 2017 year of assessment and onwards.
- Any income distributed to you/vested in you as a beneficiary of a trust or deemed to have accrued to you in terms of s7 must be excluded and declared separately in the Trust section of the return.
- If yes to the above question, indicate *'Did you receive exempt local and/or foreign dividend* income?'
- If you received local dividend income, the following sections must be completed on the return:
  - 'Amounts considered non-taxable'
  - 'Exempt Local Dividends' & 'Exempt Foreign Dividends' fields.

b) **'Was any income distributed to you/vested in you as a beneficiary of a trust, or deemed to have accrued in terms of s7?'** (Select 'Y' or 'N')

- This question is applicable from the 2017 year of assessment.
- If yes, *'Indicate the number of trust(s) applicable?'*
- The 'Trust Income' section will be added to the return and repeated according to the value entered in this field (maximum of 20 allowed).

c) **'Were there any transactions (contributions, transfers, withdrawals, income received/accrued) on any Tax Free Investments held by you during this year of assessment?'** (Select 'Y' or 'N')

- If yes, *'Indicate the number of tax free investments'*
- From the 2020 year of assessment, this field will be prepopulated with data received from third parties (e.g. banks). This value cannot be changed to a lower number however, it can be increased if you have more tax free investments to declare.
- If the information prepopulated on the return is incorrect, you must contact the third party to rectify and resend the correct data to SARS.

3.1.6 RENTAL INCOME

a) **'Did you derive income from the letting of fixed property(ies) (excluding amounts received/accrued as a beneficiary of a trust(s), or deemed to have accrued in terms of s7)'**

- This question will display from the 2017 year of assessment and onwards.
- If yes, indicate: *'From how many separate rental properties did you derive income?'*
  - The section for *'Local Rental Income from the letting of Fixed Property'* will be added to the return and will be repeated according to the number of rental activities inserted in this field.
  - Note: A maximum of 20 rental activities can be declared on the return.
- Amounts received/vested in you as a beneficiary of a trust or deemed to have accrued must be excluded and declared separately in the Trust section of the return.
- The following question will display for the 2016 year of assessment and prior years:
  - *'Did you derive income from the letting of fixed property?'*
  - Include amounts received, accrued or deemed to have accrued as a beneficiary of a trust.

3.1.7 DIRECTOR OR MEMBER OF A CLOSE CORPORATION

a) **'Mark with an "X" if you a director of a company or a member of a close corporation'**

- If selected, the *'Statement of Local Assets and Liabilities'* section (local and foreign) will be added to your return.

3.1.8 VOLUNTARY DISCLOSURE PROGRAMME

a) **'Mark with an "X" if any declaration in this return relates to an application made under the SARS Voluntary Disclosure Programme'**

- If selected, the Voluntary Disclosure Programme section will be added to the return.

3.1.9 ASSETS

a) **'Mark with an "X" if you have assets which at market value are in excess of R50 million'**

- This field is applicable from 2023 YOA onwards
- If selected, the statement of assets and liabilities at market value (local and foreign at market value) will display on the return and is mandatory for completion.

3.1.10 DONATIONS

a) **'Do you want to claim donations made to an approved Public Benefit Organisation in terms of s18A?'** (Select 'Y' or 'N'

- If yes, indicate *'How many Public Benefit Organisations did you donate to?'*
- The maximum value allowed is 99.

3.1.11 SOLAR ENERGY TAX CREDIT

a) **'Mark with an "X" if you want to claim a tax rebate for the installation of the solar panel(s) to a residence mainly used for domestic purposes, brought into use for the first time during the period 01 March 2023 to 29 February 2024'**

- Applicable to the 2024 YOA only

3.1.12 OTHER INCOME AND ALLOWABLE EXPENSES

a) '**Did you receive any other income (excluding amounts received/accrued as a beneficiary of a trust(s), or deemed to have accrued in terms of s7) and/or incur any other allowable expenses not addressed above?'** (Select 'Y' or 'N').

- This question will display from the 2017 to 2023 YOA.

b) **'Mark with an "X" if you received any other income (e.g. local business, trade, and professional income), but excluding amounts received / accrued as a beneficiary of a trust(s), or deemed to have accrued in terms of s7) and/or incur any other allowable expenses (e.g. home office expenses) not addressed above'**

- This question will display from the 2024 YOA.

c) The above questions refer to all other types of income not reflected on an IRP5/IT3(a) certificate. If

selected, a more comprehensive list of questions will display for completion.

- Note: Select this field if you did not receive an IRP5/IT3(a) certificate but you want to claim medical expenses and/or retirement annuity. Where SARS has received third party data from your retirement fund or your medical scheme, this field will be defaulted to yes.
- Amounts received/vested in you as a beneficiary of a trust or deemed to have accrued must be declared separately in the Trust section of the return.

3.2 COMPREHENSIVE QUESTIONS

3.2.1 FOREIGN INCOME

a) **'Did you receive any foreign income apart from foreign interest and foreign dividend income and excluding foreign capital gain transactions?'** (Select 'Y' or 'N')

- If yes, the container for *'Foreign Income'* and *'Local Statement of Assets and Liabilities'* will be added to the return.
- Amounts received/vested in you as a beneficiary of a trust or deemed to have accrued in terms of s7 must be included for the 2016 YOA and prior. From the 2017 year of assessment onwards this information must be excluded and declared separately in the Trust section of the return.

3.2.2 CAPITAL GAIN / LOSS

a) **'Did you dispose of any local assets attracting capital gain or loss (including crypto assets)?'** (Select 'Y' or 'N').

b) **'Did you dispose of any foreign assets attracting capital gain or loss (including crypto assets)?'** (Select 'Y' or 'N')

- If yes to the above questions, indicate *'How many disposals (shares to be combined as one disposal) took place?'*
- You must declare each disposal separately. The return makes provision for a maximum 10 local and 10 foreign disposals.
- If you disposed of shares (and such shares are administered by one single administrator) and you received one advice for the disposal of these shares, the disposals can (for the completion of the return purposes) be regarded as one transaction. For further detail refer to the 'Capital Gain/Loss' section in this guide.
- Amounts received/vested in you as a beneficiary of a trust or deemed to have accrued in terms of s7 must be included for the 2016 YOA and prior. From the 2017 year of assessment onwards, this information must be excluded and declared separately in the Trust section of the return.

3.2.3 PARTNERSHIPS

a) **'Are you a partner in a partnership(s)?'** (Select 'Y' or 'N').

- If yes, indicate '*How many partnerships?'* (Maximum of 20 allowed).
- The partnership container will be added to the return.

3.2.4 LOCAL BUSINESS TRADE AND PROFESSIONAL INCOME (INCLUDING CRYPTO ASSETS(S))

a) **'Did you derive income from local business trade or profession other than rental income from the letting of fixed property(ies)?'** (Select 'Y' or 'N')

- From the 2023 YOA, this field will be prepopulated with yes based on local business, trade or

professional income information available as per SARS records.

- If yes indicate *'How many separate trading activities did you carry on?'*
  - The return makes provision for a maximum of eight trading activities to be declared. To declare more than eight trading activities, you must add the profits or the losses of similar trades and insert the total amount on the return.
  - From the 2023 YOA, if this field is prepopulated with a value as per information available on SARS records, you will be allowed to increase the value but not decrease it.
- From the 2017 year of assessment, amounts received/vested in you as a beneficiary of a trust or deemed to have accrued in terms of s7 must be excluded and declared separately in the Trust section of the return.

3.2.5 LOCAL FARMING

a) **'Did you participate in any local farming operations'** (Select 'Y' or 'N')

- From the 2023 YOA, the above field will be prepopulated with yes based on farming income information available as per SARS records.

b) **'Did you participate in any farming partnership operations'** (Select 'Y' or 'N')

- From the 2023 YOA, the above field will be prepopulated with yes based on farming income information available as per SARS records.
- Note: From the 2024 YOA, this question will be unlocked and editable if you selected 'Y' for the question *'Are you in a partnership'*

b) If you did participate in farming partnership operations, indicate *'How many farming partnership operations did you participate in?'*

- A maximum of 20 operations is allowed on the return.
- From 2024 YOA onward, the number of farming operations will be pre-populated based on the previous declaration filed by the taxpayer.
- You will be allowed to increase the number but not decrease it.

3.2.6 OTHER TAXABLE RECEIPTS AND ACCRUALS

a) **'Did you have any receipts and accruals not addressed by the previous questions but excluding amounts that you consider non-taxable?'**

- If yes, the section for *'Other Receipts and Accruals'* will be added to the return
- From the 2022 YOA include amounts of remuneration from foreign employer(s) for services rendered in South Africa
- From the 2017 year of assessment, amounts received/vested in you as a beneficiary of a trust or deemed to have accrued in terms of s7 must be excluded and declared separately in the Trust section of the return.

3.2.7 FOREIGN TAX CREDITS

a) **'Will you be claiming any foreign tax credits in terms of s6quin (Foreign taxes on income from source within the Republic)?'** (Select 'Y' or 'N')

- This question will only display for the 2016 year of assessment and prior years.
- If yes, the section for *'Foreign Tax Credits'* will be added to the return.

b) **'Were any foreign tax credits refunded/discharged during the year of assessment for which a rebate/deduction was allowed during a previous year of assessment?'** (Select 'Y' or 'N').

- For the 2016 YOA and prior years, the section *'Foreign Tax Credits - South African Sourced Income (already elsewhere included in this return) - s6quin'* will be added to the return.

- From the 2017 YOA, the section *'Foreign Tax Credits Refunded / Discharged'* will be added to the return.

3.2.8 AMOUNTS CONSIDERED NON-TAXABLE

a) **'Did you receive any income that you consider non-taxable?'** (Select 'Y' or 'N')

- If yes, the *'Amounts considered non-taxable'* section must be completed on your return.
- This section makes provision for the declaration of the amount that you consider exempt. For further details please refer to the section in this guide that discusses the residence basis of taxation.
- If you received income that should be exempt in terms of section 10(1)(o), select yes for this question.
- From the 2017 year of assessment, amounts received/vested in you as a beneficiary of a trust or deemed to have accrued in terms of s7 must be excluded and declared separately in the Trust section of the return.
- Income earned by a resident (natural person) from employment outside South Africa is subject to tax in South Africa. The provisions contained in s 10(1)(o) of the Income Tax Act exempts remuneration of:
  - Any officer or crew member of a ship engaged in the international transportation (for reward) of passengers or goods or in the prospecting, exploration or mining for, or production of, any minerals from the seabed outside the Republic, if such officer or crew member is employed on board such ship solely for purposes of the 'passage' of such ship, for a period or periods exceeding 183 full days (in aggregate) during the year of assessment.
  - Any person in respect of services rendered by that person outside the Republic for or on behalf of any employer if such person was outside the Republic for a period or periods exceeding 183 full days (in aggregate) during any period of 12 months and for a continuous period exceeding 60 full days during that 12 month period.

3.2.9 MEDICAL DEDUCTIONS

a) Note: the medical questions described in the IRP5/IT3(a) Employee Tax Certificate section above will only display under the comprehensive list of questions if you have answered **no** to the question 'Did you receive income that is reflected on an IRP5 or IT3(a) certificate?'

3.2.10 RETIREMENT AND/OR INCOME PROTECTION CONTRIBUTIONS OR RETIREMENT CONTRIBUTIONS

a) Note: the retirement related questions described in the IRP5/IT3(a) Employee Tax Certificate section above will only display under the comprehensive list of questions if you have answered **no** to the question 'Did you receive income that is reflected on an IRP5 or IT3(a) certificate?'

3.2.11 VENTURE CAPITAL COMPANY INVESTMENTS

a) **'Did you invest in SARS approved Venture Capital Companies in exchange for shares during the year of assessment?'** (Select 'Y' or 'N')

- Applicable to the 2021 and prior YOA

b) **'Did you invest in SARS approved Venture Capital Companies in exchange for shares on or before 30 June 2021?'** (Select 'Y' or 'N')

- Applicable for the 2022 YOA only
- If yes, 'Specify the number of investments made in SARS approved Venture Capital Companies'

c) **'Were any SARS approved Venture Capital Company shares sold during the year of assessment, for which a tax deduction was allowed?'** (Select 'Y' or 'N').

3.2.12 OTHER DEDUCTIONS

a) **'Did you incur any expenditure that you wish to claim as a deduction that was not addressed by the previous questions? (e.g. home office expenses)'** (Select 'Y' or 'N').

- If yes, the section for 'Other Deductions' will be added to the return.

4 COMPLETING THE RETURN

a) Your income tax return will be pre-populated with information available to SARS, such as personal particulars (for example name, surname, physical and postal address, banking details, etc.) and information received from third parties (e.g. employers, pension funds, retirement funds and medical schemes).

b) Check if the prepopulated information is accurate. Where a profit or loss source code must be completed, please refer to the Source Code Booklet tool available on the SARS website.

4.1 TAXPAYER INFORMATION

a) SARS will pre-populate the available information on your return.

b) The following information cannot be amended:

- **'Income tax reference number'**
- **'Year of assessment':** This is the period commencing on 1 March of a particular year to the end of February of the following year.

b) **Personal details:** You can only update some of your personal information via this section of your return:

- **'Surname':** This field is mandatory and must be completed
- **'First name':** This field is mandatory and must be completed
- **'Other name':** This is an optional field
- **'Initials**: This is a mandatory field. Indicate your full initials.
- The following fields cannot be updated via your return. If the information is incorrect you will have to contact SARS to change it:
  - **'Date of birth'**
  - **'Identity number'**
  - **'Passport number'**
  - **'Passport Issue Date'**
  - **'Passport Country'**
- **'Marital status':** This field is mandatory. It is vital that your marital status is completed accurately as it may affect your assessment result (where you received investment and/or rental income or entered into capital gain transactions). Your marital status as at 28 February must be reflected by marking the applicable box with an 'X'.

c) **'Spouse details':** If you are 'married in community of property' it is mandatory to complete your spouse's details.

d) **'Contact Details':** Your information will be pre-populated in the following fields (if available). Please check to ensure that your contact details are correct. If you utilise the services of a tax practitioner, enter the tax practitioner's contact information in the 'Tax Practitioner Details' section of the return.

- **'Email':** You are encouraged to provide your email address to assist SARS with its 'Go-Green' initiative, which intends to decrease the use of paper. If a valid email address is provided, your notice of assessment will be emailed to you. If you do not have an email address, select the field *'Mark here with an 'X' if you declare that you do not have an email address'*.
- **'Cell Number':** You are encouraged to provide your cell number so that SARS can send communications to your cell number. For example: once your return is successfully processed, SARS will automatically send you an SMS with your assessment result. If you do not have a cell phone number, select the field *'Mark here with an 'X' if you declare that you do not have a cell phone number'.*
- **'Home Telephone Number'**
- **'Business Telephone Number'**
- **'Do you confirm that the email and telephone number(s) supplied are correct?':** Select Y or N
- **'Address Details':** This information will pre-populate on the return. If your residential address is the same as your postal address, mark the applicable box indicating that the addresses are the same. Please note that the address information must be your specific details and not the details of another person such as a tax practitioner who completed the return on your behalf.

e) **'Tax Practitioner Details':** If a tax practitioner completes and submits a return on behalf of a taxpayer, provide the following details in the 'Tax Practitioner Details' section of the return:

- **'Tax Practitioner Registration No.':** The first two characters must be PR followed by 7 alphanumeric characters.
- **'Tax Practitioner Telephone No.'**
- **'Tax Practitioner Email Address':** If the tax practitioner does not have an email address, select the field *'Mark here with an 'X' if you declare that you do not have an email address'.*

4.2 DECLARATION AND SIGNATURE

a) A personal income tax return is your legal declaration to SARS declaring all the income you have received for a specific tax year (a tax year runs from 1 March of each year until the last day of February of the following year). It also indicates the tax you have paid by way of the monthly PAYE deducted by your employer. As such, it allows SARS to make a final assessment on whether you have met all income tax obligations for the tax year and whether you have paid too much tax (in which case you will receive a refund) or too little (in which case you will be required to make an additional payment).

b) You must ensure that you make a full and accurate disclosure of all relevant information required in the income tax return. Misrepresentation, neglect or omission to submit a return or supplying false information may be subject to penalties and/or additional assessments (together with interest) and/or criminal prosecution.

c) The Declaration section is dynamic as it allows either the taxpayer or the tax practitioner to sign the declaration.

- If a taxpayer completes the return, the declaration for the taxpayer to sign will display.
- If a tax practitioner completes the return, the declaration for the tax practitioner to sign will display.

d) It is acceptable to have returns completed by someone else (such as a bookkeeper, accountant, tax practitioner or friend). However, you are ultimately responsible for the declarations on the return.

e) After completing the return, you must read the declaration on the return and sign accordingly. If you or your tax practitioner is registered as an eFiler and your return is submitted electronically via eFiling, the password received during registration as an eFiler will serve as the digital signature for the return.

f) If you are a tax practitioner submitting a return on behalf of your client, you must sign the declaration on the return and in doing so you confirm that:

- To the best of your knowledge the information provided by the taxpayer to you is correct and complete.

- All the income and relevant information as provided by the taxpayer to you is disclosed to SARS.
- You have the necessary receipts and records to support this declaration and will retain these for inspection purposes

g) In terms of the rules for electronic communication prescribed under section 255(1) of the Tax Administration Act, a voice recording is acceptable as an electronic signature if you submit your return telephonically with the assistance of a SARS official.

4.3 BANK ACCOUNT DETAILS

a) SARS has adopted a policy of issuing all refunds electronically. It is therefore imperative that your bank account details are correct. SARS will not pay a refund into an account of a third party.

b) Where your bank details are available to SARS, this information will be pre-populated on your return. To amend the bank details, click on the 'Edit' button.

c) If no banking details are pre-populated on your return and you do not have a bank account, mark the field ***'I declare that I have no South African bank account'*** and select the applicable reason field. If neither this field nor the banking details are completed, the return will be considered as incomplete.

d) To safeguard against fraud, any bank detail changes on the ITR12 return must be verified with a One-Time-Pin (OTP).

- This applies to eFiling and the SARS MobiApp
- If any bank details are changed on the ITR12 return, an OTP will be sent to the security contact details (i.e. email/cell number) of the eFiler logged on to complete the return.
- Once the correct OTP is inserted on the pop-up screen, the bank details will be updated and the eFiler can continue to complete the rest of the return.

4.3.1 BANK DETAIL FIELDS ON THE RETURN

a) **'Bank Account Holder Declaration'** – select one of the following:

- 'I use South African bank accounts'
- 'I use a South African bank account of a 3rd party'
- 'I declare that I have no South African bank account'.

b) **'Reason for No Local / 3rd Party Bank Account'** – select one of the following:

- 'Non-resident without a local bank account'
- 'Insolvency/Curatorship'
- 'Deceased Estate'
- 'Shared Account'
- 'Income below tax threshold / Impractical'
- 'Statutory restrictions'
- 'Minor child'.

c) **'Bank Account Status'** – this field is for SARS use and will be prepopulated by the SARS system.

d) **'Account number'** – enter your bank account number

e) **'Branch number', 'Bank Name' and 'Branch Name'** – Select the applicable bank name from the drop-down list. Once selected, the 'branch name' and the 'branch number' fields will be automatically completed on the return. If you cannot find the bank name on the list, select 'Other' and complete all the necessary fields.

f) **'Account type'** – Indicate if you have a cheque, savings, or transmission account.

g) **'Account holder name'** – please insert the account holder name as registered at the bank.

h) **'Agreement Statement'** – Mark the corresponding statement on the return with an 'X'. This is to declare that the information provided is true and correct in every respect.

4.3.2 DOCUMENTATION REQUIRED FOR BANK DETAIL CHANGES

a) If you change your banking details on your return it will be verified by SARS. You will be notified if the following documentation is required to verify and effect the banking detail changes on the SARS system:

- A valid original or temporary identity document/passport/driving licence/asylum seekers permit and a certified copy thereof.
- An original bank statement, or ATM/Internet generated statement, or ABSA eStamped statement, not more than three months old that confirms the account holder's legal name, bank name, account number, account type and branch code.
- Where a new bank account was opened and a bank statement cannot be produced, an original letter from the bank not older than one month on the bank's letterhead with the original bank stamp reflecting the date the bank account was opened.
- Copy/Original proof of residential address.

b) Copies certified by authorised persons (e.g. South African Post Office, South African Police Station, Attorneys, etc.) are acceptable. Note**:** A 'true copy' stamp should always be accompanied by the 'Commissioner of Oaths' stamp.

4.3.3 PROOF OF RESIDENTIAL ADDRESS

a) The document provided as proof of residential address must reflect your physical address and name (either initials and surname or first name(s) and surname).

b) If your residence is owned by a third party (i.e. the proof of residence is in the name of someone else and not you the taxpayer), a *'Confirmation of Residential/Business Address by Third Party (CRA01)'* form must be completed and signed by the third party. This form is available on the SARS website.

- If you reside in an area where municipal accounts are not issued, the CRA01 form must be completed by the Chief or Councillor. The ID document or proof of residence of the Chief or Councillor is not required.
- If a letter is obtained from the Ward Councillor, the letter must be from the municipality area in which you reside.

c) The table below provides a list of documentation that will be accepted by SARS as proof of residential address.

	Document description	Validity Period
1	**GENERAL ACCOUNTS:**	
1.1	Utility account i.e. rates and taxes, water, electricity or gas account	Less than 3 months old
1.2	Educational Institution account	Less than 3 months old
1.3	Co-op statement (for farmers)	Less than 3 months old
1.4	Medical aid statement	Less than 3 months old
1.5	Mortgage statement from mortgage lender	Less than 6 months old
1.6	Telephone account (landline and cell phone networks)	Less than 3 months old
1.7	e-Toll account	Less than 3 months old
1.8	SABC television license documentation	Less than 1 year old
1.9	Major Retail Accounts	Less than 3 months old
2	**GOVERNMENT ISSUED DOCUMENT:**	
2.1	Motor vehicle license documentation	Less than 1 year old

	Document description	Validity Period
2.2	Court order	Less than 3 months old
2.3	Subpoena	Less than 3 months old
2.4	Traffic fine	Less than 3 months old
2.5	Documentation relating to UIF or pension pay-out	Less than 3 months old
3	**INSURANCE AND INVESTMENT DOCUMENT:**	
3.1	Life assurance document	Less than 1 year old
3.2	Short- term insurance document	Less than 1 year old
3.3	Health insurance document	Less than 1 year old
3.4	Funeral policy document	Less than 1 year old
3.5	Investment statement from share, portfolio or unit trust	Less than 1 year old
4	**LEASE / FRANCHISE AGREEMENT:**	
4.1	Current and valid agreement	
5	**LEGAL DOCUMENTS:**	
5.1	Any statutory body, Local Government or any other legal document statement that bears the residential address of the taxpayer	Less than 3 months old

d) Banking detail changes **cannot** be made via e-mail, fax, post or the SARS Contact Centre. For any further information concerning banking detail changes, you can refer to the 'Change of Banking Details Guide' on the SARS website.

4.4 EMPLOYEE'S TAX CERTIFICATE INFORMATION [IRP5/IT3(a)]

a) Note: In terms of Paragraph 13(1) of the Fourth Schedule to the Income Tax Act, 1962, an employer has a legal obligation to provide an employee with an employee's tax certificate.

b) Employer(s) and institution(s) from which you received income will issue an IRP5/IT3(a) Employee's Tax Certificate where tax on that income was withheld or if no tax was withheld (in this instance the certificate will contain a reason code for the non-deduction of tax).

- Example: If you were employed by two employers during the year of assessment and you also received a payment from a retirement annuity fund, you should receive three IRP5/IT3(a) certificates for the tax year. Your customised income tax return will contain three separate pages for IRP5/IT3(a) information – one for each employer as well as one for the retirement annuity payment received.

c) SARS will use IRP5/IT3(a) data submitted by third parties (e.g. employer, institution, or fund administrator) via the EMP501 Employer Reconciliation process to pre-populate the information on your income tax return.

- If your return is pre-populated check the information to ensure that it is correct. SARS cannot alter or delete any of the pre-populated IRP5/IT3(a) data provided by third parties. If any of the pre-populated data is incorrect you must request the third party to make the required corrections. Once the third party resubmits the corrected information to SARS and the reconciliation is successfully processed, the updated information will reflect on your return.
- If your information is not pre-populated, complete this section of the return as per the details reflected on the certificate(s) that you received from your employer or relevant institution.

d) According to the definition of 'provisional taxpayer' in paragraph 1 of the Fourth Schedule, a natural person will be regarded as a provisional taxpayer if he/she derives remuneration from an employer that is not registered for the payment of employees' tax with SARS or if the natural person receives any amount which does not constitute remuneration, allowance or an advance. From the 2018 YOA, if the following conditions apply, SARS may convert a person to a provisional taxpayer on assessment:

- IRP5/IT3(a) certificates without a PAYE reference number captured on the return; and
- The income on these IRP5/IT3(a) certificates plus any taxable investment income exceeds the provisional tax threshold.

e) The return caters for a maximum of fifteen IRP5 certificates. If you received more than fifteen certificates for the year of assessment:

- Complete the details of the first fourteen IRP5 certificates on your ITR12 return (if this information is not already prepopulated)
- For all the remaining certificates:
  - Identify all similar source codes (e.g. income received, deductions, contributions, and tax credits) and combine these amounts
  - Edit the section for the fifteenth IRP5 certificate on your ITR12 and capture all the amounts and source codes from the remaining certificates.
- You must retain the certificates for a period of five years after the date of submission of the return, as SARS may request it for verification.

f) The following are examples of income and/or benefits that will reflect on your IRP5/IT3(a) Employee Tax Certificate:

- Salaries and wages
- Service and fringe benefits
- Allowances
- Overtime
- Options/rights to purchase shares, etc.
- Pensions
- Gratuities/Lump sum payments
- Bonuses
- Restraint of trade payments
- Annuities
- Directors' fees
- Incentive awards
- Commission.

4.4.1 INCOME RECEIVED SECTION ON THE EMPLOYEE'S TAX CERTIFICATE

a) **Salaries and Wages:** Salaries and wages are reflected under code **3601** on the IRP5/IT3(a) certificate received from your employer.

b) **Service and Fringe Benefits:** Fringe benefits usually refer to non-cash benefits granted to employees, but do not constitute cash payments made. For example, an employee may be offered the use of a company car in lieu of a portion of his cash salary. These fringe benefits will be reflected on the IRP5/IT3(a) certificate by source codes starting with the numbers **38** followed by two more numbers.

c) **Allowances:** Allowances will be reflected on the IRP5/IT3(a) certificate by source codes starting with the numbers **37** followed by two numbers. Examples: **3701** for travel allowance or **3712** for telephone or cell phone allowance.

d) **Overtime:** Overtime will be reflected under code **3607** on the IRP5/IT3(a) certificate.

e) **Options/Rights to Acquire Marketable Securities:** Section 8A applies to all rights (including options) acquired by an employee before 26 October 2004. Thereafter such rights are dealt with by section 8C.

- Gains made by a director or employee in respect of the exercise, cession or release of a right to acquire marketable securities (i.e. securities, stock, debentures, shares, options or other interests capable of being sold on a stock exchange or otherwise (this also includes shares, etc. in private companies)), must be declared as income if that right was awarded either in the capacity of a director or former director, or in respect of services which have been rendered or are still to be

rendered by him/her as an employee to an employer.

- When the taxpayer exercises his/her right, the employer will apply for a tax directive from SARS to determine the amount of tax to be withheld. The amount to be included in your gross income will reflect under source code **3707** or **3718** on your IRP5/IT3(a) certificate.
  - In section 8B of the Income Tax Act provision is made for the issuing of shares in terms of a broad-based employee share plan. To promote long-term broad-based employee empowerment, special tax rules were introduced to allow for the tax-free treatment of 'qualifying equity shares' acquired by employees, even though the shares may be acquired without cost or at a discount. For a share to qualify it must satisfy two requirements, namely:
  - It must be acquired in terms of a broad-based employee share plan
  - The total shares received under the plan by the employee may not exceed R50, 000 in value during any five-year period.
- When these shares are disposed of, special rules will apply. If you (the employee) sell the shares within five years from the date the shares were granted, your employer will include the proceeds as income on your IRP5/IT3(a) certificate. This amount will be reflected under source code **3717** on your IRP5/IT3(a) Employee Tax Certificate. If you sell the shares after a period of five years, your gain will be of a capital nature, and you will have to declare the disposal as a capital gain transaction.

f) **Pensions:** If you received a pension from the private sector, it must be declared if the services or part of the service period was rendered in South Africa. Pensions will reflect under code **3603** on your IRP5/IT3(a) certificate.

- If the pension was awarded for services rendered within and outside South Africa, only that portion of the pension for services rendered in South Africa will be deemed to be from a source within and subject to tax in South Africa.
- Pensions awarded by the Government, Transnet, provincial administrations and local authorities are taxable in full.
- The following pensions are exempt from tax (**exempt pension**):
  - War veteran's pensions [s10(1)(*g*)]
  - Compensation paid under any law in respect of diseases contracted by persons employed in the mining industry [s10(1)(*g*)]
  - Disability pensions paid under section 2 of the Social Assistance Act [s10(1)*g*A)]
  - Any compensation paid in terms of the Workman's Compensation Act or the Compensation for Occupational Injuries and Diseases Act [s10(1)(*g*B)(i)]
  - Pension paid on death or disablement of an employee in the course of employment due to occupational injury or disease before 1 March 1994, if that employee would have qualified for compensation under the Compensation for Occupational Injuries and Diseases Act, had that injury or disease been sustained or contracted on or after 1 March 1994 [section 10(1)(gB)(ii)].
  - Compensation paid for the death of an employee resulting from the course of employment to the extent that the compensation is in addition to the compensation mentioned in section 10(1)(gB)(i) and does not exceed R300 000 [section 10(1)(gB)(iii)].
  - Amounts received under the social security system of another country [s10(1)(*g*C*)(i)*]
  - Any lump sum, pension or annuity received or accrued to a resident from a source outside South Africa for past employment outside South Africa [s10(1)(*g*C*)*(ii)].

g) **Gratuities/Lump Sum Payments/'Two-Pot' Retirement System Savings Withdrawal Component:** The code for any payment received in respect of a gratuity or a lump sum or retirement withdrawal savings component will start with the number **39** followed by two more digits. Below are examples of codes on the IRP5/IT3(a) certificate:

- **3901** – A gratuity prior to the 2012 year of assessment or severance benefits from the 2012 year of assessment received from an employer on termination of employment.
- **3922** – Death compensation from the employer.
- **3920** – A lump sum payment received from a retirement fund on resignation or on a withdrawal from the fund or lump sums transferred on resignation (the required deduction in terms of the Second Schedule will be allowed programmatically by SARS when the assessment is finalised).
- **3921** – Commutation of living annuities after 1 March 2009 but prior to the 2012 year of assessment and future surplus payments after 1 March 2009.

- **3915** – Amounts received in respect of Retirement Fund Lump Sum Benefits (on retirement, death, etc.). From the 2012 year of assessment, the commutation of annuities will also be reflected under this code.
- **3907** – Lump sums paid/payable in terms of par (d) of 'gross income' which is not a 'severance benefit' and lump sum payments from unapproved retirement funds. From 1 March 2012 for lump sums paid due to normal termination of service (e.g. resignation or a lump sum paid upon retirement where the employee is below 55 years of age) and Employer Owned Insurance Policy (risk policy) proceeds not exempt in terms of the exclusion in section 10(1)(gG)(i) of the Income Tax Act.
- **3908** – Exempt Employer Owned Policy Proceeds.
- **3926** – Savings Withdrawal Benefit. This source code is effective from the 2025 YOA onwards and refers to the amount that an individual has withdrawn from a Retirement Fund Savings component/pot during the year of assessment. If this source code is captured on the employee's tax certificate, the tax directive number and the PAYE certificate number will be mandatory for completion.

h) **Annual Payment:** This will reflect under code **3605** or **3655** on your IRP5/IT3(a) certificate. Examples include:

- Annual bonus
- Incentive bonus
- Leave pay (on resignation/encashment)
- Merit awards
- Bonus/incentive amount paid to an employee to retain his/her service for a specific period.

i) **Restraint of Trade Payments:** This amount will reflect under code **3613** on your IRP5/IT3(a) certificate. Any payment received on or after 23 February 2000 in respect of restraint of trade will be regarded as income of the person to whom it is paid. This would apply to any person who:

- Is a natural person. However, from 1 March 2015 it only applies to a natural person in respect of employment or holding of any office (i.e. this does not apply to a natural person who is carrying on trade (other than employment or holding of office))
- Is or was a labour broker as defined in the Fourth Schedule (other than a labour broker in respect of which a certificate of exemption has been issued)
- Is or was a personal service provider as defined in the Fourth Schedule
- Was a 'personal service company' or 'personal service trust as defined in the Fourth Schedule

j) **Annuities:** A purchased annuity consists of a taxable and a non-taxable amount. The taxable portion will reflect as code **3611**, whilst the non-taxable portion will reflect as code **3612**. The pension received in respect of a retirement annuity will reflect as code **3610** on your IRP5/IT3(a) certificate.

- From the 2021 YOA, any qualifying annuity paid on a regular basis from a provident or provident preservation fund as well as backdated provident or qualifying annuity (from a provident or provident preservation fund) will reflect next to source code **3618**.

k) **Director's Remuneration:** This amount will reflect under code **3615** on your IRP5/IT3(a) certificate.

l) **Incentive Awards:** These amounts are usually supplementary to a salary and are included in the definition of remuneration contained in the Fourth Schedule to the Income Tax Act. On the IRP5/IT3(a) certificate, the amounts will either be included under code **3601** or alternatively reflect under code **3605** (e.g. annual bonus, leave pay, merit awards).

m) **Long Service Awards:** In terms of paragraphs 2(a) and proviso (b) to paragraph 5(2) of the Seventh Schedule to the Income Tax Act, a taxable benefit arises when an employer gives an employee a long service award in the form of an asset either for no consideration or for a consideration which is less than the value of the asset.

- Under paragraph 5(4), an award qualifies as a long service award if the asset is given by employer to an employee for being in employment with the same employer for–
  - An initial unbroken period of service of at least 15 years; or

- Any subsequent unbroken period of service of not less than 10 years
- Where an asset is awarded to an employee specifically as a long service award, the value of that asset must be reduced by the **lesser** of the following for tax purposes:
  - The cost to the employer for all assets awarded to the employee for long service during the year of assessment; or
  - R5 000
  - However the aggregate value of an amount reduced under paragraph 5(2)(*b*), together with all amounts determined under paragraph 6(4)(*d*) [*right of use of an asset granted for long service*] and 10(2)(*e*) [*free or cheap services granted for long service*] of the Seventh Schedule, as well as amounts under paragraph (vii) of the proviso to paragraph (*c*) of the definition of "gross income" [*monetary amounts granted for long service*] may not exceed R5 000.
- As from 1 March 2022 long service awards includes cash, gift vouchers, right of use of assets, free or cheap services and assets given to an employee. Examples of assets include any goods, commodity, financial instrument or property of any nature.
- Paragraph 2(a) excludes the following (as these are dealt with in other sections of the Act):
  - Meals/refreshments/board/fuel/power/water provided to the employee
  - Marketable securities
  - Qualifying equity shares
  - Equity instruments.
- For more information on long service awards, refer to Interpretation Note: No. 71
- On your ITR12 return:
  - Source codes **3835**, **3622**, **3855** (foreign service) and **3672** (foreign service) are for long service awards and are applicable from the 2023 YOA.
  - If the total value of the above source codes does not exceed R5000, the amount will be included in the gross *'Non-Taxable Income'* field next to source code **3696**
  - If the total value of the above source codes exceeds R5000, you must **manually add** this total to the total value of the *'Gross Employment Income (Taxable)'* field next to source code **3699** on your return. If not added, on submission of the return the following error message will display:
    'The field Gross Employment Income (taxable) (3699) does not match the sum of the amounts entered for the remaining taxable income items. Please ensure that all amounts entered are correct'.

n) **Commission Income:** Section 23(*m*) prohibits a deduction of expenditure relating to employment or holding of office unless that deduction is specifically permitted in terms of section 23(*m*).

- The prohibition of deductions applies to natural persons only for expenses, losses or allowances relating to the employment of any person or an office held by any person.
  - The term 'employment' refers to an employer-employee relationship.
  - The holding of an office generally flows from an appointment, for example a Minister in the Cabinet or a director of a company, whereas the holding of employment flows from a contract.
- A person who is an independent contractor under the common law is not affected by the prohibition of the deductions.
- The prohibition applies to expenses, losses and allowances that relate to 'remuneration' as defined in the Fourth Schedule to the Act. An employee or office holder who receives two or more streams of income may be in a situation where the deduction of expenses, losses or allowances relating to the 'remuneration' stream is prohibited, while it remains deductible if it relates to another trade.
- The following expenses and allowances may still be deducted:
  - Any contribution to a pension or retirement annuity fund may be deducted from the income of that person. Section 11(n) applies to the 2016 year of assessment and prior years and allows deductions for qualifying current contributions and arrear contributions made to a retirement annuity fund. With effect from 1 March 2016 deductions in respect of pensions, retirement annuity funds and provident funds is covered by section 11F.
  - Expenses in terms of section 11(nA) and 11(nB), i.e. a refund of any amount (including voluntary payments) received or accrued in respect of services rendered or to be rendered or any amount received in respect of or by virtue of employment or holding of office as was

included in the taxable income of that person or a refund of a restraint of trade payment received by him/her.
    - Any allowance or expense which may be deducted from the income of that person in terms of section 11(*c*), (*e*), (*i*) or (*j*) - legal expenses, wear and tear, bad debts and provision for doubtful debts.
    - For years of assessment prior to 2015, any deduction which is allowed under section 11(*a*) in respect of any premium paid by that person in terms of an insurance policy:
        - That covers a person solely against the loss of income as a result of illness, injury, disability, or unemployment.
        - In respect of which all amounts in terms of that policy constitutes or will constitute income as defined.
    - Any expenses incurred to maintain a home office. Such expenses will only be considered in special circumstances. Please refer to the section in this guide dealing with the deductions for a home office.
- An agent or representative whose remuneration is normally derived mainly (more than 50%) in the form of commission based on sales or turnover that are attributable to him/her, is excluded from the provisions of section 23(*m*). This means that should the commission income exceed 50% of remuneration, the expenses incurred may be considered as a deduction. For purposes of section 23(*m*) the term 'agent', 'representative' and 'commission' should be interpreted as follows:
    - 'Agent' – a person authorised or delegated to transact business for another
    - 'Representative' – one who represents another or others
    - 'Commission' – a percentage of sales or turnover of the person on behalf of whom the agent or representative is acting.
- The following exceptions apply:
    - **Mainly and normally in the form of commission:** i.e. a taxpayer receives remuneration which includes commission income, and although the commission income is less than 50% of the gross remuneration received, he/she usually derives remuneration mainly in the form of commission (more than 50%). In other words, if the taxpayer's remuneration is normally in the form of commission which is more than 50% of gross remuneration, except for the relevant year of assessment, the deductions claimed in the production of income may be considered. Documentation proving that the income is normally mainly received in the form of commission must be retained for a period of five years after the date of the submission of the return.
    - **Non-executive directors:** Non-executive directors are holders of an office and are therefore subject to the limitations imposed by section 23(m) if the expenses, losses or allowances relate to that office, and they have received remuneration as defined in the Fourth Schedule to the Act in respect of that office. If they render the services independently of the person to whom they are rendering the service, they are independent contractors and section 23(m) does not apply.
- For further information please refer to the Interpretation Note 13 (Limitation of deductions for employees and office holders) available on the SARS website.
- To determine which part of your remuneration does not relate to commission income, calculate the total amount of remuneration and exclude the non-taxable reimbursive allowances. The following examples illustrates this.

Example:1

A taxpayer receives the following income:

3601	Salary	R 276,000	
3605	Annual payment	R 40,000	
3705	Subsistence - not taxable	R 3,000	(reimbursive amount)
3713	Other allowances	R 10,000	
3810	Medical benefit	R 4,500	
3606	Commission	R 300,000	
3699	Gross remuneration	R 630,500	

To determine whether section 23(*m*) should be applied, calculate 50% of the gross remuneration and compare it to the commission income (i.e. code **3606** – R300 000). Note that the amount of R3 000

(code **3705**) in respect of subsistence reimbursements is not included in the calculation of gross remuneration.

In the example above the gross remuneration (code **3699**) is R630 500.
R315 250 represents 50% of the gross remuneration and is compared to the commission amount actually received. As the commission income is only R300 000 and is less than R315 250, deductions in terms of section 11 will not be considered and 23(*m*) restrictions will be applicable.

Example:2

A taxpayer receives the following income:

3601	Salary	R 276,000	
3605	Annual payment	R 40,000	
3705	Subsistence - not taxable	R 3,000	(reimbursive amount)
3713	Other allowances	R 10,000	
3810	Medical benefit	R 4,500	
3606	Commission	R 350,000	
3699	Gross remunerations	R 680,500	

In the example above the gross remuneration (code 3699) is R680 500. This amount refers to the taxable retirement funding plus the taxable non-retirement funding income and excludes the non-taxable subsistence reimbursement (code 3705).
R340 250 represents 50% of the gross remuneration and must be compared to the commission received. As the commission income of R350 000 is greater than R340 250, section 23(*m*) will not be applicable and the deductions claimed by the taxpayer may be considered.

Example:3

A taxpayer received pensionable salary of R40 000 and commission income of R130 000 on sales. The taxpayer contributed R3 000 to an approved pension fund and incurred commission related business expenses of R70 000.

Since more than 50% of the taxpayer's remuneration consists of commission, the restrictions of section 23(*m*) do not apply. The R70 000 commission-related expenses may therefore be considered. The pension fund contribution is unaffected by the introduction of section 23(*m*) and remains deductible.

Example:4

A taxpayer received pensionable salary of R60 000 and commission of R60 000 on sales. The taxpayer contributed R4 500 to a pension fund and incurred commission related expenses of R10 000.

Since not more than 50% of the taxpayer's remuneration consists of commission, the restrictions of section 23(*m*) apply and only the expenses not prohibited in terms of section 23(*m*) are deductible from the commission.
In the case where the taxpayer worked for two employers during the year and he/she received salary income from the one and commission income from the other and the employers are not connected to one another, the contractual arrangements from unconnected sources will be considered on their own.

Example:5

For the period 1 March to 31 August of the tax year a taxpayer received salary income of R300 000 from employer A, of which cell phone airtime expenses of R300 were incurred. For the period 1 September to 28 February the taxpayer received commission income of R250 000 from employer B (which is not connected to employer A) and incurred commission-related expenses of R30 000.

In this case, section 23(*m*) will prohibit certain deductions related to the remuneration received from employer A (salary) but does not prohibit the deduction of expenses incurred related to the income received from employer B (commission income). The commission-related expenses of R30 000 may be considered as a deduction, but the R300 cell phone airtime expenses may not be claimed.

4.4.2 DEDUCTIONS/CONTRIBUTIONS/INFORMATION

a) This section must be completed with the amounts reflected in the 'Deductions/Contributions/Information' section of your Employee's Tax Certificate.

b) A 'Total Deductions/contributions' field under source code **4497** is included in the return. If you are completing your return via eFiling the total amount will be calculated automatically from the deduction and contribution amounts that you have inserted.

4.4.3 TAX CREDITS AND/OR EMPLOYER/EMPLOYEE CONTRIBUTION

a) The following descriptions and codes appear in this section of the return. Insert the amounts (rands and cents) as reflected on your Employee Tax Certificate:

- **4102** : PAYE
- **4115** : PAYE on lump sum benefit
- **4141** : Employee and Employer UIF contribution
- **4142** : Employer SDL contribution
- **4149** : Total Tax, SDL and UIF
- **4116** : Medical Scheme Fees Tax Credit
- **4120** : Additional Medical Scheme Fees Tax Credit

b) Where no employees' tax was withheld/deducted, insert the reason code next to **4150** *'Reason for non-deduction of Employees' tax'* on the return. The code for non-deduction of employees' tax will be indicated on your Employee's Tax Certificate:

- **01** : Director's remuneration prior to 2013 YOA
- **02** : Earn less than the tax threshold
- **03** : Independent contractor
- **04** : Non-taxable earnings (including nil directives)
- **05** : Exempt foreign employment income
- **06** : Director's remuneration – income determined in the following tax year
- **07** : Labour broker with a valid IRP30
- **08** : No Tax to be withheld due to Medical Scheme Fees Tax Credit allowed
- **09** : Par 11A(5) Fourth Schedule notification – No withholding possible

4.4.4 VOLUNTARY OVER DEDUCTION

a) This field indicates if the taxpayer has opted for an over deduction of PAYE (i.e. elected for the employer to withhold more tax than the prescribed tax tables). This is intended to avoid a higher tax liability on assessment if the consolidated income received during the year moves the taxpayer into a higher tax bracket.

- This field is mandatory from the 2021 YOA. Select 'Y' or 'N'.
- If "Y" then the PAYE amount (source code 4102) must be less than or equal to the sum of the 'Non-taxable Income' (source code 3696) and 'Gross Employment Income - taxable' (source code 3699) amounts.
- If "N" then the PAYE amount (source code 4102) must be less than or equal to the 'Gross Employment Income - taxable' (source code 3699) amount.

4.4.5 PAY PERIODS

a) The following must be completed in the relevant fields:

- **'Periods in year of assessment'** (can be indicated in months or days)
- **'No of periods that you have worked'** during the year of assessment (can be indicated in months or days)
- **'Period employed from'** during the year of assessment (in the format CCYYMMDD)
- **'Period employed to**' during the year of assessment (in the format CCYYMMDD).

4.4.6 DIRECTIVE NUMBERS

a) If you insert a tax directive number or you declare a lump sum source code that requires a tax directive number, the IRP5 certificate number will become mandatory.

- An alphanumeric directive number implies that a manual directive was issued to the taxpayer. Please capture the information as on the IRP5 certificate received.
- Note: If the directive number field contains an alpha-numeric character and there is a lump sum source code captured on the same IRP5 certificate, the return will be validated against the tax directive validation rules during the assessment process.
- The directive number may not contain special characters.
- From the 2022 YOA, the tax directive number fields on the IRP5/IT3(a) certificate section of the return will repeat 5 times.
- From 2025 YOA onward, if source code **3926** (savings withdrawal benefit) is captured on the form, the tax directive number and the PAYE certificate number will be mandatory.

5 TAXPAYER INFORMATION: INCOME

5.1 INVESTMENT INCOME (EXCLUDING EXEMPT DIVIDENDS)

a) If you received investment income, it is important that you indicate your marital status correctly on the first page of your return as it may impact the calculation of your assessment. The **total** amount of your investment income must be declared even if you are married in community of property. SARS will do the necessary apportionment.

b) Amounts received/vested in you as a beneficiary of a trust or deemed to have accrued in terms of s7:

- For the 2016 year of assessment and prior years these amounts must be included in the investment section of the return
- From the 2017 year of assessment these amounts must be excluded from investment income and declared separately in the Trust section of the return.

c) You are liable for tax on any income received by or accrued to or in favour of any of your minor children if such income arises from a donation, settlement or other disposition by:

- You (the taxpayer)
- Any other person (if you made a donation, settlement or gave some consideration directly or indirectly in favour of the other person or his/her family).

d) A minor child will, however, be liable for tax on income which is received by (or accrues to) him/her in his/her own right. Example: bona fide salary and investment income derived from his/her own funds (from money inherited or received as a gift from any person other than the person mentioned in (a) and (b) above or from any other source). Should a minor child's taxable income be sufficient to render him/her liable for tax, you (as the parent/legal guardian) must register him/her for income tax purposes and complete and submit a return on his/her behalf.

e) If you or your spouse received investment income (e.g. local interest or foreign interest) from more than 30 institutions, consolidate the additional income amounts and add it to the amount displayed for the 30th institution on the return.

f) If you are married in community:

- Mark the applicable fields on the return to indicate if any amounts declared must be excluded from the communal estate.
  - For the 2022 YOA and prior years, this indicator will display once in the Investment Income section of the return
  - From the 2023 YOA, you can select the indicator per institution from which the investment income was received.
  - Please ensure that you have a will and/or antenuptial contract in place to support this declaration.
- If you are married in community of property SARS may have already included your spouse's investment income based on third party data readily available. Third party data received for your spouse's investment income (e.g. local interest) will also pre-populate on your return and SARS will apply the 50% apportionment on your assessment. In this scenario, the third party (e.g. bank) will issue a tax certificate (e.g. IT3(b) for the investment income earned) to your spouse as he/she is the owner of the account
- If you are not married in community of property, please correct the marital status on your return.
- Please refer to the following sections for more information on auto assessments:
  - Disagree with Auto-Assessment
  - Request for Extension
  - Spousal Auto Assessment

5.1.1 INVESTMENT INCOME EXEMPT FROM NORMAL TAX

a) Interest received by natural persons:

- Section 10(1)(i) provides for an exemption of interest received from a source in the Republic.
- The exemption is R23 800 for taxpayers below the age of 65 years, R34 500 for taxpayers aged 65 years or older and R23 800 in the case of the estate of a deceased person.
- Foreign dividends and foreign interest are therefore no longer exempt under this section of the return
- From 1 March 2023, if a taxpayer's year of assessment is less than 12 months (e.g. in the case where the individual ceases to be a resident, is deceased, is insolvent or is a new born), the interest exemption will be apportioned according to the number of days applicable to the assessment period.

b) Interest received by non-residents:

- Interest received by a non-resident from a South African source is exempt from normal tax in terms of section 10(1)(h) if the following conditions are met:
  - The taxpayer was physically present in South Africa for less than 183 days in the 12-month period preceding the date on which the interest was received/accrued
  - The debt from which the interest arises is not connected to a permanent establishment of that person in South Africa.
- If the non-resident meets the above requirements, all interest earned in terms of section 10(1)(h) must be declared as follows on the return the return:
  - For the 2020 YOA and prior years – in the *'Amounts considered non-taxable'* section
  - From the 2021 YOA onwards – in the *'Investment Income – Local Interest'* section.

c) Distributions from a Real Estate Investment Trust (REIT) do not qualify for interest exemption.

5.1.2 LOCAL INTEREST:

a) If you are married in community of property, the total amount of local interest income must be declared in this section. This will include your own income and that of your spouse and/or minor children. The exemptions as well as the 50% split will be applied programmatically by SARS.

b) If any interest earned should be excluded from the communal estate (i.e. where you must be taxed on the full amount) select the communal estate indicator next to the applicable institution displayed on the

return. In this instance, the 50% split will not be applied, only the exemptions. Should the assessment be incorrect please submit a notice of objection.

c) **'Mark with an "X" if you were physically absent from RSA for at least 182 days (or 183 days in a leap year) during the 12 month period preceding the date in which the interest was received?'**

- This field will display from the 2021 YOA if the following fields were selected on the form wizard: *'Foreign national and not a RSA tax resident'* or *'Ceased to be resident of the RSA during any year of assessment".*
- **'Interest Exempt in terms of s10(1)(h) (amount must be included in the local interest amount)'**
  - This field will display for completion if the taxpayer indicates that he was absent from the RSA for less than 182/183 days (see above).
  - Please ensure that the amount inserted here is also included as part of the gross local interest amount – source code **4201** (use the 'Add' button to declare the interest if not already pre-populated on your return).

d) **'Allowable interest Expenses incurred in the production of interest received'**

- Applicable from the 2021 YOA
- The sum of interest expense incurred in the production of all the interest received by or accrued to you from different accounts must be captured in this field. The expenses claimed against interest income cannot create a loss. Bank charges must be excluded.
- Where interest is claimed as a deduction against investment income, full particulars (i.e. amounts invested, borrowed, interest rates, date of each loan and investment) must be retained for a period of five years after submission of the return.
- For more information, refer to Practice Note 31.

Example

Mr Taxpayer is 69 years old. On 1 Mar 2020 he borrowed R400 000 from Bank A and re-invested this amount in Bank B which resulted in him earning R50 000 interest income for the 2021 YOA. Mr Taxpayer **paid interest of R10 000** on the amount he borrowed from Bank A.

Calculation of Taxable Interest:

Gross Income *(interest from Bank B)*	R50 000
Less: Exempt Income *(individual aged 65 or older)*	(R34 500)
Income (taxable interest)	R15 500

Calculation of Allowable Expense in the Production of Interest:

In terms of section 23(*f*), no deduction can be made for any expenses incurred that do not constitute *income* as defined. Mr Taxpayer incurred R10 000 interest expense against the R50 000 gross interest income earned (of which a portion was exempt i.t.o s10(1)(i) and therefore not included in income). To determine the expense incurred against the income, the **R10 000 interest expense** paid must be apportioned against exempt and non-exempt income as follows:

- R34 500/R50 000 x R10 000 = R6 900 (portion of interest expense against exempt income)
- R15 500/R50 000 x R10 000 = **R3 100** (portion of interest expense against income/taxable interest)

Based on the above, R3 100 will be considered as a deduction against taxable interest income to the extent that it does not exceed such income (in terms of Practice Note 31).
Mr Taxpayer will be allowed a deduction of **R3 100** as it does not exceed his taxable interest income of R15 500.

e) The total **'Local interest'** amount next to source code **4201** will be auto calculated on your return and is the sum of the local interest received per institution.

- The local interest per institution will be prepopulated with third party data received. If your local interest data is not accurate (e.g. incorrect amount), please contact the third party to rectify and resend the correct data to SARS
- To declare additional amounts, click on the 'Add' button and complete the fields for each institution. If you received **local interest from more than 30 institutions**, consolidate the additional amounts and add it to the amount for the 30th institution on the return.
- Click on the 'Delete' icon displayed next to applicable institution name to remove local interest information that does not belong to you (or your spouse if you are married in community of property).
- From the 2024 YOA, the details of the local interest received by you the taxpayer ('own') and by your spouse must be captured in the separate sub sections provided for on the return (for marriages in community of property).

5.1.3 SARS INTEREST:

a) Interest that a taxpayer received from SARS (under any Tax Act) must be included in gross income and declared in the year of assessment in which it was received. On assessment, the system will allocate the interest exemption proportionally between other local interest and SARS interest.

b) For the 2019 year of assessment insert the SARS interest received next to source code **4237**.

c) From the 2020 YOA, the SARS interest received per tax type will be prepopulated on the return.

- Please note the amount prepopulated on your return may be increased, but it may not be reduced.
- To declare additional SARS interest, click on the 'Add' button and complete the **'Tax Type', 'Taxpayer Reference No.'** and **'Amount'** fields.
- The return caters for a maximum of 30 SARS interest entries to be added. If you have more than 30 SARS interest entries to declare, the remaining amounts must be combined and inserted on the 30th line item.
- The total SARS interest received for the various tax types will be auto-calculated (source code **4237**).

d) If you are married 'In community of property', the total SARS interest received by both spouses must be reflected next to code 4237. A taxpayer cannot opt to exclude SARS interest from the communal estate, as it is not applicable.

- From the 2024 YOA, the details of SARS interest received by you the taxpayer ('own') and by your spouse must be captured in the separate sub sections provided for on the return (for marriages in community of property).

Example:

Mr and Mrs X are married in community of property. For the 2019 year of assessment, Mrs X received R100 000 interest from SARS and R60 000 interest from Absa which must be excluded from the communal estate. Mr X received R50 000 interest from Investec.

Mrs X must declare the following on her return:

4201	Local Interest	R 110 000	*(*R60 000 from ABSA plus R50000 earned by spouse)*
4237	SARS Interest	R 100 000	

Mr X must declare the following on his return:

4201	Local Interest	R 50 000	*(*R60 000 earned by spouse not declared as it is excluded from the communal estate)*
4237	SARS Interest	R 100 000	*(* SARS interest earned by spouse)*

e) From 1 March 2019 (i.e. 2020 YOA), any SARS interest that was taxed and subsequently repaid to SARS by the taxpayer can be claimed as a deduction (in the YOA it was repaid) under source code 4052 on the return. This deduction is limited to the taxable portion of interest included in the previous

year of assessment taxable income.

5.1.4 FOREIGN INTEREST AND FOREIGN TAX CREDITS ON FOREIGN INTEREST:

a) For the 2019 YOA and prior years complete the following:

- **'Foreign interest'** received next to source code **4218**.
- **'Foreign tax credits on foreign interest'** next to source code **4113.** If any withholding tax was paid on the foreign interest received, this amount will appear on the certificate received from the institution administering the investment. Declare the gross amount of withholding tax.

b) From the 2020 YOA the total amounts for **'Foreign interest' (4218)** and **'Foreign tax credits on foreign interest' (4113)** will be auto calculated.

- The foreign interest and foreign tax credits per institution will be prepopulated with third party data received. If any of the prepopulated information is not accurate (e.g. incorrect amount), please contact the third party to rectify and resend the correct data to SARS
- From the 2023 YOA, the communal estate indicator will display next to each institution and will only be unlocked for completion if the taxpayer's marital status is: '*Married in community of property'*.
- To declare additional amounts, click on the 'Add' button and complete the fields for each institution. If you received ***'foreign interest'*** **and** ***'foreign tax credits on foreign interest'*** **from more than 30 institutions**, consolidate the additional amounts and add it to the amount for the 30th institution on the return
- Click on the 'Delete' icon displayed next to the institution name to remove foreign interest information that does not belong to you (or your spouse if you are married in community of property).
- From the 2024 YOA, the details of the *Foreign Interest* and *Foreign Tax Credits on Foreign Interest* received by you the taxpayer ('own') and by your spouse must be captured in the separate sub sections provided for on the return (for marriages in community of property).

5.1.5 GROSS FOREIGN DIVIDENDS SUBJECT TO SA NORMAL TAX AND FOREIGN TAX CREDITS ON FOREIGN DIVIDENDS:

a) For the 2019 YOA and prior years complete the following:

- **'Gross foreign dividends subject to SA normal tax'** next to source code **4216**. The exemption in terms of section 10B(3) on foreign dividends subject to SA normal tax will be applied programmatically by SARS. The exemption is calculated in terms of the formula A = B x C (ratio of 26/41).
- **'Foreign tax credits on foreign dividends'** next to source code **4112**. If any withholding tax was paid on the foreign dividend received, this amount will appear on the certificate received from the institution administering the investment. Declare the gross amount of withholding tax.

b) From the 2020 YOA the total amounts for **'Gross foreign dividends subject to SA normal tax' (4216)** and **'Foreign tax credits on foreign dividends' (4112)** will be auto calculated

- The foreign dividends and foreign tax credits per institution will be prepopulated with third party received. If any of the prepopulated information is not accurate (e.g. incorrect amount), please contact the third party to rectify and resend the correct data to SARS
- From the 2023 YOA, the communal estate indicator will display next to each institution and will only be unlocked for completion if the marital status is: '*Married in community of property'*
- To declare additional amounts, click on the 'Add' button and complete the fields for each institution. If you received **'Gross Foreign Dividends subject to SA normal tax'** and **'Foreign tax credits on foreign dividends' from more than 30 institutions**, consolidate the additional amounts and add it to the amount for the 30th institution on the return.
- Click on the 'Delete' icon displayed next to the institution name to remove foreign dividend

information that does not belong to you (or your spouse if you are married in community of property).

- From the 2024 YOA, the details of the *Gross Foreign Dividends subject to SA normal tax* and *Foreign Tax Credits on Foreign Dividends* received by you the taxpayer ('own') and by your spouse must be captured in the separate sub sections provided for on the return (for marriages in community of property)

c) **Note**: You can only claim foreign tax credits on foreign dividends (4112) if you have declared a foreign dividend income (4216) that is greater than zero.

5.1.6 DISTRIBUTION FROM A REAL ESTATE INVESTMENT TRUST (REIT) / TAXABLE LOCAL DIVIDENDS

a) Real Estate Investment Trusts (REITs) are companies listed on the JSE that manage a portfolio of immovable property assets. The taxation of a REIT is regulated in section 25BB on the Income Tax Act. Any person can invest in a REIT. Dividends distributed by a REIT is subject to normal tax in the hands of the shareholder (s10(1)(k)(i)(aa) of the Income Tax Act but is exempt from Dividends Tax (refer to section 64F(I) of the Income Tax Act).

b) For the 2019 YOA and prior years if you received distributions from a Real Estate Investment Trust (REIT), insert the **total** income amount next to source code **4238**.

c) From the 2020 YOA the total income amount for '**Distribution from a REIT / Taxable Local Dividends 4238'** will be auto-calculated.

- The distribution per institution will be prepopulated with third party data received. If any of the prepopulated information is not accurate (e.g. incorrect amount), please contact the third party to rectify and resend the correct data to SARS
- From the 2023 YOA, the communal estate indicator will display next to each institution and will only be unlocked for completion if the marital status is: '*Married in community of property*'
- To declare additional distributions, click on the 'Add' button and complete the fields for each institution. If you received distributions from more than 30 institutions, consolidate the additional amounts and add it to the amount for the 30th institution on the return.
- Click on the 'Delete' icon displayed next to the institution name to remove REIT information that does not belong to you (or your spouse if you are married in community of property).

d) For marriages in community of property, the SARS system will apply the 50% split.

- From the 2024 YOA, the details of the *Distribution from REIT/Taxable Local Dividends* received by you the taxpayer ('own') and by your spouse must be captured in the separate sub sections provided for on the return.

5.1.7 DIVIDENDS DEEMED TO BE INCOME IN TERMS OF s8E AND s8EA

a) In terms of section 8E dividends and foreign dividends accrued to or received by a person is deemed to be income if the dividend or foreign dividend is paid on a hybrid equity instrument. In terms of section 8EA, any dividend or foreign dividend accrued to or received by a person is deemed to be income if the share is a third-party backed share at any time during the year of assessment.

b) For the 2019 YOA and prior years insert the amount for **'Dividends deemed to be income in terms of s8E and s8EA'** next to source code **4292**.

c) From the 2020 YOA the total for **'Dividends deemed to be income in terms of s8E and s8EA'** - source code **4292** will be auto-calculated

- The dividends per institution will be prepopulated with third party data received. If the prepopulated information is not accurate, please contact the third party to rectify and resend the correct data to SARS

- To declare additional dividends, click on the 'Add' button and complete the fields for each institution. If you received dividends from more than 30 institutions, consolidate the additional amounts and add it to the amount for the 30th institution on the return.
- Click on the 'Delete' icon displayed next to the institution name to remove dividend information that does not belong to you (or your spouse if you are married in community of property).

e) For marriages in community of property, the SARS system will apply the 50% split.

- From the 2024 YOA, the details of the *Dividends deemed to be income in terms of s8E and s8EA* received by you the taxpayer ('own') and by your spouse must be captured in the separate sub sections provided for on the return.

5.1.8 FOREIGN INCOME (EXCLUDING INVESTMENT INCOME AND CAPITAL GAINS TAX)

a) Complete the applicable line items in this section as per the relevant amounts in the foreign financial statements/certificates.

b) Amounts received/vested in you as a beneficiary of a trust or deemed to have accrued in terms of s7 must only be included for the 2016 YOA and prior. From the 2017 year of assessment onwards, this information must be excluded and declared separately in the *Trust* section of the return.

c) If you are married in community of property, please declare the full foreign rental profit/loss applicable. SARS will apply the required apportionment during the assessment process. Mark the applicable field on the return if any foreign rental profit/loss declared should be excluded from the communal estate.

d) The following fields will display in this section:

- **4288** : *'Foreign Rental (from the letting of fixed property(ies)) – Profit'*
- **4289** : *'Foreign Rental (from the letting of fixed property(ies)) – Loss'*
- **4121** : *'Foreign Tax Credits on Foreign Rental Income'*
- **4222** : *'Business/trading – profit (excluding rental income derived from the letting of fixed property(ies))*'
- **4223** : *'Business/trading – loss (excluding rental income derived from the letting of fixed property(ies))'*
- **0192** : *'Farming – profit'*
- **0193** : *'Farming – loss'*
- **4278** : *'Royalties – profit'*
- **4279** : *'Royalties – loss'*
- **4230** : *'Controlled Foreign Company (CFC) – share of profit'* (Only your share of the profit from a CFC must be completed here)
- **4235** : *'Income received from foreign employment services reflected on a South African IRP5/IT3(a) certificate that was subject to tax outside the RSA and the s10(1)(o)(ii) exemption* ***does not apply****'*
  - This field will be mandatory if you indicated yes to the questions: *'Did you receive any form of remuneration for foreign services rendered that is reflected on your South African IRP5 or IT3(a) certificate(s)"*? and *'Was any portion of this foreign services remuneration subject to tax in another country?*
  - For the 2020 and prior YOA this field will display as *'Income reflected on a South African IRP5/IT3(a) certificate that was subject to tax outside the RSA'*.
- **4228** : *'Other – profit (excluding rental from the letting of fixed property(ies))'*
- **4229** : *'Other – loss (excluding rental from the letting of fixed property(ies))'*
- **4298** : '*Income received from foreign employment services not reflected on a South African IRP5/IT3(a) certificate, subject to tax outside RSA and the s10(1)(o)(ii) exemption <u>does not</u> apply'*
  - Applicable from the 2023 YOA
  - From the 2024 YOA, it is mandatory to either complete an amount next to source code 4298 **<u>or</u>** source code 4304 if the following field was selected on the form wizard: *'Mark with an "X" if you received any foreign income, including remuneration for foreign services rendered not reflected on a South African IRP5 or IT3(a) certificate, subject to tax outside RSA and s10(1)(o) exemptions do not apply'*.

- **4304** : *'Income received from foreign employment services not reflected on a South African IRP5/IT3(a) certificate, subject to tax outside RSA and the s10(1)(o)(i) exemption does not apply'*
  - Applicable from the 2023 YOA
  - From the 2024 YOA, it is mandatory to either complete an amount next to source code 4298 **or** source code 4304 if the following field was selected on the form wizard: *'Mark with an "X" if you received any foreign income, including remuneration for foreign services rendered not reflected on a South African IRP5 or IT3(a) certificate, subject to tax outside RSA and s10(1)(o) exemptions do not apply'*.
- **4299** : *'Income received from foreign employment services not reflected on a South African IRP5/IT3(a) certificate, subject to tax outside RSA and the s10(1)(o)(i) exemption applies'*
  - Applicable to the 2023 YOA.
  - From the 2024 YOA, this line item will reflect under the section: 'Qualifying criteria for s10(1)(o)(i)'
- **4111** : *'Other Foreign Tax Credits (excluding Rental from the letting of fixed property(ies)'*
  - This field is optional for the 2023 YOA and prior years.
  - From the 2024 YOA, this field must be completed if yes is selected for the following questions:
  - *'Did you receive any form of remuneration for foreign services rendered that is reflected on your South African IRP5 or IT3(a) certificate(s)?'; and*
  - *'Was any portion of this foreign services remuneration subject to tax in another country?'*
- **4259** : *'Income received from foreign employment services not reflected on a South African IRP5/IT3(a) certificate, subject to tax outside RSA and the s10(1)(o)(ii) exemption applies*
  - This is applicable from the 2021 to 2023 YOA
  - From the 2024 YOA, this line item will reflect under the section: 'Qualifying criteria for s10(1)(o)(ii) exemption (excluding s8A/8C gains and dividends)'.
- *'Foreign Tax Credit on income received from foreign employment services not reflected on a South African IRP5/IT3(a) certificate, subject to tax outside RSA and the s10(1)(o)(ii) exemption applies'*
  - Applicable from the 2021 to 2023 YOA
  - This field makes provision for the capturing of cents
  - From the 2024 YOA, this field will reflect under the section: *Qualifying Criteria for s10(1)(o)(ii) exemption (excluding s8A/8C gains and dividends).*

e) All foreign income must be declared in South African currency. Although financial statements drawn up in another currency are acceptable as supporting documents, if requested by SARS it must be translated to South African currency.

f) **Foreign Currency Translation:**
A natural person (that is a resident) who derives income measured in a foreign currency may, in translating the taxable income to Rands, make an election between either the spot rate or the average exchange rate for the relevant year of assessment. Where the information you supplied was in a foreign currency, the average exchange rates can be used for conversion to South African currency.

- You can obtain the average exchange rates on the SARS website. Note: only the main currencies are addressed.
- If the exchange rates of another country are applicable, you can contact any of the local merchant banks.

g) **Proof of payment of foreign taxes:**
The following will be accepted as proof of payment of foreign taxes if requested by SARS:

- Where foreign tax has been withheld at source – the original documentation issued by the applicable institution
- Where foreign tax has not been withheld at source – an assessment or receipt issued by the relevant tax authority.

h) **Limitation of foreign credits (section 6quat):**
Foreign tax credits will be limited to the South African tax payable in relation to the foreign income received by applying the following formula:

$$\frac{\text{Foreign taxable income} \times \text{Normal tax payable}}{\text{Total taxable income}}$$

i) If a taxpayer received foreign income, the allowable deductions for donations and retirement annuity fund contributions will be proportioned in the ratio of foreign and local income to the total income before offsetting the abovementioned deductions.

j) For further details, please refer to:

- Interpretation Note No. 18: Rebates and Deduction for Foreign Taxes on Income
- Interpretation Note No. 16: Exemption from Income Tax - Foreign Employment Income

5.2 FOREIGN TAX CREDITS

a) Foreign tax paid on income that is taxable in South Africa may be deducted from the South African tax on that income. This is done in terms of the following provisions:

- **Section 6quat**: This refers to a foreign tax rebate in respect of foreign tax on income from a non-South African source.
  - Section 6quat(1) provides relief for foreign taxes proved to be payable on income derived from a foreign source that is included in a resident's taxable income.
  - Foreign taxes falling within this category do not qualify for the section 6quat(1C) deduction or the section 6quin rebate (see below).

- **Section 6quin**: This refers to a foreign tax rebate in respect of foreign tax withheld on income from a South African source.
  - Foreign taxes falling within this category may also qualify for a deduction under section 6quat(1C). In these circumstances the taxpayer may choose the rebate under section 6quin or the deduction under section 6quat(1C), not both.
  - Note: This is only applicable to the 2016 year of assessment and prior years.

- **Section 6quat1(C)**: Under this section, a resident may claim foreign taxes that do not qualify for the section 6quat(1) rebate, as a deduction in determining taxable income. That is, essentially, foreign taxes payable on South African-sourced amounts.

b) A resident qualifying for a section 6quat(1C) deduction may also qualify for a rebate under section 6quin when foreign taxes are paid on South African-sourced service income. In these circumstances the resident can elect to claim the foreign taxes as a deduction under section 6quat(1C) or as a rebate under section 6quin, not both.

c) Section 6quin is narrower than section 6quat(1C) as it only caters for foreign taxes paid on South African-sourced income from **services** while section 6quat(1C) caters for foreign taxes proved to be payable on **any amounts** of South African-sourced income.

d) In contrast to sections 6quat(1) and 6quat(1C), section 6quin provides for a foreign tax rebate even if a resident has a right of recovery of the foreign tax payable by the resident. However, should the resident receive a refund of the foreign tax withheld, or be discharged from a liability to pay such foreign tax, the amount refunded or discharged is treated as an amount of normal tax payable by the resident.

e) Note: Section 6quin has been deleted with effect from 1 January 2016 and is only applicable to the 2016 year of assessment and prior years.

f) For further details, refer to Interpretation Note No 18: Rebates and Deduction for Foreign Taxes on Income on the SARS website.

5.2.1 FOREIGN TAX CREDITS – SOUTH AFRICAN SOURCED INCOME – S6QUIN

a) This section will only display for the 2016 year of assessment and prior years.

b) S6quin provides for a tax credit to be claimed in respect of tax withheld or imposed by a foreign country. To qualify for this rebate, you must submit the return of Foreign Tax Withheld to SARS and retain the proof of:

- The return of Foreign Tax Withheld (FTW01) and the relevant material in respect of foreign tax withheld must be sent to SARS within 60 days from the date the tax was withheld or paid. The return must be emailed to 6quin@sars.gov.za
- The Return of Foreign Tax Withheld (FTW01) can be downloaded from the SARS website.
- The amount of income must be from a source within the Republic and received by or accrued to a resident for services rendered.
- The tax credit may be in respect of an amount of tax levied by any sphere of the government of any country -
  - Other than the Republic, and
  - With which the Republic has concluded a Double Tax Agreement (DTA).
  - Where a DTA is not concluded between the Republic and the other country a tax credit may also be in respect of the amount of tax imposed in terms of the laws of that country.

c) Complete the following amounts on your return:

- **'Taxable income from services rendered in South Africa taxed outside the RSA'**
  - This amount must have been declared as taxable income elsewhere in this return as this section is only used by SARS to calculate the allowable foreign tax credit applicable to this amount.
- **'Was the declaration of foreign tax withheld (FTW01) submitted to the Commissioner within 60 days?'** (Select 'Y' or 'N')
- **'Please confirm that the amount was not claimed as a deduction in terms of s6quat(1C)?'** (Select 'Y' or 'N')
- **'Foreign tax credits'** (source code **7456)**
  - The amount must be converted to the rand value on last day of the year of assessment by applying the average exchange rate for that year of assessment.

5.2.2 FOREIGN TAX CREDITS – REFUNDED / DISCHARGED

a) A section 6quat deduction reduces the taxable income of a South African resident. This in turn reduces the normal tax liability of the taxpayer. Where a South African resident claimed a deduction for foreign tax paid/payable in terms of section 6quat and in a subsequent year of assessment the foreign tax was refunded or he/she was discharged from the applicable tax liability, then the amount that was discharged (limited to the amount that was originally claimed) will be deemed to be an amount of normal tax payable by that taxpayer in the subsequent year of assessment.

b) Complete the following fields on your return:

- **'Specify the portion of the amount so refunded/discharged as was previously allowed by SARS as a rebate'**
- **'Specify the portion of the amount so refunded / discharged as was previously allowed by SARS as a deduction in terms of s6quat(1C) from a South African source of income'** – source code 4249**.**
- **'Specify the portion of the amount so refunded / discharged as was previously allowed by SARS as a deduction in terms of s6quat(1C) from foreign income'** – source code 4291.

5.3 TRUST INCOME DISTRIBUTED TO YOU, VESTED IN YOU AS A BENEFICIARY OR DEEMED TO HAVE ACCRUED IN TERMS OF S7

a) If you received income from a trust or income accrued to you as a beneficiary of a trust, or you have a vested interest in an asset held by a trust or a capital gain is made by a trust vested in you, the income

received, accrued or deemed to have been received/accrued from the trust must be declared on your return.

b) For years prior to 2017, declare the income in the specific part of the return relating to the type (source) of income prior to the distribution by the trust (e.g. interest income received must be declared next to source code 4201 in the 'Investment Income' section of the return).

c) From the 2017 YOA, declare this income separately in the 'Trust Income' section that has been added to the return (e.g. interest income received must be declared next to source code 4201 in the 'Trust Income' section of the return).

d) Complete the following information on your return:

- **'Trust Name'**
- **'Trust Registration Number'**
- **'Trust Tax Reference Number'**
- **'Mark with an "X" if you were physically absent from RSA for at least 182 days (or 183 days in a leap year) during the 12 month period preceding the date in which the interest was received?'**
  - This field will display from the 2021 YOA if the following fields were selected on the form wizard:
    'Foreign national and not a RSA tax resident' or *'Ceased to be resident of the RSA during any year of assessment".*
- **'Interest Exempt in terms of s10(1)(h) (amount must be included in the local interest amount)'**
  - If the taxpayer indicates that he was absent from the RSA for less than 182/183 days (see above) this field will display for completion.
  - Please ensure that the amount inserted here is also included as part of the gross local interest amount field (source code 4201) in the trust section.
- **'Local Remuneration'**
  - If an income amount is entered, insert the income source code.
  - The source code must fall within the following range: 3601-3606, 3616, 3617 and 3667.
- **'Local Annuities'** – if an income amount is entered, insert the income source code (3610 or 3611).
- **'Local Interest' –** 4201
- **'SARS Interest' –** 4237
- **'Distribution from REIT / Taxable Local Dividends'** – 4238
- **'Local Capital Gain/Loss'** – if an amount is entered, insert the source code (4250 or 4251)
- **'Local Rental Income from the letting of fixed property(ies)'** – 4210
- **'Dividends deemed to be income in terms of s8E and s8EA'** – 4292
- **'Local Business and trading Income (excluding Rental Income from letting of fixed property(ies) and income from Farming Operations)'** – if an amount is entered, insert the source code
- **'Income from Local Farming Operations (IT48)'**
  - If an amount is entered, insert the source code
  - This amount will auto-populate in the new 'Income from Local Farming Operations (IT48) distributed by a trust(s)' on the IT48.
- **'Deemed Annuity'** – 3611
- **'Other Local Income'**
  - If an amount is entered, insert the source code
- **'Foreign Interest'** – 4218
- **'Foreign Tax credits on foreign Interest'**- 4113
- **'Foreign Dividends'** – 4216
- **'Foreign Tax credits on foreign dividends'** – 4112
- **'Foreign Capital Gain/Loss'** – if an amount is entered, insert the source code (4252 or 4253)
- **'Foreign Tax credits i.r.o capital gain/loss'** – 4114
- **'Foreign Farming'** – 0192
- **'Foreign tax credits on foreign farming income'** – 4119

- **'Imputed Net Income from Controlled Foreign Companies (CFC)** – 4276
- **'Foreign Tax Credit on Imputed Net Income from Controlled Foreign Companies (CFC)** – 4122
- **'Other Foreign Income'** – 4220
- **'Foreign tax credits on foreign other income'** – 4110
- **'Amount Considered Non-Taxable'**

5.4 CAPITAL GAIN/LOSS (CGT)

a) CGT provisions became effective from 1 October 2001. To give effect to the proposals relating to Capital Gain Tax (CGT), an Eighth Schedule was added to the Income Tax Act. This schedule determines a taxable capital gain or assessed capital loss and section 26A of the Act provides that a taxable capital gain is included in taxable income.

b) All capital gain transactions must be declared. Local and foreign transactions should be declared separately, with the exception of the disposal of shares which can be grouped together per certificate received.

c) The primary residence exclusion is applicable to those persons who occupy the residence as their primary residence. The exclusion amount must be inserted if you complete the return manually. The exclusion will be populated on the return if it is completed and filed electronically. An auto calculation will take place.

d) Amounts received/vested in you as a beneficiary of a trust or deemed to have accrued in terms of s7 must only be included for the 2016 YOA and prior. From the 2017 year of assessment onwards this information must be excluded and declared separately in the Trust section of the return.

e) Section 20A(6)(b) permits a ring-fenced assessed loss to be set off against the taxable capital gain once the trade has ceased and the asset that was used in carrying on the trade is disposed of. For more information on how to declare this on your return, please refer to the 'Local Business, Trade and Profession' section of this guide.

f) If you are married out of community of property, only your own disposals must be declared.

g) If you are married in community of property, the full amounts relating to proceeds, base cost and exclusion/roll-over (excluding annual exclusions) in respect of disposal(s) for both you and your spouse must be declared and SARS will programmatically apply the 50% apportionment.

- If any amounts must be excluded from the communal estate, mark the applicable field on the return to indicate this. In this instance, the 50% split will not be applied. Should the assessment be incorrect please submit a notice of objection.
- From the 2023 YOA, this indicator must be completed for each gain/loss that should be excluded from the communal estate.

h) For more detailed information refer to the 'Comprehensive Guide to Capital Gains Tax' available on the SARS website.

5.4.1 DETERMINING A CAPITAL GAIN OR A CAPITAL LOSS

a) A CGT event is triggered by the disposal of an asset. Unless such disposal (or deemed disposal) occurs, no gain or loss arises. CGT applies to all assets disposed of on or after 1 October 2001 (valuation date). Only the gain or loss attributable from 1 October 2001 to date of disposal will be subject to the CGT.

- An asset is defined as widely as possible and includes any property of any nature and any interest therein
- A disposal covers any event, act, forbearance, or operation of law, which results in a creation, variation, transfer, or extinction of an asset. It also includes certain events treated as disposals, such as the change in the use of the asset. (Paragraphs 65 and 66 of the Eighth Schedule to the

Income Tax Act make provision for the election of tax relief in respect of reinvestment and involuntary disposals in respect of assets disposed of on or after 22 December 2003.

- Once an asset is disposed of, the amount that is received by (or which accrues to) the seller of the asset constitutes the proceeds/income from the disposal.
- The base cost of the asset is generally the expenses that were actually incurred in obtaining the asset, together with the following:
  - Expenses directly related to the asset's improvement
  - Expenses and direct costs in respect of its acquisition and disposal of the asset
  - Certain holding costs.
- The base cost does not include any amounts otherwise allowed as a deduction for income tax purposes.

b) Cryptocurrencies are not official South African legal tender and is also not widely used and accepted in as a medium of payment or exchange in South Africa. As a result, SARS does not regard cryptocurrencies as being a currency. The definition of financial instruments in the Income Tax Act has been extended to include cryptocurrencies. Any capital gain or loss realised on the disposal of cryptocurrencies must be declared in this section of the return.

5.4.2 WHAT IS THE BASE COST OF AN ASSET HELD ON 01 OCTOBER 2001?

a) In order to exclude the portion of the gain relating to the period before 1 October 2001, any **one** of the following methods of calculation may be used:

- 20% of [the proceeds upon realisation less post-valuation date expenditure]
- Market value of the asset as at 1 October 2001 (the 'valuation date')
- Time apportionment method.

b) The Act prescribes various requirements that apply when the **market value method** is used:

- **Time limit for performing valuations** – All valuations should have been done by 30 September 2004. Therefore, if you have a valuation certificate that was issued after 30 September 2004, such valuation certificate cannot be used for the determination of the base cost of an asset.
- **Retention periods for valuation certificates** – Should the market valuation of base cost method be adopted; the valuation certificate must be retained for a period of five years after the submission date of the return in which the disposal of the asset is declared.
- **Loss and gain limitation rules** – Certain rules, which are beyond the scope of this guide, are in place to limit losses and gains when the market value is used. These rules prevent the creation of fictitious losses from inflated valuations and prevent hardship when assets are sold above market value on 1 October 2001, but below original cost. For more information refer to the *Comprehensive Guide to Capital Gains Tax* on the SARS website.

5.4.3 TIME APPORTIONMENT METHOD:

a) This method may be used when a person/entity has records of the date of acquisition and the cost of the asset. The following formula is used to determine the time apportionment base cost of the asset:

$$\text{Original cost} + \left[\text{Gain} \times \frac{\text{Period held before valuation date}}{\text{Period held before and after valuation date}}\right]$$

b) Improvements or additions made before 1 October 2001 are assumed to have taken place when the asset was acquired. The period before 1 October 2001 is limited to 20 years. Additions to an asset after valuation date are added to the base cost (not apportioned). Where no additions or improvements have taken place prior to valuation date, the 20-year limit does not apply.

5.4.4 EXCLUSIONS

a) The first R2 million capital gain or loss on a primary residence will not be taken into consideration for

CGT purposes in the case of an individual or special trust type A (as defined in section 1 of the Income Tax Act),. In other words, where a capital gain or loss exceeds R2 million the excess would be subject to CGT. A natural person or special trust type A must disregard a capital gain or loss on disposal of a primary residence if the proceeds on disposal does not exceed R2 million.

b) For a residence to qualify as a primary residence:

- The interest must be held by a natural person or a special trust type A
- That person, beneficiary or spouse of either such persons must ordinarily reside therein as their main residence
- The residence must be used mainly for domestic purposes.

c) A primary residence includes the land upon which it is actually situated and may include other adjacent land that is used mainly for domestic or private purposes together with that residence. The total of all the land may not exceed two hectares. This could also include unconsolidated adjacent land, provided that, upon disposal of the primary residence, any unconsolidated land is disposed of at the time and to the same person as the primary residence itself.

d) The primary residence exclusion must be taken into account prior to the declaration of the gain/loss.

e) Annual Exclusion:
Paragraph 5(1) of the Eighth Schedule to the Act allows an individual to receive a capital gains tax (CGT) annual exclusion amount per year of assessment. The annual exclusion will be applied programmatically by SARS. You are therefore not required to complete this 'exclusion' on your return
.

- The annual exclusion of a natural person and a special trust type A is R30 000 for the 2016 year of assessment and R40 000 from the 2017 year of assessment.
- During the assessment process, all capital gains and/or losses are added together and thereafter the sum of such capital gains and losses is reduced by the annual exclusion, limited to the amount of the gain/loss.
- Where a natural person dies during the year of assessment, the annual exclusion is increased to R300 000.
- The exclusion applies to gains as well as losses.
- The unutilised portion of the annual exclusion cannot be carried forward to a following year of assessment.
- Effective 1 March 2023, if more than one period assessment is processed for an individual for the tax year (usually in the case a deceased or insolvent or ceased to be a tax resident) and the annual exclusion is not fully utilised in the first period assessment, the balance will be allocated to the CGT event in the subsequent period assessment(s) provided that the tax year is the same.

Example:
Example: Mr Taxpayer ceased to be a South African tax resident on 1 June 2023. Mr Taxpayer had two CGT events during the tax year (R30000 CGT on 12 April 2023 and R40 000 CGT on 12 August 2023). For the 2024 tax year the CGT annual exclusion allowable for Mr Taxpayer X is R40 000 and will be applied as follows: • R30 000 annual exclusion will be allowed on his assessment as a South African tax resident for the 3-month period from 1 March 2023 to 31 May 2023. • The unutilised annual exclusion balance of R10 000 will be allowed on his assessment as a non-South African tax resident for the 9-month period from 1 June 2023 to 29 February 2024

5.4.5 INCLUSION RATE:

a) Where a net capital gain for the current year of assessment has been determined, such amount is multiplied by the inclusion rate to determine the taxable capital gain. The result is included in the taxable income for that year of assessment. Note that this will be done programmatically during the assessment process.

- The inclusion rate is 33.3% for the 2016 year of assessment and 40% from the 2017 year of assessment.
- A capital loss can only be offset against a capital gain, and not against normal taxable income.

5.4.6 ASSETS DISPOSED OF TO A CONNECTED PERSON

a) If a person disposes an asset to a connected person (i.e. parent, child, stepchild, brother, sister, grandchild or grandparent) and that disposal results in a loss, it will be treated as a 'clogged' loss in terms of paragraph 39 of the Eighth Schedule to the Income Tax Act. The capital loss is ring-fenced, and it can only be set off against capital gains that arise from disposals to the same connected person.

b) For more information refer to the *Comprehensive Guide to Capital Gains Tax* on the SARS website.

5.4.7 COMPLETION OF THE RETURN:

a) The income tax return makes provision for you to declare ten local and ten foreign capital gain or loss transactions. You must declare each transaction separately. Where multiple disposals of shares (that is administered by a single administrator) take place and the disposal of such shares are reported on a single certificate, the disposals reflected on the certificate can be treated as one disposal.

b) With regard to the disposal of a primary residence, the return caters for the insertion of the primary residence exclusion. If you disposed of a primary residence and the difference between the proceeds and the base cost is less than the primary residence exclusion, the gain must be indicated as a '0'. See the example below:

Example:1

Proceeds on the disposal of a primary residence	R 3 800 000
Base cost	R 2 500 000
Gain prior to primary residence exclusion	R 1 300 000
Less: Primary residence exclusion R2 000 000 (this will be limited to the R1 300 000)	R 1 300 000
Gain	0

Example: 2

You are married out of community of property and the primary residence is registered in both spouse's names:

Proceeds on the disposal of a primary residence (R8 000 000/2)	R 4 000 000
Base cost (R5 000 000/2)	R 2 500 000
Gain prior to primary residence exclusion (R3 000 000/2)	R 1 500 000
Primary residence exclusion (R2 000 000/2)	R 1 000 000
Gain	R 500 000

c) Where you have indicated that you have a Local or Foreign Gain/Loss, complete the following information on your return.

d) **'Main Asset Type Source Code'**

- Select the source code from the drop-down list
- This field will only display from the 2019 YOA onwards

- Select the applicable option from the drop-down list.

e) **'Do you confirm that this transaction relates to a primary residence?'** – Select 'Y' or 'N'

- **'If Yes, indicate whether the primary residence is held jointly?'**
- **'Is the primary residence held in a partnership?'** – Select 'Y' or 'N'
- **'If Yes, state the percentage held'.**
- **'Mark the applicable field with an 'X' to confirm that the full amounts relating to proceeds and base cost of the primary residence are declared'**
- **'Does any exemption/rollover other than primary residence exemption apply to this transaction'** – Select 'Y' or 'N'.
- Note: From the 2019 YOA, the above questions will only display if the source code selected for the main asset type source code is 6504 (Gain: Primary Residence) or 6505 (Loss: Primary Residence).

f) **'Proceeds'**

- If 'yes' is selected for the question 'Does the transaction relate to a primary residence?' and the amount captured in this field is less than or equal to R2 million, a pop-up message will display to indicate that proceeds on the disposal of the primary residence does not exceed R2 million, therefore the capital gain/ loss is disregarded.

g) **'Base cost'**

h) **'Primary Residence / Other Exclusions (excl. annual exclusions)'**

- If 'yes' is selected for the question '*Does the transaction relate to a primary residence?*' this field will be auto-populated with:
  - R1 000 000 if the YOA is 2005 and prior
  - R1 500 000 if the YOA is from 2006 to 2012
  - R2 000 000 if the YOA is from 2013 onwards.

i) **'Exclusion/Roll-over (excluding annual exclusions)'**

j) **'Gain'(4250)**

- This field is auto calculated by the system. The capital gain will be disregarded if the proceeds on the disposal of the primary residence does not exceed R2 million.
- From the 2022 YOA onward, if the transaction results in a capital gain (refer source code **4250**) the following field will display and is optional:
  'Less: Prior year clogged loss brought forward and deductible from the capital gains listed above derived from a disposal to the same connected person (par. 39 of the Eighth Schedule)'
- If an amount is inserted in the above field indicate **'In which year was this disposal made'** and
- Complete the **'Details of Connected Person'**.
  - *'Type of connected person' – select individual/company/trust from the drop-down list*
  - *'Is the connected person a SA resident?*
  - *'Name and Surname'*
  - *'Name of Trust / Registered Name'*
  - *'Identity Number'*
  - *'Passport Number'*
  - *'Registration No.'*
  - *'Tax Ref No.'*

k) **'Loss' (4251)**

- This field is auto calculated by the system. The capital loss will be disregarded if the proceeds on the disposal of the primary residence does not exceed R2 million.

- From the 2022 YOA onward, if the transaction results in a capital loss (refer source code **4251**) the following mandatory question will display:
  'Was the disposal made to a connected person (including the parent, child, stepchild, brother, sister, grandchild or grandparent of that natural person) in terms of paragraph 39 of Eighth Schedule?' – Select 'Y' or 'N'
- If yes, complete the **'Details of Connected Person'**
  - *'Type of connected person' – select individual/company/trust from the drop-down list*
  - *'Is the connected person a SA resident?*
  - *'Name and Surname'*
  - *'Name of Trust / Registered Name'*
  - *'Identity Number'*
  - *'Passport Number'*
  - *'Registration No.'*
  - *'Tax Ref No.'*

l) Where you declare a foreign capital gain (which is calculated on the same basis as a local capital gain described above) and you are claiming an amount for 'Other foreign tax credits', complete the applicable tax amount in the fields provided.

5.5 LOCAL RENTAL INCOME FROM THE LETTING OF FIXED PROPERTY

a) For 2015 and prior years of assessment, rental income must be declared in the section 'Local Business, Trade and Professional Income (Including Rental Income)'. From the 2016 year of assessment and onwards, rental income from the letting of fixed property must be declared separately on the return.

b) Complete the information for each rental activity separately (maximum of 20 is allowed).

c) Amounts received/vested in you as a beneficiary of a trust or deemed to have accrued in terms of s7 must be included for the 2016 year of assessment. From the 2017 year of assessment onwards, this information must be excluded and declared separately in the Trust section of the return.

d) Note: If you are in a partnership, declare the full partnership financial details. If you have incurred expenditure for your own account relating to the partnership and this is not reflected in the financial statements of the partnership, such expenditure should be claimed under "Other Deductions".

e) If you are married in community of property:

- The amounts relating to income and expenditure for both you and your spouse must be declared. SARS will programmatically apply the 50% apportionment.
- If any amounts must be excluded from the communal estate, select the communal estate indicator on the return. The 50% apportionment will not be applied by SARS. Should the assessment be incorrect please submit a notice of objection.
- From the 2023 YOA, complete the communal estate indicator for each applicable property/asset where the local rental income earned should be excluded from the communal estate

5.5.1 DESCRIPTION

a) **'Name of Property/Description of Asset'**

- Insert the description of the fixed property. If rental income from the fixed property was declared in a previous year of assessment, insert the same description that you completed in the previous year.
- From the 2023 YOA, this field (and the related question on the form wizard) will be pre-populated and locked based on rental property/asset information available for a taxpayer as per SARS records.

b) **'Correct Description (If Name of Property/Description of Assets is incorrect)'**

- Applicable from the 2024 YOA
- Use this field to capture the correct property name/asset if the information prepopulated in the above field is not correct.

5.5.2 UNIQUE IDENTIFIER

a) SARS automatically allocates a unique identifier to each property, local business, trade and/or profession as per the information declared on your return. If you received rental income from fixed property that was declared in a previous year of assessment, a unique identifier will have been allocated by SARS. Please complete the **'unique identifier'** number as allocated to you. You can obtain this number from the previous notice of assessment issued to you.

- If you started renting the fixed property in the current year of assessment, leave this field blank on your return. SARS will allocate a new unique identifier number.
- From the 2023 YOA, the unique identifier will be pre-populated and locked based on rental property/asset information available as per SARS records.

5.5.3 PROPERTY NOT USED FOR TRADING PURPOSES

a) **'Mark with an "X" if the property is not used for trading purposes anymore (e.g., the property was sold)'**

- From the 2023 YOA, if the *property/asset description* and *unique identifier* fields are pre-populated on your return but you no longer use the property/asset to earn rental income, you can complete the following field on the return.

b) **'Was the property still used for trading purposes for part of this year of assessment?'**

- From the 2024 YOA this field is mandatory for completion if a taxpayer declares that the property is no longer used for trading purposes.
- If yes, the *'Income', 'Expenditure'* and '*Determination of Profit/Loss'* must be completed for that part of the year of assessment for which trading was applicable.

5.5.4 INCOME DETAILS

a) Insert the total **'Rental Income'** amount received for the letting of the fixed property. If you are married in community of property, the SARS system will apply the 50% split.

5.5.5 EXPENDITURE DETAILS

a) Where part of a property is rented out, only allowable expenses relating to that part of the property may be claimed as a deduction. The portion of the expenses relating to the privately used part of the property must be excluded from the expenses claimed.

b) Non-allowable expenses such as bond registration fees, bond repayments, etc. must also be excluded. Only tax deductible amounts must be declared in the 'Expenditure' section of the return.

c) Complete the applicable fields for expenditure incurred for the letting of the fixed property:

- '**Accounting Fees'**
- **'Ag**ency Fees'
- 'Bad Debts'
- 'Depreciation'
- 'Electricity / Rates and Taxes'
- 'Insurance'
- 'Interest / Finance Charges'

- 'Levies Paid'
- 'Repairs / Maintenance'
- 'Other' – Insert a description for the other expense
- 'T**otal'** – the total expenditure will be auto calculated if your return is completed electronically.

5.5.6 DETERMINATION OF PROFIT / LOSS

a) If your return is completed electronically, the profit or loss will be automatically calculated. If you are completing your return manually, calculate your rental profit or loss and insert the amount in the applicable field below:

- **'Taxable Profit'** (4210)
- **'Taxable Loss'** (4211)

b) **'Should the loss incurred be excluded (ring-fenced) for the calculation of your tax liability?'** – select Y or N.

c) **'Are you in a partnership?'** – select Y or N. If yes is selected, complete the following:

- **'State the profit/loss percentage' or**
- **'Mark with an 'X' if variable ratios should be applied for the sharing of income and/or expenses'** (only applicable to the 2023 YOA and prior years).
- Note: This field will be locked if you selected 'N' for the partnership question in the form wizard.

5.6 LOCAL BUSINESS, TRADE AND PROFESSIONAL INCOME (INCLUDING CRYPTO ASSET(S))

a) The information required in this section refers to the activities in respect of local business, trade and/or profession carried on by a taxpayer for his/her own account **and not as an employee**.

- However, if a taxpayer received an IRP5/IT3(a) Employee Tax Certificate for services rendered by means of trading activities undertaken, such income will be part of the information in the IRP5/IT3(a) section of the return.
- This amount must also be completed in the field *'Income reflected on an IRP5/IT3(a) regarded to be trade income'* in the 'Local Business, Trade and Professional Income' section of the return

b) A complete set of financial information must be prepared in respect of each local business, trade or profession carried on by the taxpayer where such income is not considered as a single trade with reference to section 20A of the Income Tax Act.

c) The return makes provision for a maximum of eight activities to be declared. If there are more than 8 activities to declare, similar trades must be added together. Example: if a taxpayer has nine rental properties to declare, either add two properties that result in profits or two that result in losses. Please do not add one property that results in a loss with one that results in a profit.

d) Expenditure incurred by independent contractors can be claimed in this section of the return. The amount reflected next to code 3616 on the IRP5/IT3(a) certificate received must be inserted in the field **'Income Reflected on an IRP5/IT3(a) regarded to be Trading Income'**.

e) For the 2015 year of assessment and prior years, rental income must be declared in the **'Income Other than Turnover'** field in this section of the return.

f) From the 2017 year of assessment any amounts received, accrued or deemed to have been received/accrued as a beneficiary of a trust must be excluded from this section and declared separately in the Trust section of the return.

g) If you complete the Local Business, Trade and Profession section, you are must also complete the

Statement of Assets and Liabilities for each business activity.

5.6.1 BUSINESS/TRADE NAME

a) **'Name of Business / Trade'**

- Insert the name of each local business, trade, or profession. If the local business, trade, or profession was declared in a previous year of assessment, insert the same name that you completed in the previous year.
- From the 2023 YOA, this field (and the related question on the form wizard) will be pre-populated and locked based on information available for the taxpayer as per SARS records.

c) **'Correct Description (If Name of Business/Trade is incorrect)'**

- Applicable from the 2024 YOA
- Use this field to capture the correct business/trade name if the information prepopulated in the above field is not correct.

5.6.2 UNIQUE IDENTIFIER

a) SARS automatically allocates a unique identifier to each property, local business, trade and/or profession as per the information declared on your return. If the same local business, trade and professional income section of the return was declared in a previous year of assessment, please enter the **unique identifier** number as allocated to you. You can obtain this number from the previous notice of assessment (ITA34) issued to you.

- If you commenced a new local business/trade/profession, leave this field blank on your return. SARS will allocate a new unique identifier number.
- From the 2023 YOA, the unique identifier will be pre-populated and locked based on information available as per SARS records.

5.6.3 BUSINESS NO LONGER TRADING

a) **'Mark with an "X" if the business is no longer trading / operational (e.g. the business was sold or ceased operation)'**

- From the 2023 YOA, if the *business/trade name* and *unique identifier* fields are pre-populated on your return but the business is no longer trading/operational, you can complete the following field on the return:

b) **'Was the business still trading for part of this year of assessment?'**

- From the 2024 YOA this field is mandatory for completion if a taxpayer declares that the business is no longer trading/operational.
- If yes, the *"Income", "Expenditure", "Adjustments: Add Back", "Adjustments: Allowable" "Determination of Profit / Loss", "Additional Information"* must be completed for that part of the year of assessment for which trading was applicable.

5.6.4 INCOME REFLECTED ON IRP5/IT3(A) REGARDED TO BE TRADING INCOME

a) This field will unlock on the return if your IRP5 certificate contains any of the following income source codes and the sum amount of these source code amounts contribute to 50% or more of the total income (code 3699) on the IRP5 certificate:

b) Source Codes:

- 3606 – Commission Income
- 3656 – Commission Income (Foreign)
- 3616 – Independent Contractors
- 3666 – Independent Contractors (Foreign)
- 3617 – Labour Brokers without exemption certificate
- 3667 – Labour Brokers without exemption certificate (Foreign)
- 3619 – Labour Brokers with exemption certificate
- 3669 – Labour Brokers with exemption certificate (Foreign)

c) The amount you insert in this field may not exceed the sum of any of the above stated source codes.

d) Note: If your IRP5 certificate reflects source code 3606 (commission income) with other remuneration source codes (e.g. 3601) this field will be greyed out and locked.

5.6.5 DUAL – PURPOSE EXPENDITURE

a) Some of the expenses incurred may be partly personal and partly business related. These may include amounts paid for fuel and oil, rent, electricity, telephone, car maintenance, repairs, insurance, interest and overseas travelling expenses. The personal portion of these expenses is not deductible as business expenditure and must be allocated accordingly. Full details of calculations must be retained for a period of five years after the date of submission of the return.

b) Reasonable allocation – It is not easy to determine what portion of dual-purpose expenditure should be allocated to the business and what portion to the non-business activities. No rule can be prescribed but the allocations must be reasonable.

c) With regard to travelling expenses, an apportionment must be made according to distances actually travelled for private and business purposes.

5.6.6 CAPITAL EXPENDITURE

a) In general capital expenditure is an amount paid or a debt incurred for the acquisition, improvement or restoration of a capital asset. However, capital expenditure is not necessarily confined to capital assets. Expenditure designed to extend the scope of a business, incurred to create or to protect a source of income or to acquire an enduring advantage for the benefit of trade is regarded for tax purposes as expenditure of a capital nature.

b) Examples of capital expenditure:

- Acquisition of land and building (including transfer costs)
- Additions, alterations and improvements to any assets used by the business, for example: buildings, plant, machinery, furniture and fittings, etc.
- Cost of material, labour and installation of capital assets
- Goodwill
- Expenditure to eliminate competition
- Expenditure to protect capital or intangible assets, including rights
- Certain legal expenses.

5.6.7 TRADING STOCK TAKEN FOR PRIVATE USE

a) If such goods have already been accounted for, this adjustment must not be taken into account again in the determination of taxable income. A note must be made on the statement indicating the value of the goods and how this was accounted for.

5.6.8 LEARNERSHIP AGREEMENTS – SECTION 12H

a) The learnership incentive is intended to encourage skills development and job creation. A taxpayer can deduct learnership allowances from trading income derived during the year of assessment if certain requirements are met. The taxpayer must retain all relevant material.

b) The deduction will be considered in respect of the entering into and the completion of such registered learnership agreements as defined in section 12H of the Income Tax Act.

c) Provision is made for registered learnership agreements with durations less than 12 months and for those with durations of more than 12 months. Registered learnership agreements including contracts of apprenticeship with a period of more than 12 months have a more favourable completion allowance.

d) Where a registered learnership agreement or contract of apprenticeship is terminated prior to the completion of such agreement or contract, the amount allowed as a deduction shall be deemed to have been recovered or recouped by the employer**.** No further annual or completion allowance must be claimed by the employer.

e) LEARNERSHIP ALLOWANCES BEFORE 1 OCTOBER 2016

- The learnership allowance for a learner with no disabilities is R30 000
- A pro rata allowance applies where a learnership agreement is for a period of less than 12 months
- The learnership allowance for a learner with disabilities is R50 000 (30 000 + 20 000)
- A completion allowance for a learner with no disabilities is R30 000 in the year in which the learner has successfully completed the learnership. In the case of a learner with disabilities, the completion allowance will increase to R50 000
- A learnership allowance for a learner in a learnership agreement for a period that equals to or exceeds 24 months for a learner with no disabilities is R30 000 multiplied by the number of consecutive 12 months within the duration of the agreement. In the case of a learner with disabilities, the allowance will increase to R50 000.

f) LEARNERSHIP ALLOWANCES FROM 1 OCTOBER 2016

NQF Level 1 - 6

- Learnership allowance for a learner with no disabilities is R40 000
- A pro rata allowance is allowed in the case where a learner is a party to a learnership agreement for a period of less than 12 months
- Learnership allowance for a learner with disabilities is R60 000 (40 000 + 20 000)
- A completion allowance for a learner with no disabilities is R40 000 in the year in which the learner has successfully completed the learnership. In the case of a learner with disabilities, the completion allowance will increase to R60 000
- A learnership allowance for a learner a in learnership agreement for a period that equals or exceeds 24 months for a learner with no disabilities is R40 000 multiplied by the number of consecutive 12 months within the duration of the agreement. In the case of a learner with disabilities, the allowance will increase to R60 000.

NQF Level 7 - 10

- Learnership allowance for a learner with no disabilities is R20 000
- A pro rata allowance is allowed in the case where a learner is a party to a learnership agreement for a period of less than 12 months
- Learnership allowance for a learner with disabilities is R50 000 (20 000 + 30 000)
- A completion allowance for a learner with no disabilities is R20 000 in the year in which the learner has successfully completed the learnership. In the case of a learner with disabilities, the allowance will increase to R50 000.
- A learnership allowance for a learner in a learnership agreement for a period that equals or exceeds 24 months for a learner with no disabilities is R20 000 multiplied by the number of consecutive 12 months within the duration of the agreement. In the case of a learner with disabilities, this amount will increase to R50 000.

g) For more information, refer to Interpretation Note 20 – Additional deduction for learnership allowance

on the SARS website.

5.6.9 LEGAL EXPENSES

a) Expenses in respect of any dispute or action at law, other than those of a capital nature, which were actually incurred in the production of income, or which arose in the course of or by reason of the ordinary operations undertaken by the taxpayer in the carrying on of the trade, may be claimed as a deduction. Details of the expenses must be retained.

5.6.10 INSURANCE

a) Medical indemnity insurance is a type of liability insurance taken by independent medical practitioners to protect against claims associated with negligence, error, bodily injury, wrongful practices and even death.

b) This insurance is closely connected to an independent medical practitioner's business operations and the premiums paid may be claimed as an expense.

- In the '*Local Business, Trade and Professional Income*' section of your ITR12 return, insert the total insurance premiums paid for the tax year in the '*Insurance*' expense field.

c) Any proceeds from the insurance policy will be taxable in full. The exemption in terms of section 10(1)(gI) will not apply as it is not a death, illness or disability insurance.

- In the '*Local Business, Trade and Professional Income*' section of your ITR12 return, insert the total amount of the proceeds received in the '*Income Other Than Turnover*' field.

5.6.11 GENERAL EXPENSES

a) General or sundry expenses claimed in the accounts must be detailed in a separate statement including expenses contained therein which are not allowable. Such statement must be retained for inspection purposes.

5.6.12 PRIVATE USE OF BUSINESS PREMISES

a) If the taxpayer or any member of his/her family occupied, free of charge, part of the premises from which the business or profession is carried out, only the expenditure in respect of the portion used for business purposes can be claimed.

5.6.13 ELECTED DEPRECIABLE ASSET ALLOWANCE

a) Section 11(o) provides for an election in respect of the deduction of any loss incurred as a result of the alienation, loss or destruction of any asset that qualified for a capital allowance or deduction provided that the expected useful life of that asset for tax purposes did not exceed ten years. The deduction must be equal to the difference between the amount received or accrued from the disposal and the cost price of the asset.

b) Where an asset was brought into use during a non-taxable period, that period must be taken into account in the determination of the deduction provided for in terms of section 11(o).

c) No election may be made if the amount received or accrued from the alienation, loss or destruction of the asset was received or accrued from a connected person.

d) **Note:** Cognisance must be taken of the provisions of paragraph 65 and paragraph 66 of the Eighth Schedule to the Act that came into effect on 22 December 2003.

5.6.14 EXPIRED LEASE AGREEMENTS

a) At the expiry of a lease agreement in respect of moveable assets, full details must be retained if such assets:

- Were sold and the proceeds paid to the taxpayer
- Were transferred to the taxpayer free or for some consideration
- Any other benefit accrued to the taxpayer in these circumstances.

b) Copies of documentation from the relevant financial institution/s must be retained.

5.6.15 RECOUPMENT OF EXPENDITURE

a) Any items of expenditure or losses, which were allowed as deductions in the determination of the taxable income for the previous year of assessment and recovered or recouped during this year of assessment, must be reflected if not already accounted for in the financial accounts.

5.6.16 RESERVES

a) Details of all reserves that were not disclosed as such in the balance sheet must be retained, showing the amounts transferred to reserve during the year of assessment and indicating where those amounts were debited in the accounts.

5.6.17 INTEREST PAID

a) If interest was paid the information regarding the purpose for which the capital (on which the interest is payable) was utilised must be retained.

5.6.18 FINANCE CHARGES

a) These must not, for wear and tear purposes, be added to the cost price of assets purchased but must instead be shown separately.

5.6.19 COST OF TRIPS ABROAD

a) If the amount claimed as travelling expenses includes the cost of trips abroad, retain details as to who undertook the trip and the purpose thereof as well as details of the expenses and itinerary.

5.6.20 DRAWINGS AND CAPITAL ACCOUNTS

a) Retain details of the sources and amounts credited to these accounts.

5.6.21 DOUBTFUL DEBT

a) Retain full details regarding source, amounts, dates, nature of debt and reasons for regarding debt as bad. In the case of doubtful debt, a similar list must be retained and the amount claimed as an allowance for such debt must be shown.

5.6.22 RING-FENCING OF ASSESSED LOSSES OF CERTAIN TRADES

a) Section 20A provides that, subject to certain tests, an assessed loss incurred by a natural person may not be set off against any income derived by the person otherwise than from carrying on that trade. The effect is that trading losses will in certain circumstances and/or in respect of certain identified trades, be subject to potential ring fencing unless the 'facts and circumstances test' provided for in subsection 3 indicates that the trade constitutes a business in respect of which there is a reasonable prospect of deriving taxable income within a reasonable period.

b) A pre-requisite for the application of section 20A is that, in the year in which the ring-fencing is applied, the sum of the taxpayer's taxable income (determined without having regard to other provisions of this section) and any assessed loss and balance of assessed loss which were set off in terms of section 20 in determining that taxable income, equals or exceeds the amount at which the maximum marginal tax rate chargeable in respect of individuals becomes applicable. The maximum marginal tax rate will apply to taxable income in excess of:

- R701 300 for the 2015 to 2017 years of assessment
- R1 500 000 for the 2018 to 2020 years of assessment
- R1 577 300 from the 2021 year of assessment
- R1 656 600 from the 2022 year of assessment
- R1 731 601 from the 2023 year of assessment
- R1 817 001 from the 2024 and 2025 years of assessment.

c) In any trade contemplated under section 20A(2)(a) and (b) of the Income Tax Act, the potential ring fencing will be applied as from the 2005 year of assessment, unless the 'facts and circumstances test' indicates that the activity constitutes a business which has a reasonable prospect of deriving taxable income within a reasonable period of time.

d) The potential ring-fencing can be applied in respect of losses from all the identified trades or other trades, in terms of the three-out-of-five-year-rule, and ring fencing of any trade loss (excluding farming activities) will occur in terms of the six-out-of-ten-year-rule.

e) The identified trades listed in section 20A (2)(b) are as follows:

- Any sport practiced by the taxpayer (or relative)
- Dealing in collectibles by the taxpayer or any relative
- The rental of residential accommodation, unless at least 80% of the residential accommodation is used by persons who are not relatives of that person, for at least half of the year of assessment
- The rental of vehicles, aircraft or boats, unless at least 80% of the vehicles, aircraft or boats are used by persons who are not relatives of that person, for at least half of the year of assessment
- Animal showing by the taxpayer or any relative
- Farming or animal breeding (unless the taxpayer carried on the farming or animal breeding on a full-time basis)
- Any form of performing or creative arts
- Gambling or betting
- Acquisition or disposal of any cryptocurrency
- Note: a relative is defined in relation to any person, as 'a spouse, parent, child, stepchild, brother, sister, grandchild or grandparent of that person'.

f) **SET-OFF OF TAXABLE CAPITAL GAIN AGAINST RING-FENCED ASSESSED LOSS**

- Section 20A(6)(b) permits a ring-fenced assessed loss to be set off against the taxable capital gain once the trade has ceased and the asset that was used in carrying on the trade is disposed of. Note: No set-off is permitted if an asset is disposed of during the course of the trade.
- If this scenario applies to you, the taxable capital gain (after taking into account the annual exclusion and inclusion rate) must be reflected as income in the "Local Business, Trade and Profession" section of the return. Please ensure that you use the same unique identifier, description and source code of that particular trade (prior to cessation) in order for the ring-fenced assessed loss brought forward to be utilised during the assessment.

- **Note**: Please do not declare this event in the Capital Gains section of the return as this will result in the capital gain being taxed as well.

g) **THE THREE–OUT–OF–FIVE–YEAR-RULE:**

- The three-out-of-five-year-rule applies to any trade that is not included in the list of identified trades mentioned above. The current year must be taken into account in determining the three-out-of-five-year-rule. Losses incurred in respect of other trading activities not listed above could, therefore, be subject to potential ring-fencing commencing on or after the 1 March 2004 year of assessment in terms of section 20A (2)(a). This would occur if the specific trading activity has realised a loss for at least three years out of five years. Should any trading activity realise a profit in any one of the three years mentioned above, the potential ring fencing is delayed, as illustrated in the following example:

Example

Year of assessment	Rental property A
2019	Loss
2020	Loss
2021	Profit
2022	Loss

- Due to the fact that the trading activity (rental income is also considered to be trading income) has realised a loss in three-out-of-five-years (i.e. during the five-year period ending on the last day of that year of assessment, the person incurred an assessed loss in at least three years of assessment), ring fencing could be applied in the 2022 year of assessment. As the taxpayer realised a profit in the 2021 year of assessment and a loss in 2022, ring fencing would apply as from the 2022 year of assessment
- The trade in respect of which the three-out-of-five-year-rule applies includes:
  - Rental of residential accommodation where at least 80% of the residential accommodation is used for at least half of the year of assessment by persons who are not relatives
  - The rental of vehicles, aircraft or boats where at least 80% of the vehicles, aircraft or boats are used by persons for at least half of the year of assessment who are not relatives of that person
  - Farming or animal breeding carried on a full-time basis
  - Any other trade not specifically identified.

h) **FACTS AND CIRCUMSTANCES:**

- In respect of both the identified trades, as well as the other trades listed above, ring-fencing can be avoided in terms of subsection 3 of section 20A. This section provides an escape route in terms of which the taxpayer can prove that the activity constitutes a business that has a reasonable prospect of deriving taxable income within a reasonable period of time. The factors to which special regard must be made are:

- The proportion of the gross income derived from that trade in relation to the allowable deductions incurred in carrying on that trade
- The level of activities carried on by the person or the amount of expenses incurred by the person in respect of advertising, promoting or selling, in carrying on that trade
- Whether that trade is carried on in a commercial manner, and considering:
  - The number of full-time employees appointed to that trade
  - The commercial setting of the premises where the trade is carried on.
  - The extent of the equipment used exclusively for the purpose of carrying on the trade
  - The time the person spends at the premises conducting that business
- The number of years of assessment in which assessed losses were incurred in relation to the total number of years that the specific trade was carried on, taking the following into account
  - Any unexpected events giving rise to the losses
  - The nature of the business involved.
- The business plans and any changes thereto, to ensure that the business will in future derive taxable income

- The extent to which any asset attributable to the trade is available for recreational use or personal consumption by the person or any relative of the person.

i) **THE SIX–OUT–OF–TEN–YEAR–RULE:**

- Where losses have been realised in at least six-out-of-ten-years of assessment the 'facts and circumstances test' will, in terms of subsection (4), no longer be available to prevent the ring fencing of a loss in respect of the trades identified in subsection (2)(b). This means that where a loss pertaining to an identified trade was not ring fenced after having applied the 'facts and circumstances test', the loss will, however, be ring fenced where the specific trade has incurred a loss in at least six-out-of-ten-years of assessment. The 'facts and circumstances' escape route will, therefore, no longer be available to prevent the ring fencing of the specific trade loss. Although this provision applies to all identified trades, subsection 4, however, specifically provides that this rule is not applicable to farming activities. This is in recognition of the fact that many forms of legitimate farming activities entail long-term losses before the expectation of profit can be realised.

j) **LOSSES TO BE TAKEN INTO ACCOUNT:**

- In the application of both the three-out-of-five-year-rule and the six-out-of-ten-year-rule any losses incurred on or before 29 February 2004 will not be taken into account.
- Please note that each trading activity is evaluated separately for the application of the potential ring fencing. Financial statements must therefore be drawn up separately and the profit or loss declared separately in respect of each trade/property/asset (rental income).

- In certain circumstances where more than one property/asset is let, the letting of such properties/assets could be considered as a single trade. Should this be the case, the profit/loss must be declared as a single entry in which case a combined set of financial statements can be prepared and retained.
- If the taxpayer is in receipt of rental income and is married in community of property, the full profit/loss of such income must be declared. The 50% application will be done programmatically by SARS.
- For further details refer to the guide on section 20A, which is available on the SARS website.

k) **'SHOULD THE LOSS INCURRED BE EXCLUDED (RING-FENCED) IN THE CALCULATION OF THE TAX LIABILITY?'**

- The taxpayer should indicate whether the loss should be ring fenced or not by selecting 'Y' or 'N' for this field on the return.
- If yes is selected for this field, the loss (if incurred) will not be taken into account in the determination of the taxable income.
- If no is selected for this field (i.e. the loss should not be ring fenced), substantiating documentation based on the information contained in the paragraph dealing with 'facts and circumstances' (escape clause) must be retained, to support the claim. The documentation must be based on the factors specifically mentioned in the relevant paragraph
- All documentation in this regard must be available on request for a period of five years after the submission of the return.

5.6.23 PARTNERSHIPS

a) The information from the financial statements of the partnership must always be reflected even though a variable ratio is applicable in the sharing of income and expenditure within a partnership. If this is the case the question referring to the variable ratio should be marked with an 'X' in the 'Local business, trade and professional income' section of the return. In these cases, copies of the supporting documentation must be available on request for SARS to correctly assess the relevant taxpayer.

b) Taxpayers that are in a partnership might incur expenditure for their own account in the production of their income. Such income is usually not reflected in the financial statements of the partnership. In such

cases, the individual taxpayer should claim such expenditure in the 'Other deduction' section of the return.

c) For the 2016 year of assessment and prior years, if you were in a partnership and have paid pension fund contributions, as a deemed employee defined in section 11F in the Income Tax Act, you must:

- Select 'Y' in the applicable field
- Complete the amount next to source code 4049.
- Note: Your return will be regarded as incomplete if you have selected 'N' for the question 'Are you in a partnership?' but marked 'Y' for the question 'Did you make any pension contributions as a deemed employee'.

d) **'Did you or the partnership make any pension / provident fund / retirement annuity fund contribution(s) for your benefit as a deemed employee of the partnership?'**

- Applicable from the 2017 year of assessment.
- If yes is selected, indicate the type of fund (pension/provident/retirement annuity fund)
- Multiple funds can be selected.

e) For each type of fund selected, complete the fields below.

- **'Name of the Fund'**
- **'FSCA Registration Number'**
- **'Pension Number' / 'Provident Number' / 'Policy Number'**
- **'Contributed by the Partnership'**
- **'Fringe Benefit'**
  - 3817 – pension fund
  - 3825 – provident fund
  - 3828 – retirement annuity fund
  - The fringe benefit amount must be less than or equal to the amount contributed by the partnership
- **'Contributions made by you'**
- **'Total'** – this field is the sum of the fringe benefit and the contributions made by you. If you are submitting your return via eFiling the totals for each of the following funds will be auto calculated:
  - 4001 – pension fund
  - 4003 – provident fund
  - 4006 – retirement annuity fund
  - Please ensure that the 4006 amount above is also inserted next to source code 4006 the 'Retirement Annuity Funds Contributions' section to claim.
- **'Is this information reflected on any IRP5/IT3(a) certificate included in this return?'** – Select 'Y' or 'N'

5.7 ADDITIONAL INFORMATION

5.7.1 URBAN DEVELOPMENT ZONES (UDZ) – SECTION 13quat

a) Due to the insertion of section 13*quat* 'Deductions in respect of erection/acquisition or improvement of buildings in urban development zones' in the Income Tax Act, an allowable deduction was introduced in the form of an accelerated depreciation allowance.

b) The UDZ tax incentive has been extended to 31 March 2025.

c) A deduction will be allowed in respect of the cost of the erection, extension, acquisition or improvements of any commercial or residential building within an approved urban development zone which is to be used solely for the purpose of that trade. The deduction will cease where the building ceases to be used solely for the purpose of trade or if it is sold.

d) The allowable amount will be calculated as follows:

- Refurbishment of a building - 20% straight-line depreciation allowance over a five-year-period (where the existing structural or exterior framework is preserved)
- Construction of a new building - 11 year write-off period (20% in the first year and 8% per annum thereafter for the next 10 years). Prior to 2008, 5% instead of 8% write off).
- Refurbishment of existing or part of the building – 20% straight-line depreciation allowance over five years.
- Refurbishment of a low-cost residential unit – 25% straight-line depreciation allowance over a four year period
- Construction of a new low-cost residential, extension of or addition of unit – seven year write-off period (25% in year one, 13% over the next five succeeding years and 10% in the seventh year)
- A deduction will also be allowed for first time buyers who buy from a bona-fide developer. The first time buyer, although not having incurred the actual cost of construction of refurbishment, could qualify for the tax incentive and be able to claim an allowance on a percentage of the purchase price as prescribed in section 13quat which is deemed to be cost incurred by the buyer.

e) Where a building or part of a building is purchased from a developer the following must be available:

- The purchase price of that building or part thereof
- The amount of the purchase price deemed to be the cost incurred in terms of subsection 3B
- A certificate from the developer (UDZ 3) confirming that the requirements in terms of section 13*quat* have been met.

f) The following forms can be downloaded from the SARS website and must be completed and retained for a period of five years after the date of submission of the return in which the amount was claimed:

- **UDZ1**: 'Deduction claimed in terms of s13*quat*: Erection or extension of or addition to or improvement of a building/part of a building within an Urban Development Zone'
- **UDZ2**: 'Deduction claimed in terms of s13*quat*: Purchase of a building/part of a building within an Urban Development Zone'
- **UDZ4**: 'Developer information'. This form must be submitted to the Legal Section at the SARS Head Office

g) The allowance will no longer be available if a building is not used solely for the purposes of trade, was disposed of in the previous year of assessment or was brought into use after 31 March 2025.

h) On the return, complete the following:

- **'Was the building or part of the building for which these allowances were claimed brought into use after 31 March 2021?'** – Select Y or N
  - Applicable to the 2021 YOA
  - This field will be mandatory if an amount is declared for: *'UDZ (s 13quat) - improvements allowable in respect of this year'* and/or *'UDZ (s 13quat) - erection/acquisition of a new building allowable in respect of this year'*
- **'Was the building or part of the building for which these allowances were claimed, brought into use after the 31 March 2023'** – Select' Y' or 'N'.
  - Applicable from the 2022-2025 YOA.
  - This field will be mandatory if an amount is declared for: *'UDZ (s 13quat) - improvements allowable in respect of this year'* and/or *'UDZ (s 13quat) - erection/acquisition of a new building allowable in respect of this year'*
  - If yes is selected for the above questions, the field for *'Total cost incurred in respect of erection/acquisition or improvements of a building'* will be locked.
- **'Total cost incurred i.r.o erection/acquisition or improvements of a building'** – complete this field if you qualify for a deduction under section 13*quat* (UDZ).
  - Note: The above total cost must also be allocated as follows under 'Adjustments: Allowable' in the 'Local Business, Trade and Professional Income' section of your return:
    - '*UDZ (s 13quat) - improvements allowable in respect of this year'*
    - *'UDZ (s 13quat) - erection/acquisitions of a new building allowable in respect of this year'*

- *'Other Deductions in respect of Buildings: excluding s13quat'.*

- **'Was the building or part of the building for which these allowances were claimed brought into use after 31 March 2025?'**
  - This field will be applicable from the 2026 YOA onward.

5.7.2 RESEARCH AND DEVELOPMENT INFORMATION – SECTION 11D

a) Note: these questions are only applicable for the 2015 year of assessment and prior years.

b) If you qualify for a deduction in respect of Research and Development (section 11D), you must complete the following questions in this section of the return:

- **'Did you incur any expense on scientific or technological research and development for the purpose of:'**
  - **'The discovery of novel, practical and non-obvious information of a scientific and technological nature?'**
  - **'The developing or creating of any inventions, any design or computer programme or other similar property?'**
- **'Did you incur any capital expenditure on buildings, machinery, plant, implements or utensils?'**
- **'Did you receive any amount from government for the purpose of scientific or technological research and development?'**
- **'Was your research and development application approved by the Department of Science and Technology?'**

c) You must insert the total amount for the Research and Development deduction in the field provided in the 'Adjustments: Allowable' section.

5.7.3 IMPROVEMENTS NOT OWNED BY TAXPAYER – SECTION 12N

a) In terms of section 12N of the Income Tax Act, an allowance exists for expenditure actually incurred by a lessee for obligatory improvements undertaken on leased land or buildings. Section 12N deems the taxpayer to be the owner of improvements completed for the purposes of a deduction in sections 11D, 12B, 12C, 12D,12F, 12I, 12S, 13, 13bis, 13ter, 13quat, 13quin, 13sex or 36, and for the purposes of the Eight Schedule.

b) An allowance is not allowed if the lessor is tax exempt unless the improvement is undertaken:

- In terms of a Public Private Partnership
- On land owned by government (national, provincial or local) or by an exempt government controlled body if the land is leased for a period of at least 20 years.
- Any entity referred to in section 10(1)(cA) or (t); or
- The Independent Power Producer Procurement Programme administered by the Department of Energy

c) Where have you claimed deductions as a deemed owner in respect of section 12N – select 'Y' for the following question:

- **'Did you claim any deduction as a deemed owner in terms of section 12N?**'

5.7.4 LEARNERSHIP AGREEMENT - S12H

a) **'Do you confirm that the registered learnership agreement was entered into before 1 April 2024?'**

- Applicable from the 2025 YOA.
- This field will display for completion if the taxpayer declared amounts for any of the following:

- *'Details of Farming Expenses (IT48) – Expenses'; and/or*
- *'Adjustments: Allowable'; and/or*
- *'Details of Farming Expenses (IT48V) – Expenses'*

5.8 ENHANCED RENEWABLE ENERGY DEDUCTION – S12BA

a) To encourage private businesses to invest in renewable energy and ease the pressure on the national electricity grid, government has enhanced the current renewable energy tax incentive. The enhanced renewable energy tax incentive (under section 12BA) will apply to qualifying new and unused assets brought into use for the first time on or after 1 March 2023 and before 1 March 2025.

b) This section of the return is applicable to the 2024 and 2025 YOA only and will display if an amount greater than zero is inserted for '*Enhanced machinery, plant, implements, utensils and articles used in the production of renewable energy deduction (s12BA)'* in the Adjustments Allowable section.

c) Complete the following:

- **'Do you confirm that the asset(s) is new and unused owned by the taxpayer or acquired and was brought into use for the first time during this year of assessment?' – if yes, answer the question below.**
- **'What is the electricity generation capacity of the installed system?'**
- **Select the types of renewable energy:**
  - 'Wind power'
  - 'Photovoltaic solar energy'
  - 'Concentrated solar energy'
  - 'Hydropower to produce electricity'
  - 'Biomass comprising organic wastes, landfill gas or plant material'
- **'Total cost incurred for which this deduction is claimed'**
- **'Do you confirm that this deduction has not been claimed under any other section of the Income Tax Act (i.e. s6C, s11(e) and s12B)?'**

5.9 OTHER TAXABLE RECEIPTS AND ACCRUALS

a) This section of the return must be used to declare any amount that has not been addressed by previous sections. The income declared here relates to income that must be included in taxable income to calculate the tax liability (e.g. royalties).

b) Please note that if income is distributed from a trust, such income retains its identity and must therefore be declared in the specific part of the return relating to the source of the income prior to distribution from the trust.

c) From the 2022 YOA include remuneration from foreign employers for services rendered in South Africa

d) Complete the following information on your return if applicable:

- **'Remuneration from foreign employer for services rendered in SA'** (source code 4236)
- **'Severance benefit received from foreign employer for services rendered in SA'** (source code 3925)
- **'Directive No.'**
  - This field is optional for the 2017 YOA to the 2022 YOA.
  - From the 2023 YOA, if an amount is declared for source code 3925, the '*Directive No.'* field must be completed.
- **'Royalties – profit'** (source code 4212)
- **'Royalties – loss'** (source code 4213)
- For any other income, insert the amount in the field for **'Other'** (next to source code 4214) and complete the **'Description relating to other'.**

5.10 AMOUNTS RECEIVED/ACCRUED CONSIDERED NON-TAXABLE

a) The income that must be declared here relates to income such as donations or foreign income, which is not taxable and will not be included in your gross income when calculating your tax liability.

b) Complete the following if applicable:

- **'Amounts accrued to you as an exclusive deemed resident of another county in terms of a double taxation agreement between RSA and that other country'**
- **'Exempt i.t.o. section 10(1)(o)'**
  - Applicable to the 2019 YOA and prior years
- **'Donations'**
- **'Exempt local and foreign dividends'**
  - Applicable to the 2019 YOA and prior years
- **'Exempt Local Dividends'**
  - Applicable from 2020 YOA
- **'Exempt Foreign Dividends'**
  - Applicable from 2020 YOA
- **'Interest earned by a non-resident i.t.o. s10(1)(*h*)'**
  - This field will only display for the 2020 YOA and prior years
  - From the 2021 YOA onwards, this field will display as *'Interest Exempt in terms of s10(1)(h) (amount must be included in the local interest amount)'* under the 'Investment Income' section and the 'Trust Income' section of the return.
- **'Inheritances'**
- **'Foreign pension'**

c) Where an amount is considered non-taxable, and has not been specified in the list provided, the amount must be completed under 'Other' and the description field must be completed.

5.11 TAX FREE INVESTMENTS (TFI)

a) Section 12T of the Income Tax Act came into operation on 1 March 2015 and is an incentive to encourage household savings.

b) A Tax Free Investment is a financial instrument or policy (as defined in section 29A) owned by a natural person or deceased/insolvent estate of a natural person and is administered by a person or entity designated by the Minister of Finance (e.g. banks, long term insurers, national government, collective investment scheme companies).

c) In terms of section 12T:

- Any amount received by or accrued to a natural person or deceased/insolvent estate of a natural person in respect of a tax free investment is exempt from:
  - Normal tax in respect of interest & profit/loss in share trading
  - Dividends tax
  - Capital gains or losses.
- The contributions made by a person to a tax free investment:
  - Must be in cash
  - Is limited to R500 000 in aggregate (during the natural person's lifetime).
  - Is limited to the following for the 12 month period in the year of assessment:
    - R30 000 for years prior to 1 March 2017
    - R33 000 from 1 March 2017
    - R36 000 from 1 March 2020
- The annual and lifetime contribution limits:
  - Apply in respect of multiple tax free investment accounts.
  - Are not affected if the person transfers amounts between tax free investments.
  - Are not affected by the income or proceeds received from a tax free investment (in other words, the capitalised returns are not regarded as contributions).
- Any capital gain or capital loss from the disposal of the tax free investment is also disregarded for CGT purposes.

- If a person contributes more than the allowable limit to a tax free investment during the tax year, 40% penalty will be payable on the amount that exceeds the allowable limit.
  - Example: Mr Taxpayer contributes R50 000 to a tax free investment account during the 2020 year of assessment. The annual limit is exceeded by **R17 000** therefore **R6 800** (i.e. (R50 000 – R33 000) x 40%) will be added to normal tax payable after rebates.
- If a person contributes more than R500 000 in aggregate to a tax free investment, 40% penalty will be payable on the amount in excess of R500 000 (reduced by any penalty paid under the annual limit).

d) From 1 March 2024, if an individual's year of assessment is less than 12 months, the balance of the annual TFI limitation not fully utilised will be carried over to any subsequent year of assessment that falls within the same tax year.

- If a taxpayer ceased to be resident and has more than one 'period' assessment for the same tax year, any balance of the annual TFI limitation not fully utilised in the taxpayer's first period assessment (as a South African tax resident) will be utilised in the taxpayer's subsequent period assessment (as a non-tax resident).
- If a taxpayer was coded as insolvent during the year of assessment, any balance of the annual TFI limitation not fully utilised for tax reference number 1 (coded number) will be used for tax number 3 (new tax number), should the taxpayer declare tax free investment for the same tax year.

e) From the 2020 YOA, the tax free investment information will be prepopulated with third party data received.

- If any of the prepopulated information is incorrect, you must contact the third party (e.g. your bank) to rectify and resend the correct data to SARS.
- Note: If you have **more than 10 tax free investments** to declare**,** consolidate the additional amounts and add it to the amount for the 10th institution on the return.

f) Complete the following on your return:

- **'Institution'**
- **'Investment Type'**
- **'Policy/Client No.'**
- **'Contributions made to a TFI during the year of assessment'** (source code 4219)
- **'Transfer in (from another TFI) during this year of assessment'** (source code 4246)
- **'Transfer out (to another TFI) during this year of assessment'** (source code 4247)
- **'Amounts withdrawn out of a TFI during the year of assessment'** (source code 4248)
- **'Net return on Investment - Profit'** (source code 4239)
- **'Net return on Investment - Loss'** (source code 4240)
- **'Interest'** (source code 4241)
- **'Dividends'** (source code 4242)
- **'Capital Gain'** (source code 4243)
- **'Capital Loss'** (source code 4244)
- **'Other'** (source code 4257) - Example: manufactured dividends

g) Transfers from one tax free investment to another tax free investment are only admissible from 1 March 2018.

- If you have transferred funds between TFI accounts, please ensure that you specify the amount transferred out of the one TFI account (source code 4247) and the amount transferred into the other TFI account (source code 4246).
- Note: If the 'transfer in' amount is greater than the 'transfer out' amount, the excess is deemed to be contributions for the year of assessment and will be included when determining if the annual and lifetime contribution limits have been exceeded and if a penalty is applicable.

Example 1
Mr Taxpayer completed the following amounts on his 2019 return:

Contributions to Investment One	R32 000	(code 4219)
Transfer out of Investment One	R3 000	(code 4247)
Transfer into Investment Two	R7 000	(code 4246)

The 'transfer in' amount exceeds the 'transfer out' amount by R4 000 and is deemed to be new contributions for the 2019 tax year. Therefore the total contribution for the year is R36 000.

Mr Taxpayer has exceeded the annual limit for the 2019 tax year by **R3 000** and therefore **R1 200** (i.e. R36 000 – R33 000) x 40%) will be added to normal tax payable after rebates.

Example:2

Mr Taxpayer completed the following amounts on his 2019 return:

Contributions to Investment One	R32 000	(code 4219)
Transfer out of Investment One	R7 000	(code 4247)
Transfer into Investment Two	R7 000	(code 4246)

Mr Taxpayer has not exceeded the annual limit of R33 000 and no penalty applies for the 2019 tax year.

6 RESIDENCY INFORMATION

a) This section of the return will only display for the 2016 year of assessment and prior years.

b) If amounts are completed for 'Exempt Amount i.t.o Section 10(1)(o)' and/or 'Amount taxed on IRP5 but comply with exemption i.t.o. Section 10(1)(o)(ii)' (source code 4041), then it is mandatory to complete this section of the return.

- **'Are you a SA resident as defined in the Income Tax Act?'** (Select 'Y' or 'N')
- If 'Y' has been selected for the SA resident question, state the number of days you were outside of the RSA for:
  - This year of assessment – 'year' and 'number of days' must be completed
  - The previous year of assessment – 'year' and 'number of days' must be completed.
- **'Did you within the period indicated above spend at least 60 days continuously outside the RSA?'** (Select 'Y' or 'N').
- Insert the following amounts:
  - **'Amount received and/or accrued in respect of foreign services rendered'** in RSA currency.
  - **'Amount exempt'** in RSA currency
- **'If you are not a SA resident as defined in the Income Tax Act, please state the country of tax residency'**
- **'Please state the number of days present in South Africa'** by completing the following for the current year of assessment and the 5 previous years:
  - **'Tax period from'**
  - **'Tax period to'**
  - **'Number of days'**

7 INCOME FROM FARMING OPERATIONS (INCLUDING PARTNERSHIP FARMING OPERATIONS)

a) All income derived directly from any farming operations will be regarded as farming income. Income from farming activities will also include, for example, grazing fees derived by a person who carries on farming operations, recoupment of wear and tear allowed on vehicles, implements and machinery used to carry on farming activities and subsidies received by farmers, whether in respect of farm products or capital expenditure on dams.

b) Retain a schedule detailing the amounts received in respect of each type of subsidy received, e.g. for bond interest, dams, fencing, soil erosion, approved bulls, etc. Local and foreign farming activities must be reported separately.

c) If a farmer's spouse has conducted farming operations for his/her personal account, he/she must submit a separate return.

d) Stakes won by a farmer as a result of racing horses bred by him/her and a fixed rental income received in respect of farming property will not constitute farming income.

e) If you have completed the farming section of your return, you must complete the Statement of Assets and Liabilities.

f) If livestock/produce was utilised for private consumption, an amount equal to the cost of such livestock/produce must be included in the income. If the cost price cannot be readily determined, the market value of the livestock/produce must be included in the income.

g) **Livestock sold on account of drought, stock diseases damage to grazing and livestock reduction schemes (paragraph 13 and 13A):**

- If proceeds in respect of the sale of livestock has been received on account of drought, stock disease or damage to grazing by fire or plague or by reason of participation in a livestock reduction-scheme organised by the Government, it must be included in the farming income in the year of assessment in which such a sale takes place as it is taxable.
- In the event of such sale, the following information is required to be submitted:
  - The names and addresses of persons to whom such livestock were sold or to whom such livestock were given in exchange
  - A description of the livestock
  - The amount of the proceeds received.
- The Act provides that you may elect, subject to certain conditions, to deduct the cost of replacement livestock purchased in, either:
  - The year of assessment during which such livestock was purchased
  - The year of assessment during which the original livestock was sold.
- If you wish for the cost of the replacement livestock purchased, to be deducted in the year of sale you must notify SARS of your selection. The assessment for that year of assessment will be reduced.
- If you wish to deduct the cost in the year of disposal, you must submit full particulars of the purchases as the concession will only be granted if the Commissioner is satisfied that:
  - You have replaced the livestock sold on account of drought; stock disease or damage to grazing by fire or plague within four years after the close of the year of assessment during which the livestock was sold
  - You have replaced the livestock sold by reason of the participation in a livestock reduction scheme organised by the Government within nine years after the close of the year of assessment during which the livestock was sold.

h) **Livestock sales deposited with Land Bank:**

- Where a farmer has disposed of livestock on account of drought on or after 1 March 1982 and the whole or any portion of the proceeds of such disposal has been deposited with the Land Bank of South Africa into an account in the name of the farmer, the amount of such deposit will be deemed not to be gross income for the year of assessment. Only that portion of the proceeds deposited within three months after receipt thereof will qualify for this concession.
- The amount, so deposited, will be deemed to be gross income in any of the following scenarios:
  - On the date of disposal, if it is withdrawn within six months after the last day of the year of assessment in which such disposal took place
  - On the date of withdrawal, if it is withdrawn after a period of six months, but within six years after the last day of the year of assessment in which such disposal took place
  - On the day before the death or insolvency, in the event of a farmer's death or insolvency before the expiration of the six-year period
  - On the last day of the six-year period if it is not withdrawn within the six-year period.

- You cannot make use of this concession if you have selected to claim a deduction for the cost of livestock purchased in replacement in the year of assessment in which the livestock was sold on account of drought.
- For livestock and produce sold or bartered or donated, prepare and retain a list of:
  - The names and addresses of persons to whom livestock and/or produce were donated
  - A description of the livestock or produce donated
  - The market value thereof.
- If livestock or produce were removed from South Africa for purposes other than sale, retain a description of the livestock or produce removed, and the market value thereof.
- Value of livestock and produce consumed by the farmer, his/her family and domestic workers
  - Retain a list of the number of persons in the family, the number of domestic workers and the estimated value (based on the cost of production or market value) of the livestock and produce consumed.

i) For any other farming income, including a withdrawal from Land Bank account of the amount invested in respect of livestock sold on account of drought:

- Retain details of any other farming income not specifically mentioned - this includes bonuses from agricultural co-operatives. Rental received from farming property must be reflected as trading income in the return.

j) Recoupment of expenditure incurred in respect of development and improvements:

- If the farmer or any person other than an employee occupied, during the year of assessment, any farm building, the cost of which has previously been allowed as a deduction for tax purposes, retain full particulars for a period of five years.
  - The total amount received or accrued in respect of immoveable assets must be included as a recoupment.
  - The total amount recouped will be included in the income, except where a balance in respect of expenditure on development and improvements has been brought forward from the previous year of assessment where the expenditure could not be deducted. In such a case, the amount recouped will be set off against the relevant balance and only the excess, if any, will be brought into account as farming income.
- The following information in respect of assets sold, given in exchange or donated must be retained:
  - Description of asset
  - Original purchase price
  - Date sold, exchanged or donated
  - Selling price or market value of asset given in exchange or donated.

k) Examples of farming expenditure that is deductible in terms of s11 (a):

- Purchase of livestock
- Rent
  - This includes hiring of farmland and equipment
  - Keep a record of the description of the property/properties for which rent was paid; the names and addresses of persons to whom payment was made; the amount that was paid in respect of each property.
- Animal feed, fertilisers, manure
  - Retain a list detailing the names and addresses of persons from who purchases were made and the amounts paid.
- Wages of farm employees
  - Retain a list detailing the number of employees normally employed, and number of casual employees.
  - The actual amounts paid do not include wages of domestic workers
  - Wages paid in respect of improvements is regarded as part of the cost of capital works and must be claimed under improvements.
- Rations for farm employees
  - The value of livestock and produce used by a farmer as rations for farm employees must be included in both income as well as expenditure deductible. In effect, the rations to farm

employers are therefore not taxable.
    - Retain a list detailing the names and addresses of persons or firms from whom the farmer purchased rations and the amounts paid.
    - Do not include the value of farm produce produced by the farmer or stock bred or purchased by the farmer which has already been included
- Seeds, plants and trees
- Expenses related to the clearing of land on condition that income from farming is derived in the same year that the expenditure is incurred.
    - Includes the cost of material and/or contract price in respect of eradication of noxious plants and prevention of soil erosion (par 12(1)(a) of the Frist Schedule)
    - Only the actual costs which were specifically incurred in eradicating noxious plants or soil conservation must be claimed
    - Wages, rations, fuel, materials, etc., which have already been claimed under other headings must not be claimed here again
    - If independent contractors undertook the work, the names of the contractors and the amounts paid to them must be retained. The nature of the work done by the farmer him/herself or the contractor must be available on request; and
    - If the work includes the building of dams, weirs or the erection of fences, an explanation of why the expenses are claimed under this section must be retained
- Veterinary surgeons' fees for services rendered to animals and medicine for animals
- Rates and taxes
    - Retain a list detailing the nature of the taxes and the amounts paid.
- Packing materials such as grain-bags, wool packs, binding wire
- Medical services for employees
- Interest on loans or bank overdrafts used for farming purposes
    - Retain a schedule detailing the names and addresses of persons or institutions to whom payment was made, the amount of each loan, rate of interest payable on each loan, purpose for which each loan was utilised, the amount of interest paid on each loan.
    - Capital repayments must not be included.
- Travelling and entertainment expenses
- **Note:** Expenses in respect of the farmers dwelling or household must be excluded.

l) A farmer is also entitled to claim the special deductions granted to other taxpayers, for example repairs (s11(d)), lease premiums (s11(f)) and wear and tear (s11(e)).

- Repairs
    - This part only refers to repairs to vehicles, machinery and implements.
    - Retain a list detailing the nature of the repairs and the cost of the work done.
    - Only repairs to buildings (except the farmer's private dwellings or the dwellings of persons who are not employees), windmills or pumping plant, or expenses for the maintenance of other assets used for farming purposes may be claimed. Wages paid to own farm employees must not be included in this part.
- Wear and tear allowance of an asset owned by the farmer or acquired in terms of an instalment credit agreement
    - This allowance may only be claimed in respect of motor vehicles (of which the exclusive or primary function is the transportation of people), caravans, aircraft (except an aircraft used solely or mainly for crop-spraying), and office furniture or office equipment used for farming purposes
    - The following information must be retained:
        - Particulars and value of assets on which wear and tear is claimed and which were on hand at the beginning of the year of assessment
        - Dates, description and purchase price of assets purchased or received in exchange during the year of assessment
        - Dates and descriptions of assets sold, exchanged, traded in or scrapped during the year of assessment and the amounts received for such assets
        - The original date of purchase and cost price of each asset must be stated.

m) **Expenditure on developments and improvements**

- Paragraph 12(1) allows the following development expenditure to be deducted:

- Dipping tanks
- Dams, irrigation schemes, boreholes and pumping plant
- Fences
- Erection of, or extensions or additions or improvements to buildings used in connection with farming operations, other than those used for domestic purposes
- Planting of trees, scrubs or perennial plants for the production of grapes or other fruit, nuts, tea, coffee, hops, sugar, vegetable oils or fibres and the establishment of an area for such purposes
- Building of roads and bridges used in the farming operations
- Carrying of electric power from the main transmission lines to the farm apparatus

- The following details must be retained in respect of development and improvement works:
  - Description of the work undertaken
  - How the expenses were compiled, i.e. what amounts were spent on wages, materials, etc.
  - If an independent contractor undertook the work, the name and address of the contractor and the amount paid to him/her must be retained.

n) The allowance for housing used by farm employees must be claimed under section 13*sex.* For more information, refer to the 'Guide to Building Allowances' on the SARS website

o) Deduction – machinery and implements owned by the farmer or acquired in terms of an instalment credit agreement (section 12B):

- A deduction in respect of machinery, implements and utensils brought into use for farming purposes for the first time, will be allowed as follows:
  - 50% of the cost of the asset in the year of assessment in which the asset is brought into use
  - 30% of such cost in the following year of assessment
  - 20% of such cost in the third year of assessment
- This deduction also applies to an aircraft used solely or mainly for the purpose of crop spraying. The cash cost of a new asset, acquired to replace an asset, which was damaged or destroyed, must be reduced by the amount recouped in respect of the latter asset
- The amount recouped is deferred, and therefore, not included in the farmer's income.

p) **Livestock purchased and received in exchange**

Example: 1

Farming income	R 5,000
Closing stock Livestock	R 1,500
	R 6,500
Less: Opening stock Livestock	R (1,000)
Livestock purchases	R (8,000)
	R (9,000)
Balance of expenditure not allowed	R (2,500)

- The amount of R2 500 in respect of the purchase is not allowable and is limited and the amount not allowed is carried forward to the following year of assessment.
- This limitation is not applicable if the farmer can show that he/she no longer held and had not disposed of the livestock that he/she acquired on or after 31 May 1988.
- If the farmer can prove that, for example, due to drought, the fair market value of his/her livestock at the end of the year of assessment is less than the loss on livestock as shown above, together with the value of opening stock, such loss is reduced by the difference.

Example: 2

Amount to be carried forward (loss on livestock)	R 2,500
Plus: Opening stock of livestock	R 1,000
	R 3,500
Less: Fair market value of closing stock	R 3,000
Allowable	R 500

The amount of R2 500 is reduced to R 2 000.

q) **Standard classification and standard values of livestock**

- In terms of paragraph 6(1), the standard value of any class of livestock is either the:
  - Standard values fixed by regulation under the Act; or
  - Any other standard value adopted by the farmer when rendering his first income tax return for his farming operations or when including a particular class of livestock in his income for the first time.
- In terms of paragraph 6(2), the standard value adopted by a farmer that is not fixed by regulation may not be more than 20% higher or lower than the standard values fixed by regulation in respect of livestock of that class. The standard value adopted by the farmer is binding in respect of all subsequent income tax returns and cannot be altered.
- The standard values fixed by regulation under the Act are as follows:

STANDARD CLASSIFICATION		STANDARD VALUES (R)
Cattle	Bulls	50
	Oxen	40
	Cows	40
Tollies and Heifers	Two to three years	30
	One to two years	14
	Calves	4
Sheep	Wethers	6
	Rams	6
	Ewes	6
	Weaned lambs	2
Goats	Fully grown	4
	Weaned kids	2
Horses	Stallions over four years	40
	Mares over four years	30
	Geldings over three years	30
	Colts and fillies three years	10
	Colts and fillies two years	8
	Colts and fillies one year	6
	Foals under 1 year	2
Donkeys	Jacks over three years	4
	Jacks under three years	2
	Jennies over three years	4
	Jennies under three years	2
Mules	Four years and over	30
	Three years	20
	Two years	14
	One year	6
Ostriches	Fully grown	6

STANDARD CLASSIFICATION		STANDARD VALUES (R)
Pigs	Over six months	12
	Under six months (weaned)	6
Poultry	Over nine months	1
Chinchillas	All ages	1

r) Should you not apply the standard values as prescribed and you have not yet made an election in this regard, you are requested to complete a declaration conforming to the example below and retain it for inspection purposes, for a period of five years from the date of submission of the last return in which you declared any farming activities:

I hereby select the following classification and values and understand that my selection may be altered only with the consent and approval of the Commissioner for the South African Revenue Service.

Mark with an 'X':

(a) The standard classification and standard values as fixed by the Regulations under the Income Tax Act and set out above.
(b) The standard classification, but at my own values as detailed above.
(c) My own classification and my own values, as detailed.

Date: ……..... Signature: ……..

s) **Selection in respect of equalised normal tax rates**

- If you selected to have your normal tax calculated at equalised tax rates and you have not previously exercised such a selection, complete a declaration conforming to the example below and retain it for a period of five years after the last return was submitted in which you declared farming income:

I..... hereby select that, with effect from the year of assessment ended ....., my normal tax be calculated at the equalised tax rate in terms of the provisions of paragraph 19 of the First Schedule to the Income Tax Act.

I understand and accept that this decision is binding for all future years of assessment.

Date

……..…

Taxpayer/Executor/ Trustee

……..

Note: This selection must be exercised only if the farmer wishes to adopt the system of equalised normal tax rates. If normal tax is to be calculated at ordinary rates the selection need not be made. The selection must be made by the person who is carrying on farming operations. In the case of a deceased or insolvent person, the executor or trustee, as the case may be, must make the selection.

7.1 FARMING OPERATIONS (IT48)

7.1.1 INCOME FROM LOCAL FARMING OPERATIONS (IT48)

a) Mark the applicable options with an "X" if any of the following paragraphs of the First Schedule to the Income Tax Act applies to the assessment:

- "Par 13" / "Par 13A" / "Par 15" / "Par 17" / "Par 20"
  - Options applicable to the 2021 YOA and prior years:
- "Par 13(1)(a)" "Par 13(1)(b)" / "Par 13A" / "Par 15" / "Par 17" / "Par 20"
  - Options applicable from the 2022 YOA onwards:

b) **'Description'**

- Insert the description of each farming operation. If the farming operation was declared in a previous year of assessment, insert the same description that you completed in the previous year.
- From the 2023 YOA, this field will be pre-populated if farming information is available for the taxpayer as per SARS records. Please ensure that the farming operations description is correct. You can amend the description if applicable.

c) **'Unique Identifier'**

- If you received farming income that was declared in the previous year's returns (since the 2005 year of assessment), a unique identifier would have been allocated to the specific operations. You can obtain this number from the previous notice of assessment (ITA34) issued to you.
- If you only started farming operations in the current year of assessment leave this field blank. A number will be allocated to you.
- From the 2023 YOA, the unique identifier will be pre-populated and locked if farming information is available as per SARS records.

d) **'Mark with an 'X' if the farming operations ceased (e.g. the farm was sold)'**

- Applicable from the 2023 YOA
- This field will display on the return if SARS has prepopulated the farming description and unique identifier fields with information available for the taxpayer.
- The taxpayer can mark this field to declare that the farming operation has ceased.
- Select this field if the farming description and unique identifier fields are pre-populated on your return but the farming operation no longer exists.

c) **'Were the farming operations still active for part of this year of assessment?'**

- From the 2024 YOA this field is mandatory for completion if a taxpayer declares that the farming operations ceased.

e) Use your financial statements to complete the applicable fields for the Income from Local Farming Operations:

- **'Gross Receipts and Accruals (including private usage but excluding partnership income and distributions from a trust(s))'**
- **'Partnership Income (Add Profit/Loss)'**
  - From the 2024 YOA this field will be prepopulated and locked.
- **'Income from local Farming Operations (IT48) distributed by a trust(s)'**
  - This field is applicable from the 2017 year of assessment
  - From the 2024 YOA, this field will pre-populated by the system and locked
- **'Plus: Livestock on hand at the end of the current year of assessment'**
- **'Plus: Produce on hand at the end of the current year of assessment'**
  - Add the above amounts and insert the total amount in the field 'Sub-Total (i)'.
  - Note: Exclude the market value of 'Livestock' and 'Produce' acquired otherwise than by purchase, natural increase or in the ordinary course of farming operations (e.g. donations

and inheritance).

- **'Sub-Total (i)** will be auto calculated.
- **'Livestock on hand at the end of the preceding year of assessment'**
  - From the 2024 YOA this valued will be prepopulated and locked
- **'Livestock purchase and received in exchanged'**
- **'Balance of livestock not allowed in the preceding year of assessment'**
  - From the 2024 YOA this valued will be prepopulated and locked
- **'Sub-Total (ii)'** will be auto calculated.
- **'Less: Amount deducted'** [Sub-Total(ii) limited To Sub-Total (i)]
  - The amount of this field cannot be greater than the amount in the field for 'Sub-Total (ii)'
- **'Less balance carried forward to the following year of assessment'** (this amount may not create or increase a loss)
  - This field will be auto calculated
  - Calculation: Sub-Total (ii) less 'Amount deducted [Sub-Total(ii) limited To Sub-Total (i)]'
- **'Less: Allowable Expenses'**
  - From the 2016 YOA onwards if there are allowable expenses, then the 'Details of Farming Expenses' section must be completed.
  - From the 2024 YOA this value will be prepopulated and locked.
- **'Less: Produce on hand at the end of the year in the preceding year of assessment'**
  - From the 2024 YOA this value will be prepopulated and locked.
- **'Less: Special Depreciation'**
  - Insert the special depreciation amount. From the 2024 YOA this valued will be prepopulated and locked
  - The amount in the field adjacent to 'Special Depreciation' field will be auto calculated.
- **'Net Profit/Loss'**
  - From the 2024 YOA this field will be prepopulated and locked
- **'Less: Amount of improvements deductible from Net Profit'**
  - This value must be equal to the '*Less: Allowable deductions current year*' field in the section 'Information on Capital Improvements'
- **'Taxable Income / Loss from Farming Operations'**
  - From the 2024 YOA this valued will be auto-calculated and locked
- Insert the applicable income/loss **'source code'**.
- **'Equalisation Rate Selection' -** Select the applicable option from the drop-down list:
  - 'None'
  - '3 year' – this option will only display for plantation farming source codes (0132 and 0133)
  - '5 year'
- **'If a loss incurred was incurred, should it be excluded (ring fenced) for the calculation of your tax liability'** – select Y or N.
  - This question is mandatory if a loss source code is selected
- Note: The statement of assets and liabilities is mandatory for completion if you received farming income.

7.1.2 SPECIAL DEPRECIATION INFORMATION

a) Use your financial statements to complete the applicable fields:

- **'Balance b/f Previous Year'** (*Current Year column*)
  - From the 2024 YOA this field will be prepopulated and locked
- **'Balance b/f Previous Year'** (*Subsequent Year column*)
  - From the 2024 YOA this field will be prepopulated and locked
- **'Purchases Current Year'**
- **'Deductions in respect of Purchases Current Year'** (*Current Year column*)
  - This field will be auto calculated
  - Calculation: 'Purchases current year' x 50%
- **'Deductions in respect of Purchases Current Year'** (*Subsequent Year column*)
  - This field will be auto calculated
  - Calculation: 'Purchases current year' x 30%

- **'Deductions in respect of Purchases Current Year'** (*Year Following Subsequent Year column*)
  - This field will be auto calculated
  - Calculation: 'Purchases current year' x 20%
- **'Deductions Added Back in respect of Assets Sold'** (*Subsequent Year column*)
- **'Deductions Added Back in respect of Assets Sold'** (*Year Following Subsequent Year column*)
- **'Amount Allowable Current Year'**
  - This field will be auto calculated and locked

7.1.3 INFORMATION ON CAPITAL IMPROVEMENTS

a) Use your financial statements to complete the applicable fields:

- **'Balance brought forward from Previous Year'**
- **'Less: Recoupments'**
  - The value in this field cannot be greater than the 'Balance b/f from Previous Year'
- **'Plus: Purchases/Costs Current Year'**
  - From the 2024 YOA this field will be prepopulated and locked
- **'Plus Total brought forward from Partnership IT48V's'**
  - From the 2024 YOA this field will be prepopulated and locked
- **'Total Improvements'**
  - This field will be auto calculated
- **'Less: Allowable Deductions Current Year'**
  - Note: This cannot exceed 'Total Improvements'
  - The value in this field must be equal to the amount in the '*Less: Amount of improvement deductible from Net Profit*' field in the 'Income from Local Farming Operations' section.
  - From the 2024 YOA, if the '*Net profit/ Loss*' field in the 'Farming Operations' section is a loss, the value in this field will default to zero.
  - From the 2024 YOA, if the '*Net profit/ Loss*' field in 'Farming Operations' container is a profit, the value of this field will either reflect the profit amount or the '*Total Improvements*' amount above - whichever is lower. Any remaining balance will populate in the '*Balance carried forward to subsequent year*' field below.
  - Example: if the '*Net Profit/Loss*' is R80 000 and the '*Total improvements*' is R100 000, the '*Less: Allowable Deduction Current Year*' will reflect R80 000 and the *'Balance carried forward to Subsequent Year'* will be R20 000 (R100 000 - R80 000)
- **'Balance carried forward to Subsequent Year'**
  - This field will be auto calculated and locked
  - Calculation: 'Total improvements' less 'Allowable deductions current year'.

7.1.4 DETAILS OF FARMING EXPENSE (IT48)

a) This section is only applicable from the 2016 YOA assessment onwards.

b) **'EXPENSES'** – Complete the applicable fields:

- **'Accounting fees'**
- **'Administration costs and bank charges'**
- **'Bad debts'**
- **'Costs of residential buildings for employees (s13ter)'**
- **'Electricity, rates and taxes'**
- **'Enhanced machinery, plant, implements, utensils, and articles used in the production of renewable energy deduction – (s12BA)'**
  - Applicable to the 2024 and 2025 YOA only
  - If an amount greater than zero is captured in this field, the section for *'Enhanced Renewable Energy Deduc*tion - s12BA' will be displayed for completion
- **'Entertainment expenses'**
- **'Expenses for cleaning land'**

- **'Fuel, oil and related expenses'**
- **'Insurance and licenses'**
- **'Interest and finance charges'**
- **'Lease payments (s11(f))'**
- **'Legal expenses'**
- **'Livestock feeds'**
- **'Packing materials'**
- **'Protective clothing'**
- **'Rations and other staff costs (excl. housing, salary and wages)'**
- **'Rent (incl. hiring of farmland, equipment, etc.)'**
- **'Repairs and maintenance'**
- **'Salaries and wages'**
- **'Security expenses'**
- **'Seeds and fertilizers'**
- **'Telephone and fax expenses'**
- **'Travelling and accommodation - Local'**
- **'Travelling and accommodation - Foreign'**
- **'Veterinary expenses (incl. medicines)'**
- **'Wear and tear allowance (s11(e)) – excl. special depreciation in terms of s12B'**
  - Applicable to the 2023 and prior YOA
- **'Learnership Allowance: Agreements in effect / completed in current year (Agreements entered before 1 October 2016): s12H'**
  - Applicable to from the 2017 to 2024 YOA
- **'Learnership Allowance: Agreements in effect / completed in current year (Agreements entered into on or after 1 October 2016, but before 1 April 2024): s12H'**
  - Applicable from the 2025 YOA
- **'Other'**
  - 'Please provide a description relating to other expenses indicated above'
- **'Total expenses'**
  - This field will be auto calculated

c) **'ADJUSTMENTS – ADD BACK'** – Complete the applicable fields:

- **'Disallowable foreign expenses'**
- **'Donations'**
- **'Finance charges'**
- **'Legal expenses'**
- **'Private/personal expenses'**
- **'Recoupment (excl. capital improvements)'**
  - This field will apply to the 2024 YOA and prior years, and then from the 2027 YOA onwards
- **'Recoupment (excl. capital improvements and Enhanced Renewable Energy Assets as contemplated in s12BA)'**
  - This field will apply to the 2025 and 2026 YOA only
- **'Recoupment in terms of s8(4)(nA) for Enhanced Renewable Energy assets as contemplated in s12BA'**
  - This field will be prepopulated and will apply to the 2025 and 2026 YOA only
- **'Unproductive interest'**
- **'Other'**
  - 'Please provide a description relating to other indicated above
- **'Total Adjustments – Add back'**
  - This field will be auto calculated
- **'Total Allowable Expenses'**
  - This field will be auto calculated as 'Total Expenses' – 'Total Adjustments: Add Back' and populated on IT48 on the expenses line item.

7.1.5 ENHANCED RENEWABLE ENERGY DEDUCTION - S12BA

a) Refer to the '*Enhanced Renewable Energy Deduction'* described in the section above.

7.1.6 CAPITAL IMPROVEMENTS INCURRED DURING THE YEAR OF ASSESSMENT (Paragraph 12(1) of the First Schedule)

a) This section is only applicable from the 2016 YOA assessment onwards. Complete the following:

- **'Dipping tanks'**
- **'Dams, irrigation schemes, boreholes and pumping plants'**
- **'Fences'**
- **'Erection of, or additions or improvements to farm buildings (other than buildings used for domestic purposes)'**
- **'Planting of trees, shrubs or perennial plants for the production of grapes or other fruit, nuts, tea, coffee, hops, sugar, vegetable oils or fibres and the establishment of an area for such purposes'**
- **'Building of roads and bridges used in farming operations'**
- **'Carrying of electric power from the main transmission lines to the farm apparatus or under an agreement concluded with the Electricity Supply Commission as stipulated'**
- **'Wages paid to employees employed in construction of capital works as set out above'**
- **'Total Purchases/Costs – Current Year'**
  - This field will be auto calculated and populated in the 'Information of Capital Improvement' section.

7.2 LOCAL PARTNERSHIP FARMING OPERATIONS (IT48V)

7.2.1 INCOME FROM LOCAL PARTNERSHIP FARMING OPERATIONS (IT48V)

a) **'Partnership name'**

- From the 2024 YOA, this field will be pre-populated and locked if farming information is available for the taxpayer as per SARS records.

b) **Mark with an 'X' if the farming operations ceased (e.g. the farm was sold)'**

- Applicable from the 2024 YOA
- The taxpayer can mark this field to declare that the farming operation ceased. If yes, the following question must be completed.

c) **'Were the farming operations still active for part of this year of assessment?'**

- From the 2024 YOA this field is mandatory for completion if a taxpayer declares that the farming operations ceased.

d) Use your financial statements to complete the applicable fields:

- **'Gross Receipts and Accruals (including private usage)'**
- **'Plus: Livestock on hand at the end of the current year of assessment'**
- **'Plus: Produce on hand at the end of the current year of assessment'**
- **'Sub-Total (i)'** is the sum of the above amounts.
  - Note: Exclude the market value of 'Livestock' and 'Produce' acquired otherwise than by purchase, natural increase or in the ordinary course of farming operations (e.g. donations and inheritance).
- **'Livestock on hand at the end of the preceding year of assessment'**
  - From the 2024 YOA this field will be prepopulated and locked.
- **'Livestock purchased and received in exchange'**
- **'Balance of livestock not allowed in the preceding year of assessment'**
- **'Sub-Total (ii)'** will be auto calculated.

- **'Less: Amount deducted [Sub-Total(ii) limited To Sub-Total (i)]**
  - The amount of this field cannot be greater than either of the amounts in Sub-Total (i) or 'Sub-Total (ii)'
- **'Less balance carried forward to the following year of assessment**' (this amount may not create or increase a loss)
  - This field will be auto calculated
  - Calculation: 'Sub-Total (ii)' less 'Amount deducted'
- **'Sub-total'**
  - This field will be auto calculated
- **'Less: Allowable Expenses'**
  - From the 2016 YOA onwards if there are allowable expenses, then the 'Details of Farming Expenses' section must be completed.
  - From the 2024 YOA this value will be prepopulated and locked.
- **'Less: Produce on hand at the end of the year in the preceding year of assessment'**
  - From the 2024 YOA this field will be prepopulated and locked
- **'Less: Special Depreciation'**
  - Insert the special depreciation amount
  - From the 2024 YOA this field will be populated with the amount from the '*Amount allowable current year'* field in the Special Depreciation Information container IT48V
  - The amount in the field adjacent to 'Special Depreciation' field will be auto calculated.
- **'Net Profit/Loss Partnerships'**
  - From the 2024 YOA this field will be prepopulated and locked
- **'Your share % of Taxable Income/Loss from partnership farming operations'**
  - This amount will be populated with the taxpayer's portion of the profit/loss as calculated in the section '*Partner's Information for Share Distribution (Farming)*'.
  - Note: For the 2023 and prior YOA, the amount in this field must also be carried forward to the personal IT48.
  - From the 2024 YOA, this amount will be automatically carried forward to the personal IT48 (*'Partnership income (Add profit / loss)*' field).

7.2.2 SPECIAL DEPRECIATION INFORMATION

a) Complete the following:

- **'Balance b/f Previous Year'** (*Current Year column*)
  - From the 2024 YOA this field will be prepopulated and locked
- **'Balance b/f Previous Year'** (*Subsequent Year column*)
  - From the 2024 YOA this field will be prepopulated and locked
- **'Purchases Current Year'**
- **'Deductions in respect of Purchases Current Year'** (*Current Year column*)
  - This field will be auto calculated
  - Calculation: 'Purchases current year' x 50%
- **'Deductions in respect of Purchases Current Year'** (*Subsequent Year column*)
  - This field will be auto calculated
  - Calculation: 'Purchases current year' x 30%
- **'Deductions in respect of Purchases Current Year'** (*Year Following Subsequent Year column*)
  - This field will be auto calculated
  - Calculation: 'Purchases current year' x 20%
- **'Deductions Added Back in respect of Assets Sold'** (*Subsequent Year column*)
- **'Deductions Added Back in respect of Assets Sold'** (*Year Following Subsequent Year column*)
- **'Amount Allowable Current Year'**
  - This field will be auto calculated and locked.

7.2.3 INFORMATION ON CAPITAL IMPROVEMENTS

a) Complete the **'Purchases/costs – current year'**.

b) Note: Your percentage share of this amount must be reflected on the IT48.

7.2.4 PARTNER'S INFORMATION FOR SHARE DISTRIBUTION (FARMING)

a) As there must be a minimum of two partners in a partnership, it will be mandatory to complete the fields for at least two partners on the return.

b) For 2023 YOA and prior, the fields in this section will be repeated 5 times. From the 2024 YOA, the fields will be repeated 10 times.

c) Complete the applicable fields for each partner:

- **'Surname / Trading name'**
- **'Income Tax Reference Number'**
- **'Initials (if applicable)'**
- **'Share %'**
  - An individual partner percentage may never be 100% or greater
  - The Share% fields of all partners must always total up to 100%
- **'Profit / Loss'**
  - This field will be auto calculated
- **'Improvements'**
  - Each partner's portion will be auto calculated based on the value entered for '*Purchases/costs – current year*' in the '*Capital Improvements*' section described above.
  - Calculation: 'Purchases current year' x 'Share %'.

7.2.5 DETAILS OF FARMING EXPENSE (IT48V)

a) This section is only applicable from the 2016 YOA assessment onwards and if you answered 'Yes' to the question '*Did you participate in any local farming partnership operations*?'.

b) **'EXPENSES'** – Complete the applicable fields:

- **'Accounting fees'**
- **'Administration costs and bank charges'**
- **'Bad debts'**
- **'Costs of residential buildings for employees (s13ter)'**
- **'Electricity, rates and taxes'**
- **'Enhanced machinery, plant, implements, utensils, and articles used in the production of renewable energy deduction - (s12BA)'**
  - Applicable to the 2024 and 2025 YOA only
  - If an amount greater than zero is captured in this field, the section for 'Enhanced Renewable Energy Deduction - s12BA' will display for completion
- **'Entertainment expenses'**
- **'Expenses for cleaning land'**
- **'Fuel, oil and related expenses'**
- **'Insurance and licenses'**
- **'Interest and finance charges'**
- **'Lease payments (s11(f))'**
- **'Legal expenses'**
- **'Livestock feeds'**
- **'Packing materials'**
- **'Protective clothing'**
- **'Rations and other staff costs (excl. housing, salary and wages)'**
- **'Rent (incl. hiring of farm land, equipment, etc.)'**
- **'Repairs and maintenance'**
- **'Salaries and wages'**
- **'Security expenses'**

- **'Seeds and fertilizers'**
- **'Telephone and fax expenses'**
- **'Travelling and accommodation - Local'**
- **'Travelling and accommodation - Foreign'**
- **'Veterinary expenses (incl. medicines)'**
- **'Wear and tear allowance (s11(e)) – excl. special depreciation in terms of s12B'**
  - Applicable to the 2023 YOA and prior
- **'Wear and tear allowance (s11(e)) - excl. special depreciation in terms of s12B and s12BA'**
  - Applicable from the 2024 YOA
- **'Learnership Allowance: Agreements in effect / completed in current year (Agreements entered before 1 October 2016): s12H'**
  - Applicable to from the 2017 to 2024 YOA
- **'Learnership Allowance: Agreements in effect / completed in current year (Agreements entered into on or after 1 October 2016, but before 1 April 2024): s12H'**
  - Applicable from the 2025 YOA
- **'Other'**
  - 'Please provide a description relating to other expenses indicated above'
- **'Total expenses'**
  - This field will be auto calculated.

c) **'ADJUSTMENTS – ADD BACK'** – Complete the applicable fields:

- **'Disallowable foreign expenses'**
- **'Donations'**
- **'Finance charges'**
- **'Legal expenses'**
- **'Private/personal expenses'**
- **'Recoupment (excl. capital improvements)'**
  - This field will apply to the 2024 YOA and prior years, and then from the 2027 YOA onwards.
- **'Recoupment (excl. capital improvements and Enhanced Renewable Energy Assets as contemplated in s12BA)'**
  - This field will apply to the 2025 and 2026 YOA only
- **'Recoupment in terms of s8(4)(nA) for Enhanced Renewable Energy assets as contemplated in s12BA'**
  - This field will be prepopulated and will apply to the 2025 and 2026 YOA only
- **'Unproductive interest'**
- **'Other'**
  - 'Please provide a description relating to other indicated above'
- '**Total Adjustments – Add back'**
  - This field will be auto calculated
- **'Total Allowable Expenses'**
  - This field will be auto calculated and populated under IT48V on expenses line item.
  - Calculation: 'Total Expenses' – 'Total Adjustments: Add Back'.

7.2.6 ENHANCED RENEWABLE ENERGY DEDUCTION - S12BA

a) Refer to the '*Enhanced Renewable Energy Deduction'* described in the section above.

7.2.7 CAPITAL IMPROVEMENTS INCURRED DURING THE YEAR OF ASSESSMENT (Paragraph 12(1) of the First Schedule) (IT48V)

a) This section is only applicable from the 2016 YOA assessment onwards and will only be added to the return if the following conditions are met:

- You answered 'Yes' to the question '*Did you participate in any local farming partnership operations?*', and
- The value in the field '*Purchases/costs Current Year' (under 'Information on Capital*

Improvements') is greater than zero.

b) Complete the applicable amounts:

- **'Dipping tanks'**
- **'Dams, irrigation schemes, boreholes and pumping plants'**
- **'Fences'**
- **'Erection of, or additions or improvements to farm buildings (other than buildings used for domestic purposes)'**
- **'Planting of trees, shrubs or perennial plants for the production of grapes or other fruit, nuts, tea, coffee, hops, sugar, vegetable oils or fibres and the establishment of an area for such purposes'**
- **'Building of roads and bridges used in farming operations'**
- **'Carrying of electric power from the main transmission lines to the farm apparatus or under an agreement concluded with the Electricity Supply Commission as stipulated'**
- **'Wages paid to employees employed in construction of capital works as set out above'**
- **'Total Purchases/Costs – Current Year'**
  - This field will be auto calculated and populated under the capital improvement .

8 DEDUCTIONS

8.1 MEDICAL

a) The system of deductions for medical scheme contributions was converted to tax credits effective 1 March 2012 to improve the equity of the tax system. This conversion was based on the notion that medical tax credits provide a more equitable form of relief than medical deductions because the relative value of the relief does not increase with higher income levels (in other words, the medical scheme fees tax credit is unrelated to a taxpayer's income bracket). The principle difference between a tax deduction and a tax credit is that medical tax credits reduce a taxpayer's tax liability, whereas deductions reduce a taxpayer's taxable income.

b) Since the medical tax credit is a 'rebate' against taxes payable and not a 'deduction', it is limited to the normal tax payable. In other words, it is not refundable and cannot exceed the amount of normal tax payable.

c) Section 6A of the Income Tax Act deals with the **medical scheme fees tax credits**. It entitles taxpayers to a monthly 'tax rebate' (i.e. credit) in respect of any medical scheme contributions made for the benefit of themselves and their dependants.

- Section 6A is applicable from 1 March 2012 (i.e. 2013 year of assessment and onwards) to taxpayers below 65 years of age
- Section 6A is applicable from 1 March 2014 (i.e. 2015 year of assessment and onwards) to taxpayers aged 65 years and older.

d) Section 6B of the Income Tax Act deals with the **additional medical expenses tax credits**. It came into effect on 1 March 2014 and is applicable to all taxpayers (regardless of age) from the 2015 year of assessment onward.

8.1.1 MEDICAL SCHEME FEES TAX CREDIT

a) A taxpayer qualifies to claim medical tax credits in respect of the qualifying contributions he/she paid (or is deemed to have been paid) to a registered medical scheme for him/herself and his/her dependants.

b) The medical scheme fees tax credits in the table below are for each month for which medical scheme contributions were paid.

Year of assessment	Medical scheme fees tax credit

2017 1 Mar 2016 – 28 Feb 2017	• R286 per month for the taxpayer • R572 per month for the taxpayer and one dependant • R192 per month for every additional dependant
2018 1 Mar 2017 – 28 Feb 2018	• R303 per month for the taxpayer • R606 per month for the taxpayer and one dependant • R204 per month for every additional dependant
2019 1 Mar 2018 – 28 Feb 2019	• R310 in respect of benefits to the taxpayer; or in respect of a member of a registered medical scheme or a dependant of that member, where the taxpayer is not a member of a medical scheme or fund; • R620 in respect of benefits to the taxpayer and one dependant; **or** • R620 in respect of benefits to two dependants; **and** • R209 in respect of benefits for every additional dependant
2020 1 Mar 2019 – 29 Feb 2020	• R310 in respect of benefits to the taxpayer; or in respect of a member of a registered medical scheme or a dependant of that member, where the taxpayer is not a member of a medical scheme or fund; • R620 in respect of benefits to the taxpayer and one dependant; **or** • R620 in respect of benefits to two dependants; **and** • R209 in respect of benefits for every additional dependant
2021 1 Mar 2020 – 28 Feb 2021	• R319 in respect of benefits to the taxpayer; or in respect of a member of a registered medical scheme or a dependant of that member, where the taxpayer is not a member of a medical scheme or fund; • R638 in respect of benefits to the taxpayer and one dependant; **or** • R638 in respect of benefits to two dependants; **and** • R215 in respect of benefits for every additional dependant
2022 1 Mar 2021 – 28 Feb 2022	• R332 in respect of benefits to the taxpayer; or in respect of a member of a registered medical scheme or a dependant of that member, where the taxpayer is not a member of a medical scheme or fund; • R664 in respect of benefits to the taxpayer and one dependant; **or** • R664 in respect of benefits to two dependants; **and** • R224 in respect of benefits for every additional dependant
2023 1 Mar 2022 – 28 Feb 2023	• R347 in respect of benefits to the taxpayer; or in respect of a member of a registered medical scheme or a dependant of that member, where the taxpayer is not a member of a medical scheme or fund; • R694 in respect of benefits to the taxpayer and one dependant; **or** • R694 in respect of benefits to two dependants; **and** • R234 in respect of benefits for every additional dependant
2024 1 Mar 2023 – 28 Feb 2024 **2025** 1 Mar 2024 – 28 Feb 2025	• R364 in respect of benefits to the taxpayer; or in respect of a member of a registered medical scheme or a dependant of that member, where the taxpayer is not a member of a medical scheme or fund; • R728 in respect of benefits to the taxpayer and one dependant; **or** • R728 in respect of benefits to two dependants; **and** • R246 in respect of benefits for every additional dependant

c) On the IRP5/IT3(a) Employee Tax Certificate received, the medical scheme fees tax credit will reflect next to source code **4116** if the medical contributions were paid via the employer. If the medical contributions were paid directly to the medical aid (e.g. via a bank account), this code will not appear on

the IRP5/IT3(a) certificate.

d) If a taxpayer pays the medical contributions on behalf of a dependant who is a member of a registered medical scheme, the medical tax credits for the YOA (e.g. R347 for 2023 YOA) will be allowed in the hands of the taxpayer. An example of such a case might be where the taxpayer pays fees in respect of a parent who is dependent on him/her.

8.1.2 DEPENDANTS

a) For the purposes of section 6A, a dependant means:

- A person's spouse (i.e. husband or wife)
- A person's child and dependant children (e.g. son, daughter, step son, step daughter, adopted child)
- Any other member of a person's family in respect of whom he or she is liable for family care and support (e.g. mother, father, mother-in-law, father-in-law, brother, sister, grandparents, grandchildren.)
- Any other person who is recognised as a dependant of that person in terms of the rules of a medical scheme or fund.

b) For the purposes of section 6B, a child means a person's child or child of his or her spouse who was alive during any portion of the year of assessment and who on the last day of the year of assessment:

- was unmarried and was not or would not, had he or she lived, have been:
  - over the age of 18 years
  - over the age of 21 years and was wholly or partially dependent for maintenance upon the person and has not become liable for the payment of normal tax in respect of such year; or
  - over the age of 26 years and was wholly or partially dependent for maintenance upon the person and has not become liable for the payment of normal tax in respect of such year and was a full-time student at an educational institution of a public character; or
- in the case of any other child, was incapacitated by a disability from maintaining himself or herself and was wholly or partially dependent for maintenance upon the person and has not become liable for the payment of normal tax in respect of that year.

8.1.3 PROOF OF MEDICAL EXPENSES

a) You must retain proof of your medical expenses for period of five years after submission of your return to substantiate the claim should it be requested by SARS.

b) Examples of proof required:

- Tax certificate from your medical aid scheme for the year of assessment
- Where you are liable for the family care and support of a family member (refer to the section on dependants above) and you have paid the medical scheme contributions for that family member you must retain:
  - Proof of payment of the contributions (e.g. banks statements)
  - A copy of the tax certificate from the medical scheme where the medical aid is in the name of the said family member.
- Receipts for qualifying medical expenses:
  - Paid by you and not recovered from your medical aid scheme
  - Paid by you and not recovered from the medical aid scheme of a family member for whom you are liable for family care and support.

8.1.4 TAXPAYERS AGED 65 YEARS AND OLDER

a) From the 2015 year of assessment onwards, section 18 is no longer applicable and section 6B becomes

effective. The medical tax credits will be the sum of the following:

- The standard monthly medical scheme credits for the taxpayer, spouse and dependants; and
- 33.3 per cent credits for medical scheme fees that exceed three times the medical scheme fees tax credit; and 33.3 per cent credits for all qualifying medical expenses (other than medical scheme contributions).

Example: 1	
Mr Taxpayer is 65 years old. For the year of assessment commencing on 1 March 2014, he contributed R2 000 per month on behalf of himself and his wife to a medical scheme. By 28 February 2015, he had incurred R20 000 in qualifying medical expenses	
1) Medical scheme fees tax credit (S6A) for the year Calculation: Medical scheme fees tax credit for taxpayer, spouse and each dependent *times* number of months for which contributions were paid to the medical scheme = (R257 + R257) x 12	R6 168
2) Additional medical expenses tax credit (S6B) Calculation: (Excess Medical Scheme Fees *plus* Qualifying Medical Expenses) x 33.3% Total contributions paid to the medical scheme less 3 times the medical scheme fees tax credit = *(R24 000 – (3 x R6 168))* R5 496 **Plus:** Qualifying medical expenses paid R20 000 Subtotal: R25 496 33.3% of the above subtotal = *25496 x 33.3%* R8 490	R 8490
Total amount by which Mr Taxpayer's tax liability will be reduced for the 2015 year of assessment:	**R14 658**

8.1.5 TAXPAYERS UNDER 65 YEARS WITH A DISABILITY

a) The 7,5% limitation applicable to 'taxpayers under 65 years' (see section below) does not apply if the taxpayer, his or her spouse or any of his or her qualifying children is a person with a disability.

b) From the 2015 year of assessment onwards, the medical deduction for 'taxpayers under 65 years with a disability' is calculated the same as that for 'taxpayers aged 65 years and older'.

8.1.6 TAXPAYERS UNDER 65 YEARS WITH NO DISABILITY

a) Note: Qualifying physical impairment expenses are taken into account when computing the allowable medical deduction.

b) From the 2015 year of assessment onwards, the medical deduction allowed will be the sum of the following two calculations:

- The monthly medical scheme fees tax credits for the taxpayer, spouse, and dependants; and
- **25 per cent** tax credits of the value of the amount by which the aggregate of the medical scheme contributions that exceed four times the medical scheme fees tax credits, and all qualifying medical expenses (other than medical scheme contributions), exceed 7.5 per cent of the

taxpayer's taxable income (excluding any retirement fund lump sum benefit, retirement fund lump sum withdrawal benefit and severance benefit)

Example: 2

Mr Taxpayer is 30 years old. For the year of assessment commencing on 1 March 2014, he contributed R2 000 a month to a medical scheme for himself, his wife, and their child. By 28 February 2015, he had incurred R20 000 qualifying medical expenses. Mr Taxpayer's taxable income for the 2015 year of assessment is R200 000.

1) Medical scheme fees tax credit (S6A) for the year Calculation: Medical scheme fees tax credit for taxpayer, spouse and each dependent times number of months for which contributions were paid to the medical scheme = (R257 + R257 + R172) x 12	R 8 232
2) Additional medical expenses tax credit (S6B) Calculation: 25% of: (Total contributions paid to the medical scheme *less* (4 *times* the medical scheme fees tax credit) *plus* qualifying medical expenses paid *less* 7.5% of taxable income)	R 1 250
Total amount by which Mr Taxpayer's tax liability will be reduced:	**R 9 482**

Total contributions paid to the medical scheme	R24 000
Less: 4 times the medical scheme fees tax credit – calculation 1 *(4 x 8232)*	(R32 928)
Note: Negative result therefore no excess carried. Default to zero.	0
Plus: Qualifying medical expenses	R 20 000
	R 20 000
Less: 7.5% of taxable income *(R200 000 x 0.075)*	(R15 000)
	R 5 000
25% of the above aggregate total *(R5 000 x 0.25)*	R 1 250

Note: If Mr Taxpayer's taxable income was R300 000 for the 2015 year of assessment, he would not be able to claim an additional medical expenses tax credit, since 7.5% of his taxable income (R22 500) would exceed his qualifying medical expenses.

8.1.7 MEDICAL EXPENDITURE WHERE TAXPAYER IS THE MAIN MEMBER OF THE MEDICAL SCHEME

a) From the 2020 YOA, the medical details will be prepopulated for the main member as per data received from the third party.

b) Complete the following fields on the return if not prepopulated.

c) **'Were you the principal/main member of a medical scheme to which you and/or your employer made contributions?'** – Select Y or N

- If you are the main member on the medical scheme but another person (e.g. a son/daughter) has paid the medical contributions on your behalf, you cannot claim the medical tax credits. In this instance select 'N' for the above question.
- The person paying the medical contributions can claim the medical tax credits on his/her own personal income tax return. This claim is limited to a person's spouse, child (child of spouse) or any other family member if that person is liable for family care and support of that main member.
- A taxpayer may not claim medical related contributions paid to long term or short insurers for medical gap cover or hospital insurance. The reason for this is the contributions are not paid to a registered medical scheme and therefore do not qualify for the medical scheme fees tax credit. For more information please refer to the *'Guide on the Determination of Medical Tax Credits'* on the SARS website.

d) **'In how many medical scheme(s) were you the principal / main member during this year of assessment'**

- The section 'Details of Medical Scheme' will repeat according to the number of medical schemes that you belonged to during the year of assessment.
- The maximum value allowed in this field is 12.
- Note: You cannot belong to more than one medical scheme in the same month.

e) **'Medical Scheme Name' and 'Medical Scheme Membership Number'**

- Insert the name as reflected on the medical tax certificate received from the scheme.
- From the 2022 YOA the system will validate the medical scheme details. If the same medical scheme name and medical scheme membership number is captured in the Medical Expenditure section for the *Main Member* and the Medical Expenditure section in respect of Family Members (dependent for family care and support), an error message will display.

f) **'State total number of dependents (including yourself) per month'**

- This refers to the number of members/dependants for whom contributions were paid to the medical scheme for the period 1 March to 28/29 February
- If you have made the contributions towards a medical scheme (where you are not the principal main member) for a family member whom you are liable for family care and support, please **exclude** this person(s) when completing this field.

g) **'State the total medical contributions made by yourself and / or your employer to this scheme (incl. subsidies from former employer)' –** source code 4005

- This field will display from the 2019 YOA.
  - For the 2017 and 2018 YOA this field will display as '*State the medical contributions made by yourself and / or your employer to this scheme'*
- Medical contributions reflected on the IRP5/IT3(a) certificate (source code 4005) will not be automatically taken into account during the assessment process
- You must insert the total contributions paid to the medical scheme in this field for the deduction to be taken into account. The total contributions paid will reflect on your medical tax certificate.
- Where the medical tax certificate does not display the contributions and refers to the amount on the employee tax certificate, the amount next to source code 4005 on the IRP5/IT3(a) certificate must be completed this field.
  - Note: the amount next to source code 4005 on the IRP5/IT3(a) certificate represents medical scheme contributions paid and deemed paid by an employee. In other words, this amount includes the contributions made by your employer.
- If you are a pensioner and you received any medical subsidies from former employers, it must be completed as follows on your return:
  - For years prior to the 2019 YOA, exclude the subsidy (source code 4493) when calculating the medical contributions amount (source code 4005).
  - From the 2019 YOA include the subsidy (source code 4493) when calculating the medical contributions amount (source code 4005)
  - Ensure that any medical subsidies from former employers (usually reflected under source code 4493 on IRP5/IT3(a) certificate) is also declared in the separate field provided on the

return.

h) **'State any medical expenses paid by you that were claimed from your medical scheme and reflected on the medical certificate (other than physical impairment or disability expenses)' –** source code 4020

- This **only** refers to the amount(s) reflected as *'claims not recovered from the scheme'* on the medical tax certificate(s) that you received from the medical scheme.
- You must have proof of payment (e.g. receipts) to confirm that the above expenses have been paid.
- If you do not have proof of payment for the whole amount prepopulated on your return, reduce the amount on the return to the total value of the proof of payment (e.g. receipts) that you have available.
- If you do not have any proof of payment, change the amount prepopulated on your return to zero.
- Note: Other qualifying medical expenses actually paid by you and not claimed from your medical scheme must be declared next to source code 4034.

8.1.8 MEDICAL EXPENDITURE – IN RESPECT OF ANY FAMILY MEMBER DEPENDENT FOR FAMILY CARE AND SUPPORT (AND TAXPAYER IS NOT THE MAIN MEMBER OF THE MEDICAL SCHEME)

a) This section will only display if you answered 'Yes' to the related medical question on the form wizard. The medical information for a family member will not be pre-populated by SARS.

b) A family member who is dependent on a taxpayer for family care and support includes a mother, father, mother-in-law, father-in-law, brother, sister, grandparents, grandchildren or any other person who is recognised as a dependant of that person in terms of the rules of a medical scheme or fund.

c) Where you are liable for the family care and support of a family member and you have paid the contributions towards a registered medical scheme for that financial dependant, you must retain proof of payment of the contributions (e.g. bank statements) and a copy of the tax certificate from the medical scheme where the family member is registered.

d) Complete the following the information of the family member on the return

e) **'Were any of the immediate family member(s) dependant(s) of a medical scheme(s) to which you paid the contributions?'** – select Y of N

f) **'Indicate the number of medical schemes to which you paid the contributions in respect of such dependant(s)'**

- The section 'Details of Medical Scheme' will repeat according to the number of medical schemes that you paid contributions to during the year of assessment.
- The maximum value allowed is 12.

g) **'Medical Scheme Name' and 'Medical Scheme Membership Number'**

- Insert the name as reflected on the medical tax certificate received from the scheme.
- From the 2022 YOA the system will validate the medical scheme details. If the same medical scheme name and medical scheme membership number is captured in the Medical Expenditure section for the Main Member and the Medical Expenditure section in respect of *Family Members (dependent for family care and support)*, an error message will display.

h) **'Full Name and Surname'**

i) **'Identity Number', or 'Passport Number'**

j) **'Tax Reference Number'** – if available

k) **'State total number of dependents per month'** – insert the number of members as reflected on the medical certificate.

l) **'State the total amount of medical scheme contributions paid on behalf of any immediate family member(s) who is dependent on you for family care and support'** – source code 4035

- Insert the contribution amount paid by you
- For the 2020 and prior YOA source code 4005 will reflect next to this field
- From the 2021 YOA source code 4035 will reflect next to this field. When the return is processed, all amounts declared for source codes 4035 and 4005 will be consolidated to apply the assessment calculations.
- Note: if the total medical contributions paid to the medical scheme includes a medical subsidy amount paid by the family member's employer, please exclude this amount. Example:
  - Mr Taxpayer's father is dependent on him for family care and support. For the 2021 YOA, the total contributions made to the medical scheme was R30 000. Mr Taxpayer paid R20 000 and R10 000 was a medical subsidy from his father's ex-employer. Mr Taxpayer must complete R20 000 in the above field on his tax return.
  - If Mr Taxpayer's father submits a personal income tax return for the 2021 YOA, he must declare the R10 000 from the ex-employer next to source code 4005 and 4493 on his return.

m) **'State the amount of the medical expenses paid by you that was claimed from the medical scheme and reflected on the medical certificate (other than physical impairment or disability expenses)'** – source code 4020

- This **only** refers to the amount(s) reflected as *'claims not recovered from the scheme'* on the medical tax certificate(s) received from the medical scheme.
- You must have proof of payment (e.g. receipts) to confirm that the above expenses have been paid by you.
- Other qualifying medical expenses actually paid by you and not claimed from your medical scheme must be declared next to source code 4034.

8.1.9 EXPENSES NOT REFLECTED ON ANY MEDICAL CERTIFICATE

a) Qualifying medical expenses can only be claimed in the year of assessment in which it was actually paid. Qualifying medical expenses are any amounts paid by a taxpayer during the year assessment and not recovered from the medical scheme. Examples:

- For services rendered and medicines supplied by a registered medical practitioner, dentist, optometrist, homeopath, naturopath, osteopath, herbalist, physiotherapist, chiropractor or orthopaedist for professional services rendered or medicines supplied to the person or any dependant of the person
- To a nursing home or hospital or any duly registered or enrolled nurse, midwife or nursing assistant (or to any nursing agency in respect of the services of such a nurse, midwife or nursing assistant) in respect of the illness or confinement of the person or any dependant of the person
- For medicines prescribed by a registered medical practitioner and acquired from a pharmacist
- Medical expenses incurred and paid outside South Africa.

b) **'State any qualifying medical expenses paid by you that were not claimed from any medical scheme and not reflected on any medical scheme certificate (other than physical impairment or disability expenses)'** – source code 4034.

- Insert the total amount of qualifying medical expenses paid by you during the year assessment.
- This refers to qualifying medical expenses paid by you in respect of yourself, your spouse, your qualifying children, any family member who is dependent on you for family care and support and any person who is recognised as a dependant in terms of a medical scheme
- Please ensure that you have proof of payment of these expenses.

8.1.10 PHYSICAL IMPAIRMENT

a) The Income Tax Act makes provision that a taxpayer can claim any expenses prescribed by the Commissioner necessarily incurred and paid in consequence of any physical impairment suffered by:

- The taxpayer
- His/her spouse or child and child of his or her spouse
- Any other member of a person's family in respect of whom he or she is liable for family care and support
- Any other person who is recognised as a dependant of that person in terms of the rules of a medical scheme or fund.

b) Physical impairment is not defined in the Act, however, in the context of section 6B it is considered to be a disability that is less restraining than a 'disability' as defined in section 6B. This means the restriction of the person's ability to function or perform daily activities after maximum correction is less than a 'moderate to severe limitation'. Maximum correction in this context means appropriate therapy, medication and use of devices

c) For a list of qualifying disability expenditure, please refer to the following documents on the SARS website:

- LAPD-IT-G08 - List of Qualifying Physical Impairment or Disability Expenditure Effective 1 March 2012
- LAPD-IT-G08b - Amended List of Qualifying Physical Impairment or Disability Expenditure Effective 1 March 2020
- It is important to note that with effect from 1 March 2020 this list is prescriptive. In other words, if an expense is not included in the list, the expense cannot be claimed as "qualifying medical expenses" under paragraph (c) of that definition in section 6B(1) of the Act.

d) **'State any qualifying physical impairment expenses paid by you and not recovered from any medical scheme(s) and not included above'** – source code 4022

- The expenses incurred and not recovered from the medical fund must be completed in this field
- This refers to qualifying physical impairment expenses paid by you in respect of yourself, your spouse, your qualifying children, any family member who is dependent on you for family care and support and any person who is recognised as a dependant in terms of a medical scheme
- Please retain details of how the amount was calculated and the nature of the impairment suffered by the respective person(s).

8.1.11 DISABILITY

a) The Income Tax Act provides for a more widely accepted and understood definition of 'disability' instead of the previous term 'handicapped'. A person who qualified as a 'handicapped person' in the past must have his or her disability re-confirmed to continue to claim a deduction.

b) The Income Tax Act defines 'disability' to mean a person with a moderate to severe limitation of that person's ability to function or perform daily activities as a result of a physical, sensory, communication, intellectual or mental impairment, if the limitation:

- Has lasted or has a prognosis of lasting more than a year; and
- Is diagnosed by a duly registered medical practitioner in accordance with the criteria prescribed by the Commissioner

c) A disability must be confirmed by a duly registered medical practitioner (this includes persons who previously qualified as a 'handicapped person').

- If the disability is not confirmed, you will not be able to claim the qualifying expenses in full and will be subject to the 7.5% limitation.

- Due to this change in legislation an ITR-DD form (Confirmation of diagnosis of disability form for an individual taxpayer) must be completed by a medical practitioner. This form is available on the SARS website and contains the criteria for the diagnosis of disability.

d) For a list of qualifying disability expenditure, please refer to the following documents on the SARS website:

- LAPD-IT-G08 - List of Qualifying Physical Impairment or Disability Expenditure Effective 1 March 2012
- LAPD-IT-G08b - Amended List of Qualifying Physical Impairment or Disability Expenditure Effective 1 March 2020
- It is important to note that with effect from 1 March 2020 this list is prescriptive. In other words, if an expense is not included in the list, the expense cannot be claimed as "qualifying medical expenses" under paragraph (c) of that definition in section 6B(1) of the Act.

e) Complete the following fields on the return.

f) **'Are you,** your **spouse or any of your qualifying children a person with a disability?'**

- Note: this excludes any family member who is dependent on you for family care and support.

g) **'If 'Yes', has the disability been confirmed by a duly registered medical practitioner prescribed?'**

- Ensure that the prescribed ITR-DD form has been completed and stamped by a duly registered medical practitioner, before selecting 'Y' above.
- For a permanent disability, the ITR-DD is valid for 10 years.
- For a temporary disability, the ITR-DD is only valid for 1 year
- The ITR-DD form must be readily available should SARS request it for verification. Please ensure it is retained in a safe place for a period of 10 years from date of issue.

h) **'Indicate** the **number of qualifying person(s) with a disability'**

- Insert the number in the field provided. The "Details of Disability section will be repeated according to the number entered in this field.

i) **'Details of Disability'**

- **'Indicate the person with the disability'** – Select one of the following options:
  - 'Yourself'
  - 'Spouse'
  - 'Qualifying Child'
- **'Date of birth of person with disability'**
  - Select the applicable option to indicate the severity of the disability:
    - 'Temporary Disability'
    - 'Permanent Disability'
- **'Specify the date on which the latest ITR-DD for this person was confirmed by a duly registered practitioner (CCYYMMDD)'**
- **'Registered Medical Practitioner Practice Number'**

j) **'State the** qualifying **disability expenses paid by you i.r.o yourself, your spouse and qualifying children and not recovered from your any medical scheme and not included in any expenses claimed above'** – source code 4023

8.1.12 MEDICAL SUBSIDIES FROM FORMER EMPLOYERS

a) **'State the medical subsidies from former employer (if applicable)'** – source code 4493

- This is a separate field that must be completed if you received a subsidy from your former

employer. In most cases this amount will be reflected next to source code 4493 on your IRP5/IT3(a) certificate, or on your medical tax certificate.

- If an amount is prepopulated in this field, you will be able to increase the amount but cannot reduce it
- If you have multiple IRP5 certificates that reflect a medical subsidy (source code 4493) from an ex-employer, the amounts must be consolidated, and the total amount must be inserted in this field.
- Note: for the 2019-2020 YOA this field will display as part of the section for '*Details of Medical Scheme*' and not as a separate field.

8.1.13 COMPLETING THE MEDICAL DEDUCTIONS SECTION FOR THE 2016 YEAR OF ASSESSMENT AND PRIOR YEARS

a) Note: The medical expenditure in respect of any family members who are dependent on you for family care and support must be included when completing the following fields in this section.

b) '**Were you a member of a medical scheme to which you and/or your employer made contributions'** – Select 'Y' or 'N'

c) '**State the total number of members (including yourself) per month**'

- Insert the number of members/dependants as reflected on the medical tax certificate that you received from the medical scheme at the end of February.
- Note: Where you have solely made the contributions towards the medical scheme of a family member for whom you are liable for family care and support, you **must include** this person(s) when completing this field on the return.

d) '**State any medical scheme contributions made by yourself and not reflected on your IRP5/IT3(a) (4040)'**

- You should only complete an amount in this field of the return if you, in your private capacity, contributed to a medical scheme during the year of assessment and the payment of the contributions were made by you (example paid via a bank account). In this instance, no amount should appear next to the source codes **4005** and/or **4474**.on your IRP5/IT3(a) certificate
- If the contributions were paid over to the medical scheme by your employer, the amount will reflect next to the code **4005** and/or **4474** on your IRP5/IT3(a) certificate. Do **not** complete this amount again next to code **4040**. Insert a zero in the amount field next to source code **4040**.

e) **'State any medical expenses not recovered from your medical scheme (other than physical impairment or disability expenses)' – source code 4020**

- The **sum** of the following amounts must be inserted next to the source code **4020** on your return:
  - The amount that appears as 'claims not covered by scheme' on your medical tax certificate.
  - The amounts for qualifying medical expenses actually paid by you and such expenses were not claimed from your medical scheme.
- You must have the necessary proof of payment for both of the above amounts claimed.

f) **'State any physical impairment expenses not recovered from your medical scheme not included above' – source code 4022**

- The necessary proof of payment of such expenditure must be retained for a period of five years after submission of your return.
- Please also retain details of how the amount was calculated; as well as the nature of the physical impairment suffered by you, your spouse, your qualifying children, any family member who is dependent on a you for family care and support; and any person who is recognised as a dependant in terms of a medical scheme.

g) **'Are you, your spouse or any of your qualifying children a person with a disability?'**

- Indicate this by marking the applicable field on the return with an 'X'.
- If 'Yes' was selected, indicate if this disability has been confirmed by a duly registered medical practitioner as prescribed, by marking applicable field with an 'X'.

h) **'State any disability expenses not recovered from your medical scheme – not included above' – source code 4023**

- If (based on the definition of a person with a disability) you, your spouse or child are considered to be a person with a disability, the expenses incurred due to the disability can be claimed in full (inclusive of VAT). The necessary proof of payment of such expenditure must be retained for a period of five years from date of submission of the income tax return.

8.2 SOLAR ENERGY TAX CREDIT

a) Government introduced a rooftop solar tax incentive for individuals who invest in solar photovoltaic (PV) panels.

- The tax credit will only apply to new and unused solar PV panels acquired and brought into use for the first time during the 2024 year of assessment (i.e. 1 Mar 2023 - 29 Feb 2024) and that have a minimum generation capacity of not less than 275W each. The solar PV panels must form part of a system connected to the distribution board of a residence that is mainly (i.e. more than 50%) used by the individual for domestic purposes and an electrical certificate of compliance must have been issued for that residential property (i.t.o. the Electrical Installation Regulations, 2009) after the solar PV panels were installed.
- The solar energy tax credit applies to the 2024 YOA only and the amount allowed as a deduction will be 25% of the cost of the above solar PV panels up to a maximum of R15 000.
- Note: batteries, inverters, fittings or diesel generators, installation costs and portable panels do not qualify.

b) Complete the following fields on the return:

- **'How many new and unused solar panel(s) were installed?'** (maximum value allowed is 99)
- **'Do you confirm that new and unused solar panel(s) were installed with a minimum generation capacity of more than 275 Watts each?'** – (Select Y or N)
- **'Do you confirm that the solar panel(s) were connected to the distribution board of a resident that is mainly (more than 50%) used by you for domestic purposes?'** – (Select Y or N)
- **'Do you confirm that you received an electrical certificate of compliance issued in terms of Electrical Installation Regulations, 2009, pertaining to this installation?'** – (Select Y or N)
- **'Total cost incurred for solar panel(s)'** – source code 4056

c) Examples of supporting documents required:

- A VAT invoice that indicates the cost of the solar PV panels separately from other items that do not qualify.
- Proof of payment.
- Electrical certificate of compliance.

8.3 RETIREMENT CONTRIBUTIONS

a) You may not claim retirement contributions made on behalf of a third party (e.g. for a spouse or child).

b) The institution to which your contributions were made will issue a certificate (e.g. an IT3(f) income tax certificate) confirming the total contributions made for the tax year.

- You must retain proof of your retirement annuity contributions for a period of five years after the date of submission of your return.
- On the retirement annuity certificates issued by Old Mutual the contributions are broken down into 'retirement plan' and 'max investments' contributions. This breakdown merely confirms that the individual has two different policies, namely a group scheme retirement annuity and a pension fund retirement annuity within the same fund. Both these amounts are added to obtain the total retirement annuity contributions (4006 amount) for the year of assessment

c) SARS will programmatically calculate the allowable deduction. Any excess contributions are carried forward to the following year of assessment and are taken into account when calculating the allowable deduction for that year of assessment

8.3.1 CONTRIBUTIONS FROM THE 2017 YEAR OF ASSESSMENT ONWARDS

a) As from 1 March 2016, retirement contribution deduction includes pension, provident and retirement annuity contributions. There are two important changes that took place from 1 March 2016:

- Provident fund contributions are now allowed as a deduction; and
- The employer's contribution is a taxable fringe benefit in the hands of the employee (this fringe benefit in return becomes a deemed contribution in the hands of the employee).

b) The contributions are reflected under the following source codes:

- **4001 :** Total current pension fund contributions (includes current plus arrear contributions)
- **4003 :** Total current provident fund contributions (note only available from 1 March 2016).
- **4006 :** Total current retirement annuity fund contributions (includes current plus arrear contributions).

c) The formula to determine the allowable retirement fund contributions is set out in Section 11F of the Income Tax Act. (Note: Section 11(k) was repealed and replaced with section 11F which is deemed to be in effect from 1 March 2016).

d) The allowable deduction is the **lesser of** the following:

- R350 000; **or**
- 27.5% of the greater of -
  - Remuneration (excluding retirement lump sum benefits, withdrawal lump sum benefits and severance benefits); or
  - taxable income (including passive income and taxable capital gains) but excluding retirement lump sum benefits, withdrawal lump sum benefits and severance benefits and before any s11F and s18A deduction; **or**
- the taxable income (excluding any taxable capital gain and retirement lump sum benefits, withdrawal lump sum benefits and severance benefits) and before any s11F and s18A deduction.

Example:

A taxpayer receives the following income:

Remuneration	R	35,000	Pension contributions	R	10,000
Taxable rental income	R	1,000	RAF contributions	R	40,000
Taxable capital gain	R	100,000			
Taxable Income	**R**	**136,000**	**Total retirement contributions**	**R**	**50,000**

The total deduction to be allowed is the **lesser of:**

• **R350 000.00**	**R350 000**	*Section 11F(2)(a)*

• **greater of 27.5% of:** ▫ remuneration as defined in Fourth Schedule (excluding lump sums) *R35 000 x 27.5% = R 9 625* ▫ taxable income, including capital gains but excluding lump sums and before s11F and s18A deduction *R136 000 X 27.5% = R37 400*	**R37 400**	*Section 11F(2)(b)*
• **taxable income**, excluding capital gains, lump sums and before s11F and s18A deduction.	**R36 000**	*Section 11F(2)(c)*

Therefore, the allowable deduction will be **R36 000.**
The balance of R14 000 (**R50 000** less R36 000) will be carried forward to the subsequent tax year

e) Section 11F(2)(a) of the Income Tax Act was amended with effect from 1 March 2024. Where a person's year of assessment is less than 12 months, the maximum amount of the allowable retirement fund contribution deduction may not exceed the prescribed limit (currently R350 000) for all years of assessment within the 12-month period from 1 March of that calendar year to the last day of February in the following year.

Example: 1

Mr Taxpayer was classified as insolvent on 31 October 2024. For the 2025 *years of assessment,* the allowable retirement fund contribution deduction (i.t.o s11F(2)(a)) will be applied as follows

Period of assessment: 1 March 2024 – 31 October 2024 • This assessment applies to Tax Reference Number 1 – *the original tax number coded as insolvent and applicable to assessments preceding the date of sequestration* • The allowable retirement fund contribution deduction that was utilised for this assessment is R200 000	R200 000
Period of Assessment: 1 November 2024 – 28 February 2025 • This assessment applies to Tax Reference Number 3 – *Mr Taxpayer's new tax number applicable to assessments from date of sequestration*. • The retirement fund contribution deduction allowable is R150 000 (i.e. R350 000 less R200 000 utilised in the first 'period assessment' that falls within the same 12-month period from 1 March of that calendar year to the last day of February in the following year.)	R150 000
Total for Tax Year	**R350 000**

Note: **Tax reference number 2** is an optional tax number registered for the 'insolvent estate' that is managed by the court appointed administrator/trustee. It is applicable to assessments from the date of sequestration until the estate is finalised. Section 11F does not apply to this tax number.

Example: 2

Mr Taxpayer ceased to be a tax resident on 31 July 2024. For the 2025 years of assessment, the allowable retirement fund contribution deduction (i.t.o s11F(2)(a)) will be applied as follows:

Period of Assessment: 1 March 2024 – 31 July 2024 • This applies to Mr Taxpayer's assessment *as a South African tax resident* • The allowable retirement fund contribution deduction that was utilised	R350 000

for this assessment is R350 000 **Period of Assessment: 1 August 2024 – 28 February 2025** • This applies to Mr Taxpayer's assessment *as a non-tax resident* • There will be no retirement fund contribution deduction for this assessment as the allowable amount i.t.o. section 11F(2)(a) was fully utilised in the first period assessment that also falls within the same 12-month period from 1 March of that calendar year to the last day of February in the following year.	R 0
Total for Tax Year	**R350 000**

COMPLETING THE RETURN

f) From the 2020 YOA, the retirement annuity details will be prepopulated with data received from the third party. This information cannot be deleted from the return. If the details are incorrect, you must contact the third party to rectify and resend the correct data to SARS.

g) Please complete the applicable fields if not prepopulated.

h) **'To how many Retirement Annuity policy(ies) did you or your employer contribute during this year of assessment?'**

- Please ensure that this value is in respect of all retirement annuity policies that you and/or your employer contributed towards for the year of assessment (this includes the policy for the amount represented on the employees' tax certificate).
- The number of policies that SARS has prepopulated on the return cannot be changed to a lower number. The value in this field can however be increased if you have more policies to declare.

i) **'Total contributions for this year assessment'** – source code (4006)

- Please ensure that the amount entered is the total amount in respect of all retirement annuity policies that you will derive a benefit from, including the amount represented on your employees' tax certificate.
- This amount will be auto calculated on the electronic return.

j) **'Details of Policy' -** Complete the following details for each policy as reflected on the certificate received from the institution:

- 'Name of the Fund'
- 'Policy Number'
- 'Contributions made to the policy'

8.3.2 CONTRIBUTIONS FOR 2016 YEAR OF ASSESSMENT AND PRIOR YEARS

a) The maximum deduction permitted per year of assessment is limited to the greater of:

- 15% of your taxable income (excluding income from retirement-funding employment). When determining taxable income, the following deductions must NOT be included:
  - Capital development expenditure (farming)
  - Donations
  - Retirement annuity fund contributions
  - Medical and dental expenses
  - Expenditure in respect of soil erosion work
- R3 500 less allowable pension fund contributions

- R1 750.

b) Please complete the applicable fields on the return:

c) **'Retirement Annuity Fund Contributions'**

- Please ensure that the amount inserted next to source code 4006 is the total amount in respect of all retirement annuity policies that you will derive a benefit from, including the amount represented on your employees' tax certificate.

d) **'Arrear Pension Fund Contributions'** – Section 11(k)(ii)

- This refers to amounts for arrear pension fund contributions that were purchased during the year of assessment and can be claimed. You must have relevant material to support this claim.
- Any arrear pension fund contributions amounts reflected on your IRP5/IT3(a) Certificate (source code 4002) must not be completed in this section of the return.
- Amounts that were paid in prior years and not granted as a deduction in full will programmatically be taken into consideration in the current year of assessment, to a maximum of R1 800 (which is the maximum deduction per person per year of assessment). Any excess amounts will be carried forward to the subsequent year of assessment.

e) **'Arrear Retirement Annuity Fund Contributions'** – Section 11(n)(i)(bb)

- A member of a retirement annuity fund who has discontinued his contributions prematurely is entitled to be reinstated as a full member of the fund provided that contributions in arrears are made under conditions prescribed in the rules of the fund and the current contributions to the fund have been paid in full.
- For arrear retirement annuity contributions insert the total amount of your actual contributions made during the year of assessment next to source code 4007.
  - A maximum of R1800 can be claimed for the year of assessment.
  - The maximum of R1800 applies to the total of arrear contributions made in the current year and those contributions paid in the previous years and not taken into account for a deduction because they exceeded R1800 in that year.
  - Any excess will be carried forward to the following year of assessment.

8.3.3 PENSION AND/OR PROVIDENT FUND ADDITIONAL VOLUNTARY CONTRIBUTIONS INCLUDING THE PURCHASE OF PAST OR ADDITIONAL SERVICES

a) This refers to additional contributions made by taxpayers to pension and / or provident funds to create a better retirement benefit.

b) If you made additional contributions, you must provide a letter from the fund/employer in order to substantiate this claim on the return.

c) Complete the following fields. Please ensure that you exclude amounts already reflected on the IRP5/IT3(a) certificate.

- **'Fund Type'** – select the applicable option from the drop-down list:
  - Pension Fund
  - Provident Fund
  - Pension Fund and Provident Fund.
- **'To how many Pension Funds did you make payments towards past / additional services during this year of assessment?'**. The maximum value allowed is 2.
  - For each pension fund complete the:
    - *'Name of the fund'*
    - *'Your Membership / Pension Number'*
    - *'Payment Made'*
  - *'Pension fund contribution'* – source code **4001**
    - This field will be auto-calculated and is the sum of all the "*Payment Made"* amounts

- **To how many Provident Funds did you make payments towards past / additional services during this year of assessment?.** The maximum value allowed is 2.
  - For each provident fund complete the:
    - '*Name of the fund*'
    - *'Your Membership / Pension Number'*
    - *'Payment Made'*
  - *'Provident fund contribution'* – source code **4003**
    - This field will be auto-calculated and is the sum of all the "*Payment Made"* amounts

8.4 INCOME PROTECTION INSURANCE CONTRIBUTIONS

a) Deductions for Income Insurance Protection Contributions can no longer be claimed from the 2016 year of assessment.

b) For the 2015 year of assessment and prior years: a deduction will be considered in respect of policies where it covers you against the loss of income as a result of illness, injury, disability or unemployment and the amount payable in terms of the policy constitutes (or will constitute) income as defined.

c) There are two dispensations applicable to the treatment of contributions to Income Protection Insurance Policies in an employer/employee relationship. The treatment depends on who owns the policy – the taxpayer (employee) or the taxpayer's employer.

d) **Employer Owned Policy**

- Contributions are paid by an employer for the benefit of an employee (including spouse, child, etc.) resulting in a taxable fringe benefit in the hands of the employee (taxpayer).
  - This benefit will be reflected next to source code 3801 on the IRP5/IT3(a) certificate.
  - The taxable fringe benefit is deemed to be contributions made by an employee and will qualify as a deduction in the hands of the employee. This deduction will be reflected next to source code 4018 on the IRP5/IT3(a) certificate.
- The amount for this deduction must be entered next to source code **4018** in the '**Retirement and Income Protection Contributions**' section of your return for it to be taken into account during the assessment process.
- Where the amount for source code **4018** is equal to or less than the amount of the fringe benefit reflected on the IRP5 certificate, relevant material (supporting documents) will not be required. However, where the amount for code 4018 is greater than the amount of the fringe benefit reflected on the IRP5 certificate, relevant material (supporting documents) for the difference will be required.

e) **Employee Owned Policy**

- The contribution paid by a taxpayer qualifies as a deduction.
- An employer may on request of an employee, based on proof of payment provided by the employee, take such contributions into account for PAYE purposes. In these cases, no fringe benefit will be applicable. The contributions taken into account by the employer will be reflected next to source code **4018** on the IRP5/IT3(a) certificate.
  - Where the employer did not take such contributions into account for PAYE purposes, no code **4018** will be reflected on the IRP5/IT3(a) certificate.
- The amount for this deduction must be entered next to source code 4018 in the '**Retirement and Income Protection Contributions**' section of your return for it to be taken into account during the assessment process. You must have the relevant material to support the deduction claimed on your return.

8.5 TRAVEL CLAIM AGAINST ALLOWANCE - SECTION 8(1)(b)

a) Taxpayers are required to keep records (logbook) of actual business kilometres travelled with their

vehicles when claiming against a travel allowance for the year of assessment. A logbook is available to all taxpayers, free of charge on the SARS website.

b) A travel allowance or advance is deemed to have accrued (under section 7B) to the taxpayer in the year of assessment in which it is paid. The distance travelled for business purposes in respect of that travel allowance or advance shall also be deemed to have been travelled during the year of assessment in which that allowance or advance is paid.

- This is effective from 1 March 2020 and applies in respect of amounts accrued or expenditure incurred on or after this date
- Example: An employee travelled for business purposes in the 2021 YOA and kept a logbook. The reimbursement which related to the business travel between Jan 2021 - Feb 2021 was only paid by the employer in April 2021 at a rate that exceeds the prescribed rate per km.
  - In this scenario, the travel for business purposes is deemed to have taken place during the 2022 YOA since the allowance/advance was only paid by the employer in the 2022 YOA
  - The reimbursement will reflect on the 2022 IRP5 certificate and travel expenses must be claimed on the 2022 ITR12 return
  - The taxpayer must reduce the kilometres travelled linked to this reimbursement and carry it over to the subsequent year of assessment (this will mean an adjustment to the closing kilometres on the logbook for the 2021 YOA).

c) If you received a travel allowance it will display next to source codes 3701, 3702, 3722, 3772, 3751 or 3752 on your IRP5/IT3(a) certificate.

d) The amount next to source code **3703** on the IRP5/IT3(a) certificate refers to a non-taxable reimbursive allowance. You cannot claim any deductions against this allowance. It is a reimbursement for business kilometres not exceeding the prescribed kilometres and the prescribed rate per kilometre per tax year.

e) The table below describes the travel source codes and the rules applicable:

Source Code	Description
3701 3751	• Taxable travel allowance • This allowance or advance paid to an employee in respect of travelling expenses for business purposes – including fixed travel allowances, petrol, garage and maintenance cards • 3751 is used in the case of foreign travel.
3702 3752	• Taxable reimbursive travel allowance • This is for reimbursement of business kilometres exceeding the prescribed business kilometres for the tax year or exceeding the prescribed rate per kilometre for the tax year or where the employee receives any other form of compensation for travel • For the 2017 YOA and prior years the prescribed business kilometres is 8 000km • For the 2018 YOA the prescribed business kilometres is 12 000km • No business kilometre limit is applicable from the 2019 YOA. From 1 March 2018, if an employee is reimbursed at a rate above the prescribed rate per kilometre, the employee will be taxed on the portion exceeding the prescribed rate per kilometre (para (cC) definition of “remuneration” of Fourth Schedule). • 3752 is used in the case of foreign travel.
3703 3753	• Non-taxable reimbursive travel allowance • This is for reimbursement of business kilometres not exceeding the prescribed business kilometres for the tax year or exceeding the prescribed rate per kilometre for the tax year and where the employee does not receive any other form of compensation for travel • If source code 3703 exceeds the prescribed business kilometres or exceeds the prescribed rate per kilometre or is used together with source code 3701 or 3702, the allowance will become taxable during the assessment process • From the 2019 YOA, no business kilometre limit is applicable. • 3753 is used in the case of foreign travel

3722 3772	• Taxable reimbursive travel allowance above prescribed rate per kilometre (effective from the 2019 YOA) • From 1 March 2018, if an employee is reimbursed at a rate above the prescribed rate per kilometre, the employee will be taxed on the portion exceeding the prescribed rate per kilometre (para (cC) definition of "remuneration" of Fourth Schedule) • 3772 is used in the case of foreign travel

8.5.1 LOGBOOK OF BUSINESS KILOMETRES TRAVELLED?

a) On the return select 'Y' or 'N' for the question **'Did you use a logbook to determine your business kilometres travelled?'**

b) Your claim must be supported by a logbook which must be retained for a period of five years after the date of submission of the return, should SARS request it. The following minimum information relating to business kilometres travelled should be reflected:

- Opening kilometres (at the beginning of the tax year or when you started using the vehicle for business purposes during the tax year)
- Closing kilometres (at the end of the tax year)
- Date on which the travel took place
- The destination to and from
- The kilometres travelled
- The reason for the travel.

c) Expenses incurred for travel between your place of business and your residence are considered private expenses and are not deductible. If you conduct your business from home, your home should (*with regard to your travels from there*) be treated as your place of business. This means that kilometres travelled when travelling from your home to perform business would be considered as business kilometres.

d) If the 'N' is selected for this question, the rest of the fields in this section will be cleared and locked from editing.

e) Note: Refer to the section described for source code 4015 below for instances where a taxpayer does not have a vehicle but received a travel allowance for the YOA and used public transport (e.g. Uber) to travel for business reasons.

8.5.2 DETAILS OF YOUR VEHICLE(S)

a) **'Indicate with an "X" below whether the vehicle was acquired by way of: Purchase Agreement or Lease Agreement'**

- This question is only applicable from the 2017 year of assessment. If the agreement type is 'Purchase Agreement' the date of purchase must be completed

b) The amount allowed as a deduction will be calculated programmatically by SARS. This calculation can only be done if you supply the following information for each vehicle that you are claiming a travel deduction for the year of assessment:

- **'Vehicle registration no.'**
- **'Car make'** (e.g. BMW or Audi))
- **'Car model'** (e.g.*125i* for BMW or *R8* for Audi)
- **'Date of Purchase'**
- **'Cost price or cash value'**

8.5.3 DETAILS OF KILOMETRES TRAVELLED

a) For each of the vehicle indicate the following:

- **'Starting date'** – this is the beginning of the year of assessment or the date you started using the vehicle for business purposes during the year of assessment.
- **'Closing date'** – this is the end of the year of assessment or the date you stopped using the vehicle for business purposes during the year of assessment
- **'Opening kilometres'** – odometer reading as at the starting date
- **'Closing kilometres'** – odometer reading as at the closing date
- **'Total kilometres'** – total kilometres travelled with this vehicle, i.e. difference between opening and closing kilometres
- **'Business kilometres'** – this will be the actual business kilometres according to your logbook.

8.5.4 TRAVELLING EXPENSES

a) Travelling expenses may be claimed based on one of the following methods of calculation:

- Actual expenses: If you have kept record of your actual expenses, use the receipts in respect of these actual expenses to complete the line items as provided for in the return.
- Fixed cost rate: If you have not kept records of your actual expenses, SARS will programmatically apply the fixed cost rate to calculate your travel claim.

b) **TRAVELLING EXPENSES BASED ON ACTUAL EXPENSES**

- If you kept record of your actual expenses, complete the total amount for each of expense that you have incurred during the period 1 March to 28/29 February. The following actual expenses can be claimed:
  - **'Fuel and oil'**
  - **'Maintenance and repairs'**
  - **'Insurance and license fees'**
  - **'Wear and tear' or 'Lease Payment'**
  - **'Finance Charges'**
  - **'Other'**
- Remember to retain all proof of your expenses for a period of five years after the date of submission of your return.
- If you claim actual expenses (and can furnish accurate data) there is a limitation on the amount that you may claim for lease payments, finance charges and wear and tear. However, this limitation is only applicable if you received an allowance. You may only claim either lease payments or wear and tear on the same vehicle.
- Wear and Tear - Section 8(1)(*b*)(iiiA)(*bb*):
  - If you claim actual expenses for travel purposes, you are also entitled to claim wear and tear on the vehicle if you actually ***own*** the vehicle (i.e. it is not leased). Where a vehicle was acquired during the year of assessment, wear and tear will only be allowed pro rata. The value of the vehicle (when calculating wear and tear) is *usually* the cost price, including VAT and excluding finance charges/interest.
  - The wear and tear allowance must be determined over a period of seven years from the date of original acquisition, and the cost of the vehicle is limited to:
    - R560 000 as from 1 March 2014
    - R665 000 as from 1 March 2020

Example: Wear and Tear
Mr Taxpayer purchased a motor vehicle on 1 March 2018 for R750 000. He is claiming actual costs incurred for business travel purposes. He is entitled to claim wear and tear on his vehicle as he receives an allowance from his employer. The wear and tear, which the taxpayer is entitled to for the 2022 year of assessment, must be

calculated as follows:

- The cost of the vehicle is limited to R665 000 in terms of S8(1)(*b*)(iiiA)(*bb*).
- The wear and tear is calculated as:
  - R665 000 / 7 years = R95 000 per annum

- Lease payments - Section 8(1)(b)(iiiA)(aa):
  - If you are leasing a vehicle and have not actually purchased it, the lease payments for the period that you have used the vehicle for business may also be allowed as a deduction. However, there is a *limitation* here too. Section 8(1)(*b*)(iiiA)(*aa*) provides that the lease payments may not, in any year of assessment, exceed an amount of the fixed cost for the category of vehicle used.
- Finance charges:
  - The vehicle's value excludes finance charges, but you may claim the applicable amount separately. However, a limitation has been placed on the finance charges that may be claimed. The finance charges are limited to an amount which would have been incurred had the original debt (cost of the vehicle) been:
    - R560 000 as from 1 March 2014
    - R665 000 as from 1 March 2020
- Other expenses:
  - Any other expenses not specifically addressed above must be declared in this section.

c) TRAVELLING EXPENSES BASED ON THE KILOMETRE RATE

- If you have not kept record of your actual expenses incurred related to traveling, the fixed cost scale will programmatically be applied in the calculation of your travel claim. This calculation is based on the information declared in your Income Tax Return. The following cost scale tables are applicable:

- Cost scale table for the years of assessment ending 28 February 2023:

VALUE OF THE VEHICLE (R)	FIXED COST (R)	FUEL COST (c/km)	MAINTENANCE COST (c/km)
0 - 95 000	29 836	131.7	40.9
95 001 - 190 000	52 889	147.0	51.1
190 001 - 285 000	76 033	159.7	56.3
285 001 - 380 000	96 197	171.8	61.5
380 001- 475 000	116 438	183.8	72.3
475 001- 570 000	137 735	210.8	84.9
570 001- 665 000	159 031	218.0	105.5
more than 665 000	159 031	218.0	105.5

- Cost scale table for the years of assessment ending 29 February 2024:

VALUE OF THE VEHICLE (R)	FIXED COST (R)	FUEL COST (c/km)	MAINTENANCE COST (c/km)
0 – 100 000	33 760	141.5	43.8
100 001 – 200 000	60 329	158.0	54.8
200 001 – 300 000	86 958	171.7	60.4
300 001 – 400 000	110 554	184.6	65.9
400 001 – 500 000	134 150	197.6	77.5
500 001 – 600 000	158 856	226.6	91.0
600 001 – 700 000	183 611	230.5	102.1
700 001 – 800 000	209 685	234.3	113.1

VALUE OF THE VEHICLE (R)	FIXED COST (R)	FUEL COST (c/km)	MAINTENANCE COST (c/km)
more than 800 000	209 685	234.3	113.1

- Cost scale table for the years of assessment ending 28 February 2025:

VALUE OF THE VEHICLE (R)	FIXED COST (R)	FUEL COST (c/km)	MAINTENANCE COST (c/km)
does not exceed R100 000	34 480	151.7	46.0
exceeds R100 000 but does	61 770	169.4	57.6
exceeds R200 000 but does	89 119	184.0	63.5
exceeds R300 000 but does	113 436	197.9	69.3
exceeds R400 000 but does	137 752	211.8	81.5
exceeds R500 000 but does	163 178	243.0	95.6
exceeds R600 000 but does	188 653	247.1	107.3
exceeds R700 000 but does	215 447	251.2	118.9
exceeds R800 000	215 447	251.2	118.9

- The fixed cost must be reduced on a pro-rata basis if the vehicle is used for business purposes for less than a full year.
  - The amount for the fixed cost (as per the value of your vehicle) must be divided by the total kilometres that you travelled during the year of assessment. If the vehicle was used for business purposes for a period shorter than a year, the fixed cost component must be reduced pro rata. Fuel and maintenance cost rates are read from the schedule
  - The scale per kilometre in the above table is based on the **value** of the vehicle. The following guidelines can be used to determine the value of your vehicle:
    - Where you acquired the vehicle under a bona fide agreement of sale or exchange: **the original cost** (including any VAT) paid but ***excluding*** any finance charges or interest payable in respect of the acquisition thereof.
    - Where you are leasing the vehicle (**financial lease)**, as the recipient of an allowance, or was leased and you acquired ownership on termination of the lease: the **cash value** as determined for VAT purposes plus any VAT paid by you
    - In any other case: the **market value** of the motor vehicle at the time you, as the recipient of an allowance, first obtained the vehicle or the right of use thereof, plus any VAT payable on that value.

Example 1 – One vehicle for the full year

A taxpayer owns a vehicle with a **value** of R62 000 and receive a travelling allowance of R4 000 per month for the **full tax year**. During the year of assessment, he travelled 30 000 kilometres and maintained a logbook for business kilometres of 15 000km travelled.

- *The amount of the claim will be calculated programmatically as follows for **2023**:*

Total distance travelled	30 000 km
Business kilometres travelled	15 000 km
Total allowance received for the year	**R48 000**
Fixed cost as per fixed cost schedule	R29 836

- *Apply the formula:*

$$\frac{\text{Fixed Cost as per schedule}}{\text{Total distance travelled}} \times \frac{\text{No. of days used}}{365}$$

  - $= \frac{\text{R 29 836}}{} \times \frac{\text{365 days}}{} \times 100$

30 000km 365

- = 99.45c

Fixed cost per kilometre	=	99.45c
Add fuel cost element (per schedule)	=	131.7c
Add maintenance cost (per schedule)	=	40.9c
Total cost per kilometre	=	272.05c

- Multiply the business kilometres by the total cost per kilometre:

(15 000 km x 272.05c) / 100 = R 40 807.50

- This amount will be automatically calculated and will be considered as the travel claim. If the calculated amount exceeds the allowance received, the claim will be limited to the amount of the allowance.

Example 2 – Two vehicles for part of the year

All the details are the same as in example 1, except that the taxpayer used the vehicle for six months (183 days), during which he travelled 18 500 km. Thereafter, he purchased a new vehicle for R55 000, and travelled 12 000km during the six months (183 days) following the purchase (i.e. the balance of the year). The taxpayer maintained a logbook for business kilometres travelled:

- Vehicle 1 – 15 000 km
- Vehicle 2 – 7 000 km

- The amount of the claim will be calculated programmatically as follows for **2023**:

- **VEHICLE 1**

Total distance travelled	18 500 km
Business kilometres travelled	15 000 km
Total allowance received for the year	**R48 000**
Fixed cost as per fixed cost schedule	R29 836

- *Apply the formula:*

- = R29 836 x 183 days x 100
  18 500km 365
- = 80.86c

Fixed cost per kilometre	=	80.86c
Add fuel cost element (per schedule)	=	131.7c
Add maintenance cost (per schedule)	=	40.9c
Total cost per kilometre	=	253.46c

- *Multiply the deemed business kilometres by the total cost per kilometre:*

(15 000 km x 253.46c) / 100 = R38 019

- The taxpayer is entitled to claim a deduction of R38 019 on the first vehicle. This claim will be added to the amount calculated in respect of vehicle two. Only then can it be determined whether or not the total claim exceeds the allowance received for the particular year of assessment.

- **VEHICLE 2**

Total distance travelled	12 000 km
Business kilometres travelled	7 000 km
Total allowance received for the year	R48 000
Fixed cost as per fixed cost schedule	R29 836

- *Apply the formula*
  - = R29 836 / 12 000km x 183 days / 365 x 100
  - = 124.66c

Fixed cost per kilometre	=	124.66c
Add fuel cost element (per schedule)	=	131.7c
Add maintenance cost (per schedule)	=	40.9c
Total cost per kilometre	=	297.26c

- *Multiply the deemed business kilometres by the total cost per kilometre:*
  - (7 000 km x 297.26c) / 100 = R20 808.20
- The taxpayer is entitled to claim a deduction of R20 808.20 for the second vehicle.
- Total deduction claimed in respect of the full year:
  - R38 019 + R20 808.20 = R58 827.20
- As the calculated amount exceeds the allowance received the claim will be limited to the amount of the allowance (i.e. R48 000).

8.6 EMPLOYER PROVIDED VEHICLES

a) Employers often provide their employees with a travel allowance to meet the cost of business-related car travel expenses. Some employers alternatively provide their employees with the use of a company-owned motor vehicle for the same purpose. The right of use of a motor vehicle provided by an employer to an employee for **private or domestic** purposes is regarded as a taxable benefit in the hands of the employee

b) The value to be placed on the private use of a motor vehicle is determined for each month or part of a month during which an employee was entitled to use the motor vehicle for private purposes

c) The employer provided motor vehicle can either be that such motor vehicle:

- was acquired by the employer under a bona fide agreement of sale or exchange concluded at arm's length
- held by the employer under a lease (excluding 'operating lease')
- Was held by the employer under a lease (excluding 'operating lease') and ownership was acquired by the employer on termination of the lease
- In any other case, where the employer first obtained the vehicle or the right of use

d) The value of the taxable fringe benefit is included in gross income and is equal to the **'value of private use'** *less* any consideration paid by the employee to the employer for the private use of the vehicle.

- For employer provided vehicles under an operating lease the value of private use is:
  - *Actual cost incurred under the operating lease + cost of fuel incurred on the same vehicle*
- For employer provided vehicles other than an operating lease the value of private use is:
  - *Fixed percentage per month x the determined value of the motor vehicle*
- Note: the fixed percentage per month depends on whether or not the vehicle is subject to a

maintenance plan

e) **Reduction of the fringe benefit value (i.e. value of private use):**

- The calculation for **'value of private use'** (i.e. fixed % per month x determined value of the motor vehicle or actual costs incurred under an 'operating lease' plus fuel) is based on the assumption that the motor vehicle is only used for private purposes (i.e. the employee does not use it for any business purposes) and that the employer bears all of the operating expenses.
- The Act, however, recognises that employees may use the motor vehicle for business purposes and may bear some of the costs associated with the motor vehicles.
- The fringe benefit value may be reduced if accurate records are kept of distances travelled for business purpose. The fringe benefit is reduced on assessment. It cannot be reduced by the employer.

8.6.1 EMPLOYER PROVIDED VEHICLE: OTHER THAN OPERATING LEASE

a) The provisions for employer related vehicles: other than operating lease are applicable to years of assessment commencing on or after 1 March 2011. Effective from 1 March 2011, you are required to maintain a logbook and keep accurate record of travelling costs incurred when claiming a deduction for the kilometres travelled against taxable amount on right of use of motor vehicles for the year of assessment. A logbook is available to all taxpayers, free of charge on the SARS website.

b) For more detailed information on this taxable fringe benefit, please refer to 'Interpretation Note: No. 72 - Right of Use of Motor Vehicle' on the SARS website

c) This section of the return must be completed if your employer granted you the benefit to use a motor vehicle(s) for business purposes. The cash equivalent of the taxable benefit will reflect on your IRP5/IT3(a) Employee Tax Certificate next to the codes **3802** and/or **3852**.

d) This section must be completed separately for each vehicle that was used for business purposes.

e) The value of the taxable fringe benefit is included in gross income and is equal to the **'value of private use'** *less* any consideration paid by the employee to the employer for the private use of the vehicle.

f) Value of private use:

- The **'value of private use'** is calculated as:
  - *Fixed percentage per month x the determined value of the motor vehicle*

g) Fixed percentage:

- The fixed percentage is generally 3,5% per month. However, the fixed percentage may be reduced to 3,25% of the determined value per month if the motor vehicle was the subject of a maintenance plan when it was acquired by the employer. In order for the fixed percentage to be reduced, the maintenance plan must commence at the same time that the motor vehicle is acquired by the employer.

h) Determined value of motor vehicle:

- Where the motor vehicle was acquired under a bona fide agreement of sale or exchange, it will be the original cost to the employer.
- Where the motor vehicle is held by the employer under a lease (other than an operating lease), it will be the retail market value at the time the employer first obtained right of use of the vehicle.
- The cash value of the motor vehicle if the motor vehicle is or was held under a lease as contemplated paragraph (b) of definition of 'instalment credit agreement' in the Value Added Tax Act.
- In any other case, it will be the market value of the motor vehicle at the time when the employer first obtained the motor vehicle or the right of use thereof.
- A reduction in the determined value of the vehicle will apply where the employer acquired the

vehicle or the right of the use of the vehicle not less than 12 months before the employee was granted the right of use. A depreciation allowance of 15% must be calculated using the reducing balance method.

- Where an employee who had the right of use of a motor vehicle is transferred with the same motor vehicle from an associated institution to a new employer, the determined value will be the value as at the date on which the employee was first granted the right of use of the vehicle.

i) Reduction for business use:

- On assessment, the value of the taxable fringe benefit will be reduced if the taxpayer has kept accurate records of the distances travelled for business purposes (i.e. a logbook) for that year of assessment.
- The amount of the business use reduction is calculated as:
  - *Value of Private Use x (Business Mileage / Total Mileage)*

j) Reduction when the employee incurs expenditure in relation to the motor vehicle:

- Note: the reductions discussed below are not applicable if the vehicle is held by the employer under an 'operating lease'.
- A taxpayer who bears the full cost of the licence, insurance or maintenance of the motor vehicle or the full cost of the fuel for the private use of the motor vehicle, is entitled to a reduction of the fringe benefit value provided that the taxpayer has kept accurate records of the distances travelled for business purposes (e.g. a log book) for that year of assessment.
- For licence or insurance or maintenance costs, the reduction is calculated as:
  - *(Private mileage / total mileage) x full cost of licence or insurance or maintenance cost*
- For fuel costs, the reduction is calculated as:
  - *Private mileage x deemed fuel rate per kilometre as per the Gazette.*
  - The gazette referred to above is the 'Fixing of Rate per Kilometre in respect of Motor Vehicles for the Purposes of Section 8(1)(b)(ii) and (iii) of the Income Tax Act, 1962' and is published on the SARS website.

Example: 1

Employer DEF purchased a motor vehicle for R300 000 (VAT inclusive) for the sole use by Mr Taxpayer as from 1 March 2014. Mr Taxpayer maintains a logbook which indicates a total of 40 000 km travelled, of which 10 000 km are business kilometres. The employer pays all costs. Mr Taxpayer pays his employer R1 000 per month for the use of the motor vehicle. The employer was not entitled to an input tax claim for VAT.

The value of the taxable benefit for Mr Taxpayer will be determined as follows:

Monthly value of private use (taxable fringe benefit) *(R300 000 x 3,5%* less monthly consideration of R1 000 paid by Mr Taxpayer)	9 500
Annual value of private use *(R9 500 x 12)*	114 000
Less: Business use reduction *= value of private use x business km / total km* *= (R114 000 x 10 000 km / 40 000 km)*	(28 500)
Cash equivalent of the value of the taxable benefit (i.e. subject to income tax on assessment)	**R 85 500**

Example: 2

Mr Taxpayer, an employee of Company ABC, has been granted the right to use Company ABC's motor vehicle. The motor vehicle was acquired by Company ABC at a cost of R400 000 (including VAT) and included a maintenance plan. Mr Taxpayer maintains a logbook which proves that a total of 36 000 km was travelled during the year of assessment, of which 17 000 km are business kilometres. Mr Taxpayer is responsible for full cost of licence, insurance and fuel costs incurred on the motor vehicle, which amounted to R650, R16 200 and R30 000, respectively. Mr Taxpayer also

pays Company ABC R1 000 per month for the use of the motor vehicle. Company ABC is not entitled to an input tax claim for VAT. Mr Taxpayer had the use of the motor vehicle for the full 2015 year of assessment

The value of the taxable benefit for Mr Taxpayer will be determined as follows:

Monthly value of private use (taxable fringe benefit) *(R400 000 x 3,25%* less monthly consideration of R1 000 paid by Mr Taxpayer)	12 000
Annual value of private use *(R12 000 x 12)*	144 000
Less: Business use reduction *= value of private use x business km / total km* *= (R144 000 x 17 000 km / 36 000 km)*	(68 000)
Less: Licence cost reduction *= actual cost x private km / total km* *= (R650 x 19 000 km / 36 000 km)*	(343)
Less: Insurance cost reduction *= actual cost x private km / total km* *= (R16 200 x 19 000 km / 36 000 km)*	(8 550)
Less: Maintenance cost reduction *= not applicable as Mr Taxpayer does not bear the full maintenance costs*	(0)
Less: Fuel cost reduction *= private km x fuel rate per km for 2015 as per Gazette* *= (19 000 km x R1.479)*	(28 101)
Cash equivalent of the value of the taxable benefit (i.e. subject to income tax on assessment)	**R 39 006**

k) LOGBOOK TO DETERMINE BUSINESS KILOMETRES TRAVELLED

- On the return select 'Y' or 'N' for the question **'Did you use a logbook to determine your business kilometres travelled?'**
- Your claim must be supported by a logbook which must be retained for a period of five years after the date of submission of the return, should SARS request it. The following minimum information relating to business kilometres travelled should be reflected:
  - Opening kilometres (at the beginning of the tax year or when you started using the vehicle for business purposes during the year of assessment)
  - Closing kilometres (at the end of the tax year)
  - Date on which the travel took place
  - The destination to and from
  - The kilometres travelled
  - The reason for the travel.
- Expenses that you incurred for travelling to and from your place of business and your residence are considered private expenses and are therefore not deductible.
- Effective from 1 March 2011 if you are a 'judge' or a 'Constitutional Court judge', paragraph 7(8A) of the Seventh Schedule makes an exception in respect of the private kilometres travelled. The kilometres travelled between your place of residence and the courts over which you preside are deemed to be kilometres travelled for business purposes.

l) DETAILS OF YOUR VEHICLE(S)

- The amount allowed as a deduction will be calculated programmatically by SARS. This calculation can only be done if you supply the following information on your return for each vehicle that you are claiming a deduction for the year of assessment
- **'Vehicle registration no'**.

- **'Car make'** (e.g. BMW or Volkswagen)
- **'Car model'** (e.g.125i (for BMW) or Polo (for Volkswagen))
- **'Year manufactured'** (i.e. which is the year of initial registration of the vehicle)
- **'Cost price or cash value'**
- **'Fringe Benefit Value'**
  - Insert the amount reflected on your IRP5/IT3(a) certificate next to source codes **3802** (use of motor vehicle) or **3852** (foreign use of motor vehicle)
  - If you have used more than one employer provided vehicle during the year of assessment, your employer should provide you with a letter specifying the value of the fringe benefit for each motor vehicle that was used during that period.

m) **DETAILS OF KILOMETRES TRAVELLED**

- **'Starting date'** – this is the beginning of the year of assessment or the date you started using the vehicle for business purposes during the year of assessment.
- **'Closing date'** – this is the end of the year of assessment or the date you stopped using the vehicle for business purposes during the year of assessment
- **'Opening kilometres'** – odometer reading as at the starting date
- **'Closing kilometres'** – odometer reading as at the closing date
- **'Total kilometres'** – total kilometres travelled with this vehicle, i.e. difference between opening and closing kilometres
- **'Business kilometres'** – this will be the actual business kilometres according to your logbook.

n) **FULL COST INCURRED BY THE EMPLOYEE (NO REIMBURSEMENT BY THE EMPLOYER)**

- If your employer fully or partially reimburses you (the employee) for the amounts paid for licence, insurance, maintenance or private cost of fuel, you **may not** deduct any private expenses for the items so reimbursed.
- On the return select 'Y' or 'N' to indicate if you were fully or partially reimbursed by the employer for each of the following:
  - **'Insurance'**
  - **'License Fees'**
  - **'Maintenance'**
  - **'Fuel'**
- Insert the amount for the following expenses:
  - **'Insurance'**
  - **'License Fees'**
  - **'Maintenance'**
- Select 'Y' or 'N' to indicate if a maintenance plan was included in the purchase price of the vehicle provided by your employer?
  - **Note**: The maintenance expense will not be allowed if the maintenance plan was included in the purchase price of the vehicle provided by the employer.
- **Adjustment to the cash equivalent benefit -** The cash equivalent benefit received will be reduced as follows on assessment:
  - **Business kilometres travelled:** cash equivalent x business kilometres/total kilometres
  - **Private kilometres travelled**:

Full cost paid by employee	Reduce cash equivalent benefit with
Cost of licence	Cost x private kilometres/total kilometres
Cost of insurance	Cost x private kilometres/total kilometres
Cost of maintenance	Cost x private kilometres/total kilometres
Cost of fuel for private use	Private kilometres x fuel rate per kilometre per Gazette

8.6.2 EMPLOYER PROVIDED VEHICLE: OPERATING LEASE

a) The legislative change to employer-provided motor vehicles (company cars) is effective from 1 March 2013.

b) You can only claim deductions for an employer provided vehicle - under an operating lease if your IRP5/IT3(a) certificate reflects income for either source codes **3816** and/or **3866**. This section of the return must be completed separately for each vehicle that was used for business purposes

c) The lease agreement must satisfy the following conditions to be defined as an operating lease:

- The employer must lease the vehicle from a lessor in the ordinary course of the lessor's business (not being a banking, financial services or insurance business)
- The vehicle must be available to lease to the general public for a period of less than a month
- The costs of maintaining the vehicle (including any repairs due to normal wear and tear) must be borne by the lessor; and
- Subject to the claim a lessor may have against a lessee (e.g. employer) for failing to take proper care of the vehicle, the risk of loss or destruction of the vehicle must not be assumed by the lessee (e.g. employer).

d) Where the above-mentioned lease requirements are not met (e.g. lease is defined as a finance lease), the fixed percentage per month of determined value method must be used to calculate the 'value of private use'

e) The **'value of private use'** is calculated as: '*Actual cost incurred under the operating lease'* + *'cost of fuel incurred on the same vehicle'*

f) The business use reduction for each vehicle is calculated as the: '*Fringe Benefit Value' x [Business km / Total km].*

- See example in the table above.
- The deduction for each vehicle is limited to the fringe benefit value for that specific vehicle

g) **LOGBOOK TO DETERMINE BUSINESS KILOMETRES TRAVELLED**

- On the return select 'Y' or 'N' for the question **'Did you use a logbook to determine your business kilometres travelled?'**
- Your claim must be supported by a logbook which must be retained for a period of five years after the date of submission of the return, should SARS request it. The following minimum information relating to business kilometres travelled should be reflected:
  - Opening kilometres (at the beginning of the tax year or when you started using the vehicle for business purposes during the year of assessment)
  - Closing kilometres (at the end of the tax year)
  - Date on which the travel took place
  - The destination to and from
  - The kilometres travelled
  - The reason for the travel.
- Please note that without all the information required in this section, SARS will not be able to calculate your reduction claim and will therefore not consider any reduction claim.

h) **DETAILS OF YOUR VEHICLE(S)**

- The amount allowed as a **deduction** will be calculated programmatically by SARS. This calculation can only be done if you supply the following information for each vehicle that you are claiming a deduction for the year of assessment:
  - **'Vehicle registration no**.'
  - **'Fringe Benefit Value'**
- Insert the amount reflected on your IRP5/IT3(a) certificate next to source codes **3816** (use of motor vehicle acquired by employer under operating lease) or **3866** (foreign use of motor vehicle acquired by employer under operating lease).
- If you have used more than one employer provided vehicle during the year of assessment, your employer should provide you with a letter specifying the value of the fringe benefit for each motor vehicle that was used during that period.

i) **DETAILS OF KILOMETRES TRAVELLED**

- **'Starting date'** – this is the beginning of the year of assessment or the date you started using the vehicle for business purposes during the year of assessment.
- **'Closing date'** – this is the end of the year of assessment or the date you 'stopped using the vehicle for business purposes during the year of assessment
- **Opening kilometres'** – odometer reading as at the starting date
- **'Closing kilometres'** – odometer reading as at the closing date
- **'Total kilometres'** – total kilometres travelled with this vehicle, i.e. difference between **opening and closing kilometres**
- **'Business kilometres'** – this will be the actual business kilometres according to your logbook.

8.6.3 USE OF MOTOR VEHICLE FOR 2011 YEAR OF ASSESSMENT AND PRIOR YEARS

a) For the 2011 year of assessment and prior years the following applies to the use of motor vehicle:

- The taxable benefit which arises from the private use of a motor vehicle supplied by an employer is based on the assumption that the distance covered for private use (including travel between home and work) amounts to 10 000 km for the year. If the taxpayer travelled less than 10 000 km and has kept accurate records in the form of a logbook, a deduction may be claimed, and the amount must be reflected in the 'Other deductions' section of the return next to code **4046**
- A copy of the logbook must be retained for a period of five years after the date of submission of the return and must be available should SARS request it.
- The reduction in the value of the benefit will not apply where more than one vehicle was made available to the taxpayer at the same time and only the benefit of the more expensive vehicle has been taken into account as a fringe benefit. This principle will apply unless less than 10 000 km have been travelled with both vehicles individually.

8.7 DONATIONS ALLOWABLE IN TERMS OF S18A TO APPROVED ORGANISATIONS

8.7.1 DONATIONS TO THE SOLIDARITY FUND

a) Contributions made by a taxpayer to the Covid-19 Solidarity Fund during the period 1 April 2020 – 30 September 2020 qualify for a tax deduction:

- This section will only display on the return for the 2021 year of assessment.
- The existing donation deduction of 10% is applicable to the donation to the Solidarity Fund (source code 4055).
- If the excess donation amount, after allowing an amount under code 4011, is attributable to a donation to the Solidarity Fund, that portion is granted an additional 10% deduction (source code 4055).
- Any further excess will be consolidated and carried forward to the subsequent year of assessment under source code 4011. The deductible donation amount in the subsequent year of assessment reverts to 10%.

b) On your return:

- Insert the **'Total amount donated during the period 1 April 2020 to 30 September 2020'** – source code **4055**.
  - The amount entered in the above field must exclude amounts already on the IRP5 certificate and any other allowable donations made (described in the section below).
  - Note: Any donation made to the solidarity fund after 30 September 2020 must be included under source code **4011.**
- Complete the '*PBO number*'.

8.7.2 DONATIONS (EXCLUDING ANY AMOUNT ALREADY ON THE IRP5 CERTIFICATE AND ANY OTHER ALLOWABLE DONATIONS MADE)

a) In terms of section 18A the deduction for the year of assessment will be limited to 10% of taxable income (excluding any retirement fund lump sum benefit, retirement fund lump sum withdrawal benefit and severance benefit), and before taking into account any deduction in terms of this section. This limitation will be done programmatically by SARS. The excess amount (if any) will be carried forward programmatically to the following year of assessment for possible deduction in subsequent years of assessment.

b) A donation amount will only qualify as a deduction if the receipt/certificate issued by the donee states that it is issued in terms of section 18A of the Income Tax Act. Below are some exceptions:

- Employees sometimes make donations through their employer and receive the benefit of a reduction in the monthly PAYE deducted. The donation will reflect under source code 4030 on the employees' IRP5 certificate issued by the employer. In these instances, the IRP5 certificate will be accepted as proof of donations in terms of section 18A(2)(b) of the Income Tax Act. Upon assessment, the system will convert source code 4030 (reflected on the IRP5 certificate) to 4011 and allow the deductions to be claimed by the taxpayer
- Government entered into a bilateral agreements with private landowners to conserve and maintain particular areas of land for the public good. Section 37C of the Income Tax Act allows for a deduction of environmental maintenance, rehabilitation and management expenses and also a deduction of loss of land user rights associated with conservation agreements (limits apply). Under section 37(C)(3), expenditure incurred on the conservation and maintenance of certain protected areas (national parks, nature reserves and protected environments) will be deemed as a section 18A donation paid or transferred to the government, irrespective of whether a certificate was issued. For more information refer to Binding General Ruling No. 24 (issue 2) on the SARS website. Note: If a section 37C(3) deemed donation should be taken into account on the assessment issued to you, please make an appointment with SARS or log onto eFiling to complete a Request for Reduced Assessment (RRA01) form. You will be required to provide the following supporting documents:
  - Deed of transfer (title deed) to confirm land ownership
  - Schedule for expenditure claimed (e.g. invoices/contracts/other evidence showing the expenditure incurred)
  - A copy of the Government Gazette issued to declare the land as national park or nature reserve or protected environment for a duration of at least 30 years
  - A written confirmation/affidavit that the taxpayer has not acted in breach or violated the declaration in terms of the Government Gazette.

c) On your return complete the following:

- Insert the **'Total amount donated during the year of assessment'** next to source code **4011**
- Complete the following fields for each PBO:
  - **'Name of Entity/Organisation'** – applicable from the 2024 YOA
  - **'PBO number'** – this is the reference number as indicated on the receipt received from the organisation.
  - **'Amount donated to this organisation'**
    - The amount entered in this field must exclude any Solidarity Fund Donations made during the period 1 April 2020 to 30 September 2020.
  - If you made donations to more than twenty Public Benefit Organisations (PBO's), then only the details of the top twenty PBO's must be completed on the return

d) On assessment, the PBO number declared on your return will be validated to determine if it was active/approved and applicable for that particular year of assessment. If the PBO number does not pass the validation, the deduction will be disallowed and the applicable reason below will display on your notice of assessment (ITA34):

- 'Valid PBO number not approved for S18A'
- 'Invalid PBO number'
- 'PBO number invalid for the reported year of assessment'

- 'Not a S18A approved institution for this year of assessment'

8.7.3 EXAMPLES

Example 1

Taxpayer A's taxable income for the 2021 year of assessment is R500 000.
On 30 May 2020 Taxpayer A donated R70 000 to the Covid-19 Solidarity Fund. Assume this was the only donation for the year of assessment

Calculation of allowable deduction

Step one: Code 4011

Donation to Solidarity Fund	R70 000
Less: Deduction allowed (limited to 10% of taxable income)	(R50 000)
Excess donations	**R20 000**

Step Two: Code 4055
If the excess donation is attributable to Solidarity Fund, allow further 10%

Excess	R20 000
Less: Additional deduction (limited to 10% of taxable income before any s18A deduction)	(R20 000)
Excess donation carried forward to subsequent YOA	**R0**

Note: the full amount of R70 000 donated to the Solidarity Fund will be allowed as a deduction on Taxpayer A's 2021 year of assessment.

Example:2

Taxpayer B's taxable income for the 2021 year of assessment is R500 000.
On 30 May 2020 Taxpayer B donated R70 000 to the Covid-19 Solidarity Fund. On 1 November 2020 he donated R100 000 to an approved organisation and was issued a section 18A receipt.

Calculation of allowable deduction

Step one: Code 4011

Donation to approved organisation	R100 000
Donation to Solidarity Fund	R70 000
Total donations	R170 000
Less: Deduction allowed (limited to 10% of taxable income)	(R50 000)
Excess donations	**R120 000**

Step Two: Code 4055
If the excess donation is attributable to Solidarity Fund, allow further 10%

Excess	R120 000
Less: Additional deduction (limited to 10% of taxable income before any s18A deduction)	(R50 000)
Excess donation carried forward to subsequent YOA	**R70 000**

The balance of R70 000 will be carried forward to the following year of assessment and will be reflected against source code 4011.

Example:3

Taxpayer C's taxable income for the 2021 year of assessment is R500 000.
On **30 October 2020** Taxpayer C donated R70 000 to the Covid-19 Solidarity Fund. On 1 November

2020 he donated R100 000 to an approved organisation and received a section 18A receipt.

Calculation of allowable deduction

Step one: Code 4011

Donation to approved organisation	R100 000
Donation to Solidarity Fund	R70 000
Total donations	R170 000
Less: Deduction allowed (limited to 10% of taxable income)	(R50 000)
Excess donations	**R120 000**

Step one: Code 4011
If the excess donation is attributable to Solidarity Fund, allow further 10%
This is only applicable for donations made from 1 April to 30 Sept 2020. As the donation was made after 30 Sept 2020, it cannot qualify for the additional 10% deduction.

The balance of R120 000 will be carried forward to the following year of assessment and will be reflected against source code 4011

8.8 OTHER DEDUCTIONS

a) In terms of the Income Tax Act, only certain deductions are allowed if a taxpayer earns a salary. Some of these deductions, such as pension fund and retirement annuity fund contributions, have already been addressed in this guide. The remaining deductions that may qualify are discussed below.

8.8.1 EXPENSES AGAINST LOCAL AND/OR FOREIGN TAXABLE SUBSISTENCE ALLOWANCE

a) If you received local subsistence allowance reflected under source code 3704, the amount claimed must be based on the actual expenses or the deemed expenses in terms of section 8(1)(c)(ii) of the Income Tax Act. The expenses claimed must be inserted next to code **4017** in the 'Other deductions' section of the return.

b) If you received a foreign subsistence allowance it will reflect under code 3715 or 3754 on the IRP5/IT3(a) Employee Tax Certificate. The expenses claimed must be inserted next to code **4019** in the 'Other Deductions' section of the return.

c) A schedule detailing the following must be prepared to substantiate the claim:

- The period in respect of which the expenses were claimed
- The destination where the money was spent
- The total number of days for which expenses were claimed
- Specify whether local or foreign expenditure.

d) Proof of payment to support the expenses claimed must be retained for a period of five years.

8.8.2 DONATIONS ALLOWABLE IN TERMS OF SECTION 18A TO APPROVED PUBLIC BENEFIT ORGANISATIONS

a) This field will display in this section of the return for the 2014 year of assessment and prior years.

b) The deduction amount must be the same as the amount reflected on the receipt that was received. The donation amount will only qualify as a deduction if the receipt states that it is issued in terms of section 18A of the Income Tax Act. Enter the amount on the receipt next to code **4011**.

8.8.3 DEPRECIATION - SECTION 11(e)

a) Section 11(e) makes provision for the taxpayer to claim an amount representing the diminishing value of an asset which is owned by the taxpayer and used for the purpose of his/her trade.

b) If you own an asset (for example a computer) and used the asset for the purpose of trade, you will be entitled to claim depreciation on the asset. The amount calculated must be reflected next to the code **4027** in the 'Other Deductions' section of the return.

c) For more information refer to Interpretation Note: No. 47: Wear-and-Tear or Depreciation Allowance. Provision is made for 'small items' (an item that normally functions on its own and does not form part of a set) that are acquired and the cost thereof does not exceed R7 000 to be written off in full in the year in which the asset is acquired.

d) Receipts or proof of purchase and payment of such items must be retained for a period of five years to substantiate the claim, should it be requested by SARS.

8.8.4 HOME OFFICE EXPENSES - SECTION 11(a) read with s23(b) and 23(m)

a) A taxpayer can claim home office expenses if the requirements for section 11 are met and the prohibitions of section 23(b) and 23(m) do not apply.

- Section 11 provides for the deductions that a person who is carrying on a trade can claim
- Section 23(m) prohibits the deduction of any expenses in respect of a residential/domestic premises, except if a part of the residential premises is used for purposes of trade by a person in employment, a commission earner or a holder of office.
- Where part of the residential premises is used for trade, the requirements of section 23(b) must be met to claim qualifying home office expenses.

b) In terms of section 23(b) a part of the residential premises will only be regarded as being used for trade if the following requirements are met:

- It is **occupied** for the purposes of the taxpayer's trade
- It is specifically **equipped** for purposes of the taxpayer's trade.
  - Examples: medical equipment required for a dentist's room, tools for a mechanic, desk/ computer/chair for an office type worker.
- It is used **regularly** for the purposes of the taxpayer's trade (i.e. frequently)
  - The taxpayer will not meet the requirement of '*regular use'* if for example he/she works once a week from the part of the residential premises and for the rest of the week from a separate business premises/the employer's premises.
- It is used **exclusively** for the purposes of the taxpayer's trade
  - The taxpayer will not meet the requirement of '*exclusive use'* if for example he/she works in the lounge/dining room, if these rooms are also used for their normal purposes; or if the taxpayer and the spouse share the dedicated study/room in the home to work (as the room is being shared it is not used exclusively for the taxpayer's trade only).

c) If the income against which the deduction is claimed flows from the holding of employment or an office, no deduction is allowed unless:

- The income from such employment or office is derived mainly from commission or other variable payments which are based on work performance, and duties are **mainly** performed otherwise than in an office provided by an employer
- The taxpayer's duties are **mainly** performed in that part of the private residence occupied for purposes of his/her work (e.g. a study).
- "Mainly" means more than 50%.

d) Examples of expenses that may be claimed:
- Rates and taxes,
- Cleaning costs,
- Electricity,
- Repairs,
- Interest on bond (2022 YOA and prior).

- Please note: Interest on bond is not deductible from the 2023 YOA onward.

e) Should a taxpayer qualify for a deduction, the amount must be calculated on the following basis: **A / B x total costs**, where:

- A = the area in m² of the area specifically equipped and used regularly and exclusively for trade
- B = the total area in m² of the residence (including any outbuildings and the area used for trade in the residence)
- Total costs = the costs incurred in the acquisition and upkeep of the property (excluding expenses of a capital nature).

f) Enter the expense amount calculated next to the code **4028** on your return.

g) Please note: SARS may request the following information to verify the claim:

- Floor space diagram or plan showing square meters of the building and office
- Letter from employer confirming that the employee was expected to work from home, the nature of work performed at home, the periods during the tax year the employee was expected to work from home
- Photographs to show dedicated and specifically equipped area
- Invoices, statements of actual expenses related to the property
- Invoices and calculation of wear and tear for equipment.

h) For more information and examples refer to **Interpretation Note: No. 28: Deductions of Home Office Expenses Incurred by Persons in Employment or Persons Holding an Office**.

8.8.5 TRAVEL EXPENSES (E.G. COMMISSION INCOME)

a) If you are a commission earner and you did not receive a travel allowance, you may claim a deduction for travel expenses incurred in the production of your income if you kept a logbook. The logbook must be retained for a period of 5 years after the date of submission of the return.

- Complete the amount for your claim next to source code **4015**.
- This field will be unlocked if commission income (3606) declared is greater than R0 and the total commission exceeds 50% of the total income on the IRP5 certificates

b) Taxpayers who do not have a vehicle and receive a fixed travelling allowance (source code 3701) and/or a reimbursement travel allowance (source codes 3722/3702) may claim the travel expenses incurred for using public transport (e.g. Uber, Gautrain) for business purposes. To cater for this, the field for source code **4015** will be unlocked if the IRP5 certificate reflects an amount under income source code 3701 and/or 3702 and/or 3722.

- Please insert the amount of the expenses incurred for using public transport for business travel. The amount inserted in this field may not exceed the sum of the amounts for source codes 3701, 3702 and 3722.
- Note: a taxpayer who wishes to claim public transport travel costs, must retain proof of payment as well as records to prove that the travel was business related. Whilst a traditional logbook is not necessary as the taxpayer does not need to record vehicle mileage, all the other relevant details such as the reason for business travel, date, person/entity visited etc. would still need to be provided.

8.8.6 AMOUNTS REFUNDED IN TERMS OF SECTION 11(nA) AND 11(nB)

a) Certain amounts that were received from the employer and taxed in a previous year of assessment and then subsequently refunded to the employer during the current year of assessment (possibly due to resolute conditions attached to the obligation to pay), can be claimed as a deduction. Examples of these are:

- Maternity leave payments
- Bursaries
- Restraint of trade

b) The refund to the employer must be reflected next to the source code **4042.**

Example:

A taxpayer received a taxable fringe benefit for a bursary to the amount of R10 000 from his employer during the 2018 year of assessment and was taxed on the amount in the 2014 year of assessment. The conditions in the contract with the employer stated that the taxpayer must remain an employee for the duration of two years following receipt of the bursary. One year after receiving the bursary (2019), the taxpayer resigns. Since the taxpayer fails to fulfil his conditions of the contract, he must refund the R10 000 to the employer. As this amount was fully taxed at the time of receipt, the taxpayer can now claim a deduction for the amount paid back to the employer.

8.8.7 ALLOWABLE ACCOUNTANCY FEES – SECTION 11(a)

a) The deduction for Accountancy / Administration Fees for the completion of Income Tax returns will be allowed when business income or any of the following income sources are applicable:

- Commission
- Local Interest
- Royalties
- Other Receipts and Accruals
- Foreign Dividends
- Foreign Interest
- Other Foreign Income
- Pension annuity
- Retirement Annuity
- Purchased annuity

b) Only professional fees which were actually paid or are payable for the completion of the Income Tax return can be considered as a deduction. No deduction will be allowed against remuneration in the form of salary or wages.

c) Investment income will only be considered if the amount was taxable. Since interest income up to R23 800 for persons under 65 years and up to R34 500 for persons over 65 years is exempt from Income Tax from the 2015 year of assessment onwards, fees paid will only be allowed as a deduction to the extent that it does not create a loss.

d) Note that annuity income is not considered to be investment income for the purpose of the deduction in respect of allowable accountancy fees.

e) In the case of a pensioner whose financial affairs (pensions, annuities, investment income, etc.) are administered by a banking institution, board of executors or similar institution, the administration fees paid to the institution including any fees for the completion of tax returns will qualify for deduction

f) The amount paid or payable must be completed next to source code **4043.**

g) For more information refer to Practice Note: 37 on the SARS website.

8.8.8 LEGAL COSTS - SECTION 11(c)

a) You may claim legal costs incurred if it is directly related to a salary package. Examples:

- A CCMA case where the claim (resulting from a court order) is included in income; or
- An out of court settlement in respect of labour disputes that will result in the taxpayer receiving an amount that is taxable.

b) All documents and proof supporting the claim must be available on request. The legal costs claimed must be completed next to source code **4044.**

8.8.9 BAD AND DOUBTFUL DEBT - SECTION 11(i) and (j)

a) You are entitled to claim a deduction in respect of bad debt and/or doubtful debt up to the time when you regard the debt as bad or doubtful and provided this amount was included in your income for the current or previous year of assessment. The determination of when a debt is bad/doubtful must be made at the time when the deduction is claimed.

b) The facts and circumstances must be determined for each debt and debtor.

c) When claiming this deduction, the following information must be retained for a period of five years and must be available on request:

- The name of the debtor
- The date when the debt was incurred
- The reason for writing the debt off
- The circumstances under which the debt was incurred
- Circumstances of the debtor (e.g. loss of employment, economic factors).

d) The amount claimed must be completed next to the source code **4045.**

8.8.10 SECTION 8C LOSSES

a) Section 8C makes provision for any loss incurred by a director or an employee as a result of the vesting of any equity instruments during a year of assessment. All documents to support your claim must be kept for a period of 5 years after the date of submission of the return and must be made available to SARS should it be requested.

b) The loss amount must be completed next to source code **4031.**

8.8.11 HOLDERS OF A PUBLIC OFFICE - SECTION 8(1)(d)

a) Any allowance granted to a holder of a public office to pay expenses incurred relating to his/her office, is deemed to have been expended to the extent that he/she has incurred the following expenses for his/her office:

- Secretarial services, telephone, stationery, office accommodation, postage, traveling or hospitality extended at any official or civic function which the holder of such office is by reason of such office normally expected to arrange
- Subsistence and incidental costs while away from his/her usual place of residence.

b) The amount must be completed next to the source code **4047.**

8.8.12 REMUNERATION FOR FOREIGN EMPLOYMENT SERVICES THAT QUALIFIES FOR SECTION S10(1)(o)(i) EXEMPTION

a) The amount that qualifies as an exemption will reflect as foreign income on your IRP5/IT3(a) Employee Tax Certificate. For the 2023 YOA and prior, this exempt amount must be inserted as a deduction next to source code **4033** in the 'Other deductions' section of the return.

- For the 2017 YOA - 2022 YOA this field will display as: *'Remuneration taxed on IRP5 but comply with exemption in terms s10(1)(o)(i)'* – source code 4033

b) Please also refer to the section on 'Qualifying criteria for s10(1)(o)(i)'.

8.8.13 REMUNERATION FOR FOREIGN EMPLOYMENT SERVICES THAT QUALIFIES FOR SECTION 10(1)(o)(ii) EXEMPTION (EXCLUDING S8A/8C GAINS & DIVIDENDS)

a) For the 2017 – 2023 YOA, if foreign income is reflected on your IRP5/IT3(a) Employee Tax Certificate, the amount considered as exempt must be inserted as a deduction next to source code **4041** in the 'Other deductions' section of the return. Note that proof of entries and exits from the South Africa could be requested to prove compliance with the provisions as set out in section 10(1)(*o*)(ii).

b) Please also refer to the section on 'Qualifying criteria for s10(1)(o)(ii) exemption (excluding s8A/8C gains and dividends)' below.

8.8.14 REMUNERATION (s8A/8C GAINS) TAXED ON IRP5 BUT COMPLY WITH EXEMPTION IN TERMS OF SECTION 10(1)(o)(ii)

a) If income is reflected next to source codes 3707, 3757, 3718 and/or 3768 on the IRP5/IT3(a) Employee Tax Certificate, the amount considered as exempt in terms of section 10(i)(o)(ii) must be inserted as a deduction next to code **4032** in the 'Other deductions' section of the return.

- This field is only applicable to the 2017, 2018, 2022 and 2023 YOA.
- For the 2019, 2020 and 2021 year of assessment, this section of the return was moved to the tax directive form (IRP3(s)). The employer will complete this form and apply for tax the directive on behalf of the employee. When the ITR12 is assessed, the SARS system will take the exemption granted on the tax directive (s8A/8C) into account. From 2022 YOA, shares sold must be declared on both the IRP3(s) form and ITR12 return. For more information please refer to 'IT-AE-41-G01 - Completion Guide for IRP3(a) & IRP3(s) Form' on the SARS website.

b) Please also refer to the section on Qualifying Criteria for s10(1)(o)(ii) Exemption Relating to s8A/8C gains (excluding dividends)

8.8.15 DEDUCTION OF INTEREST REPAID TO SARS (IN TERMS OF SECTION 7F) THAT WAS PREVIOUSLY TAXED IN TERMS OF SECTION 7E

a) This field is only applicable from the 2020 year of assessment.

b) In terms of section 7F if a taxpayer declared SARS interest in his/her taxable income in the year of assessment in which it was received and then in a subsequent year repays that interest to SARS, the portion that is actually paid back (limited to the amount that was included in a prior year's taxable income) can be claimed as a deduction.

c) Insert the interest repaid next to source code **4052.**

8.8.16 DEDUCTION ITO S6quat (1C) FOR FOREIGN TAXES PAID OR PROVED TO BE PAYABLE TO A FOREIGN GOVERNMENT OF ANY COUNTRY ON ANY SA SOURCED TRADE INCOME

a) This field is only applicable from the 2019 year of assessment.

b) You can only claim this deduction if one or more of the following income was declared on the return:

- IRP5 Income
- Local Rental Income
- Local Business, Trade & Professional Income
- Other Taxable Receipts & Accruals
- Local Farming Income
- Trust Income (local remuneration / local rental / local business & trade / local farming / other local income).

c) Insert the amount next to source code **4053.**

d) If an amount is entered next to source code 4053, complete the fields in the following section: *'Qualifying criteria for the deduction of foreign taxes paid or proved to be payable to a foreign government of any country on any South African sourced trading income (including salary income)'*

- **'Did you have a right of recovery other than a right of recovery i.t.o a mutual agreement procedure or any entitlement to carry back losses arising during any previous year of assessment?' – select Y or N.**
- **'Was this foreign tax amount refunded to you during this year of assessment?'** – select Y or N.
- **'Taxable income from SA sourced trade income (including salary income) taxed outside the RSA (before taking into account any allowable deductions i.t.o. s11F, s18A and s6quat(1C), as these deductions will be calculated by SARS)'**

8.8.17 COMMISSION INCOME EXPENDITURE - SECTION 11(a)

a) If you earned remuneration mainly in the form of commission and if you incurred expenses that are not specifically addressed in the sections above:

- Such expense items (excluding travel expenses) must be consolidated and the total amount inserted in the field 'Other' next to the code **4016**
- A description of these expenses must be provided.

b) All calculations, receipts and other supporting documentation must be retained for a period of five years after the date of submission of the return and must be made available to SARS on request.

8.9 QUALIFYING CRITERIA (s10(1)(o)

8.9.1 QUALIFYING CRITERIA FOR s10(1)(o)(i)

a) This questions in this section of the return will display for completion in the following instances:

- From the 2017 to 2023 YOA – if an amount is entered for source code **4033** in the 'Other Deductions' section
- From the 2024 YOA – if the taxpayer selected the form wizard question '*Mark with an "X" if you received any form of remuneration for foreign services rendered, subject to tax outside RSA and s10(1)(o)(i) exemption applies'.*

b) Section 10(1)(o)(i) refers to exempt remuneration derived by any person as an officer or crew member of a ship engaged in international transportation for reward of passengers or goods. The remuneration

is exempt if the person was outside the RSA for a period exceeding 183 full days in aggregate during the year of assessment.

c) Complete the following *qualifying criteria* questions on the return:

- **'Are you a SA resident as defined in the Income Tax Act?' – Select Y or N**
- **'Were you employed as an officer or crew member to render services on a ship outside SA?' – Select Y or N**
- **'If yes, please state the total number of full days you were outside SA to render services during this year of assessment'**
- **'Income received from foreign employment services not reflected on a South African IRP5/IT3(a) certificate, subject to tax outside RSA and the s10(1)(o)(i) exemption applies' – source code 4299.**
- **'Remuneration received/accrued in respect of foreign services rendered reflected on a South African IRP5/IT3(a) certificate, subject to tax outside RSA and the s10(1)(o)(i) exemption applies'**
- **'Total remuneration received / accrued during this year of assessment in respect of foreign services rendered'**
  - This field will be auto calculated and locked.
- **'Remuneration for foreign employment services that qualifies for s10(1)(o)(i) exemption'** – source code **4033**.
  - This field will only display from the 2024 YOA.
  - The amount captured must be equal to the '*Total Remuneration received/accrued during this year of assessment in respect of foreign services rendered'*.
  - Note: for the 2023 YOA and prior, the field for source code 4033 will display in the 'Other Deductions' section.
- Insert the **'Remuneration receive/accrued in respect of foreign services rendered'**.
  - Applicable to the 2023 YOA and prior

8.9.2 QUALIFYING CRITERIA FOR s10(1)(o)(ii) EXEMPTION (excluding s8A/8C gains and dividends)

a) This questions in this section of the return will display for completion in the following instances:

- From the 2017 to 2023 YOA – if an amount is entered for source code **4041** in the 'Other Deductions' section
- From the 2024 YOA – if the taxpayer selected the form wizard question *'Mark with an "X" if you received any form of remuneration for foreign services rendered, subject to tax outside RSA and the s10(1)(o)(ii) exemption applies(excluding s8A/8C gains and dividends)'*

b) Refer to the section on 'Residence basis of taxation' above.

c) Where remuneration (e.g. salary, leave, bonus, commission, allowance or an amount referred to in section 8B or 8C) is received for services rendered to an employer outside South Africa such income received could be exempt in terms of section 10(1)(o)(ii) if the employee was outside South Africa:

- for a period exceeding 183 full days in any twelve month period, and
- for a continuous period of 60 days during the twelve month period and the services were rendered during the period.
- Note: the '183 day requirement' described above (for employment outside South Africa) has been reduced to 117 full days if the twelve month period ended on/after 29 February 2020 but on/before 28 February 2021. This is a Covid-19 relief measure intended to provide reprieve for the lockdown period when residents were not allowed to travel outside South Africa.

d) If a South African tax resident who is an employee renders services outside South Africa on behalf of an employer, and the "days" requirements (described above) are met:

- The **entire portion** of the remuneration relating to the services rendered abroad will qualify for

exemption if the year of assessment is prior to 1 March 2020
- The **first R1.25 million** of foreign employment income earned will qualify for exemption if the year of assessment is on or after 1 March 2020. Any foreign employment income above R1.25 million will be taxed in South Africa, applying the normal tax tables for that particular year of assessment
- For more information refer to Interpretation Note No. 16: Exemption from Income Tax - Foreign Employment Income

e) This provision does not apply to employees of national, provincial or local governments and to employees of certain public entities.

f) Source code 4041 may not be claimed against the following income sources, which may appear on the IRP5/IT3(a):

- 3602 – Income non-taxable
- 3652 – Foreign income non-taxable
- 3703 – Reimbursive travel allowance non-taxable
- 3753 – Foreign reimbursive travel allowance non-taxable.

g) Complete the following *qualifying criteria* questions on the return:

- **'Are you a SA resident as defined in the Income Tax Act?'** – Select Y or N
- **'Confirm that the remuneration against which this exemption is claimed was not derived i.r.o. the holding of a public office as contemplated in s9(2)(g), or from services rendered/ work/ labour performed for the SA government/municipality/ constitutional institution/ SA public entity as contemplated in s9(2)(h) of the Income Tax Act'** – Select Y or N
- **'Were you employed to render services outside SA?'** – Select Y or N
- **'If yes, please state the total number of full days you were outside SA during any 12 month qualifying period'**
  - 'Start date of the 12 month qualifying period (CCYYMMDD)'
  - 'End date of the 12 month qualifying period (CCYYMMDD)'
  - 'Total number of full days outside SA during the 12 month qualifying period'
  - 'Did you within the period indicated above spend a continuous period exceeding 60 full days outside SA?'
- **'Total number of work days during the above qualifying period relating to this year of assessment'**
- **'Total number of work days outside South Africa during the above qualifying period relating to this year of assessment'**
- **'Income received for foreign employment services not reflected on a South African IRP5/IT3(a) certificate, subject to tax outside RSA and the s10(1)(o)(ii) exemption applies'** – source code **4259**
  - Applicable from the 2024 YOA
- **'Remuneration Exempt'**
  - This field must be completed for the 2023 YOA and prior
- **'Remuneration received/accrued in respect of foreign services rendered reflected on a South African IRP5/IT3(a) certificate, subject to tax outside RSA and the s10(1)(o)(ii) exemption applies'**
  - This field must be completed from the 2024 YOA
- **'Remuneration for foreign employment services that qualifies for s10(1)(o)(ii) exemption (excluding s 8A/8C gains and dividends)'** – source code **4041**
  - This field will only display from the 2024 YOA. The amount inserted must be equal to or less than the '*Total remuneration received / accrued during this year of assessment in respect of foreign services rendered*'.
  - Note: for the 2023 YOA and prior, the field for source code 4041 will display in the 'Other Deductions' section.
- **'Total remuneration received/accrued during this year of assessment in respect of foreign services rendered'**
  - For the 2023 YOA and prior, this field will be editable
  - From the 2024 YOA this field will be auto calculated and locked.
- **'Foreign Tax Credit on income received for foreign employment services not reflected on**

a South African IRP5/IT3(a) certificate, subject to tax outside RSA and the s10(1)(o)(ii) exemption applies'
  - For the 2023 YOA and prior, this field will be populated with the amount from the Foreign Income Excl. Investment section and is not editable here.
  - From the 2024 YOA this field is editable.
- **'Foreign Tax Credit on income received for foreign employment services reflected on a South African IRP5/IT3(a) certificate, subject to tax outside RSA and the s10(1)(o)(ii) exemption applies'**
  - Applicable from the 2021 YOA
- **'Total Foreign Tax Credit on foreign employment services'** – source code **4123**
  - From the 2024 YOA total for source code 4123 will be auto calculated.

8.9.3 QUALIFYING CRITERIA FOR s10(1)(o)(ii) EXEMPTION RELATING TO s8A/8C GAINS (excluding dividends)

a) This questions in this section of the return will display for completion in the following instances:

- For the 2017,2018, 2022 and 2023 YOA only – if an amount is entered for source code **4032** in the 'Other Deductions' section;
- From the 2024 YOA – if the taxpayer selected the form wizard question *'Mark with an "X" if you received any form of remuneration for foreign services rendered, subject to tax outside RSA and the s10(1)(o)(ii) exemption applies (relating s8A/8C gains and dividends)'*.

b) Section 8A refers to gains made by directors of companies or by employees in respect of rights to acquire marketable securities. Section 8C refers to the taxation of directors and employees on vesting of equity instruments.

c) If income is reflected next to source codes 3707, 3757, 3718 and/or 3768 on the IRP5/IT3(a) Employee Tax Certificate, the amount considered as exempt in terms of section 10(i)(o)(ii) must be inserted as a deduction next to code 4032.

d) Complete the following *qualifying criteria* questions on the return:

- **'Are you a SA resident as defined in the Income Tax Act?'** – Select Y or N
- **'In respect of section 10(1)(o)(ii) exemption claimed, how many s8A/8C gains are applicable during this year of assessment?'**
- Complete the applicable details for each '*source period relating to the s8A/8C revenue gain*':
  - *'***Start date of the source period'**
  - **'End date of the source period'**
  - **'Total number of work days during source period'**
  - **'Total number of work days <u>outside</u> SA during source period'**
  - **'Gross value of the gain'** – applicable to 2023 YOA and prior
  - **'Gross value of the gain (reflected or not reflected on a South African IRP5/IT3(a) certificate)'** – applicable from 2024 YOA
  - **'Did section 10(1)(o)(ii) apply?'** – applicable from 2024 YOA
- Complete the **'Details per Year of Assessment'**
  - 'Year of Assessment during Source period'
  - 'Start date during Year of Assessment in Source period'
  - 'End date during Year of Assessment in Source period'
  - 'Total work days during this year of assessment'
  - 'Total work days outside SA during this year of assessment'
  - 'Did section 10(1)(o)(ii) apply?' – select Y or N
- 'Additional Information Relating to Gains'
  - **'Value of gain(s) received for foreign employment services not reflected on a South African IRP5/IT3(a) certificate, subject to tax outside RSA and the s10(1)(o)(ii) exemption applies'** – source code 4305

- **'Remuneration (s8A/8C gains) taxed on IRP5 but comply with exemption in terms of s10(1)(o)(ii). (This amount is restricted to s8A/8C gains, excluding dividends)'** – source code 4032
- **'Foreign Tax Credit on value of gain(s) received for foreign employment services not reflected on a South African IRP5/IT3(a) certificate, subject to tax outside RSA and the s10(1)(o)(ii) exemption applies'**
- **'Value of gain(s) received/accrued in respect of foreign services rendered reflected on a South African IRP5/IT3(a) certificate, subject to tax outside RSA and the s10(1)(o)(ii) exemption applies'**
- **'Foreign Tax Credit on value of gain(s) received for foreign employment services reflected on a South African IRP5/IT3(a) certificate, subject to tax outside RSA and the s10(1)(o)(ii) exemption applies'**
- **'Total Foreign Tax Credit on value of gain(s) for foreign employment services'** – source code 4124.

8.10 INVESTMENTS IN VENTURE CAPITAL COMPANIES (VCC): S12J

a) To assist small and medium-sized businesses and junior mining exploration companies in terms of equity finance, government implemented a tax incentive for investors in such enterprises through a Venture Capital Company (VCC) regime.

- Section 12J came into effect on 1 July 2009.
- Investors can claim income tax deductions in respect of the expenditure incurred in exchange for the issue of VCC shares.
- On request from SARS, the investor must verify a claim for a deduction by providing a VCC Certificate that has been issued by an approved VCC, stating the amount of the investment and the year of assessment in which the investment was made.
- Except in the case of VCC shares held by a taxpayer for a period longer than five years (effective January 2015), the deduction is recouped (recovered) if the taxpayer disposes of the VCC shares to the extent of the initial VCC investment (under the general recoupment rules of section 8(4) of the Act)).
- Effective 21 July 2019, investments made by a natural person in a VCC will be capped at R2.5 million per tax year. This deduction will not be subject to recoupment if the VCC shares are held for longer than five years.
- For more information on VCC's refer to the external guide: 'Venture Capital Companies' published on the SARS website.

b) <u>COMPLETING THE RETURN</u>

- **'Total amount invested in Venture Capital Companies in exchange for shares during the year of assessment before 21 July 2019'**
  - This field is applicable to the 2020 YOA and prior.
  - If the 'Date of issue of VCC shares' captured on the return is before 21 July 2019, the total investment amount will be auto calculated and inserted next to source code **4051**.

c) The following field will differ according to the year of assessment:

- **'Total amount invested in Venture Capital Companies in exchange for shares during the year of assessment on or after 21 July 2019'** - source code **4054**.
  - Applicable to the 2020 YOA
- **'Total amount invested in Venture Capital Companies in exchange for shares during the year of assessment'-** source code **4054**
  - Applicable to the 2021 YOA
- **'Total amount invested in Venture Capital Companies in exchange for shares during the year of assessment on or before 30 June 2021' -** source code **4054**.
  - Applicable to the 2022 YOA
  - This field will not display from the 2023 YOA onwards

d) Complete the following details of each investment:

- **'Name of SARS approved VCC'**
- **'VCC number'**
- **'Date of issue of VCC shares'**
  - From 2022 YOA this date may not be after 30 June 2021
- **'Amount invested in a Venture Capital Company in exchange for shares during the year of assessment'**

e) From the 2020 YOA, if you invested in more than 20 venture capital companies, only the details of the top 20 investments must be completed on the return (for the 2019 YOA and prior years, the details of the top 10 investments must be completed).

f) Insert the total amount recouped in respect of VCC shares sold and for which a tax deduction was allowed next to source code **4245**.

9 STATEMENT OF ASSETS AND LIABILITIES

a) The statement of assets and liabilities (local and foreign) is mandatory if you answered 'Yes' to any of the following questions:

- Did you receive any foreign income apart from foreign Interest and foreign dividend income and excluding foreign capital gain transactions?
- Did you participate in any local farming operations?
- Did you receive local business, trade or professional income (including rental income)?
- Are you a director of a company or a member of a close corporation?
- From 2023 YOA, this section will be added to the return if you selected the field for assets in excess of R50 million (in the form wizard)
- Deceased taxpayers (from the 2024 YOA)

b) The statement of assets and liabilities is optional if the source code in the trading schedule is 4210 and 4211

9.1 STATEMENT OF LOCAL AND FOREIGN ASSETS AND LIABILITIES

a) All local asset and liability items must be listed individually. Use your financial statements to complete this section of the return.

9.2 LOCAL ASSETS (AT MARKET VALUE)

a) It is not compulsory to obtain professional valuations to complete the market value of the local assets. SARS will accept a market value that is a reasonable best estimate in other words, an estimate as close as possible to the market value of the particular asset.

b) Necessarily, an estimate involves an assessment of the facts known at the particular time and the giving of weight to the various factors, which might affect the conclusion.[1] This also means "an estimate as to which there is a reasonable basis", which means "…reasonableness would require that SARS strike a balance fairly and reasonably open to it on facts before it or available to it. Reasonableness requires that a balance must be struck between a range of competing considerations in the context of a particular case. The principal enquiry is whether SARS struck a balance fairly and reasonably open to it on the facts before it, or readily available to it."[2]

c) Complete the applicable fields below:

[1] *CLK Kitchens & Joinery Pty Ltd v Commissioner of Taxation [2019] FCA 1086 at 124.*

[2] *Africa Cash and Carry (Pty) Ltd vs CSARS 2020 (2) SA 19 (SCA) at 67.*

- **'Fixed Properties and all improvements to properties'**
- **'Shares in Private Company or Member's interest in Close Corporation'**
- **'Financial Instruments Listed (Shares, unit trusts, etc.) - excluding crypto asset(s)'**
- **'Financial instruments - crypto asset(s)'**
- **'Net Capital of Business, Trade, Profession or Farming'**
- *'***Other Assets'** – applicable from the 2024 YOA
- **'Total Local Assets at Market Value'**
  - This total will be auto-calculated.
  - If the '*Total Local Assets at Market Value'* and '*Total Foreign Assets at Market Value'* is less than R50 million, the following warning message will display: *'The amount captured is below R50 million, please correct the amount or remove "Mark with an "X" if you have assets in excess of R50 million" from the wizard question'.*

9.3 STATEMENT OF FOREIGN ASSETS AND LIABILITIES

a) The foreign currency value of the assets and liabilities must be converted to rand using the exchange rate as at the end of the year of assessment.

b) Use your financial statements to complete the following amounts:

- **'Total Foreign Assets at Cost'**
- **'Total Foreign Assets at Market Value'**
- **'Total Foreign Liabilities'.**

9.4 PARTNERSHIPS

a) Complete the following information if you are in a partnership:

- **'Partnership Name'** - Enter the full name of the partnership in which the taxpayer was a partner during the year of assessment.
- ***'Specify your profit / loss sharing % during the year of assessment'***
- **'Indicate whether you derived a profit / loss from the partnership during the year of assessment'.**
- **'How many partner(s) are in this partnership excluding yourself?'**
  - Applicable from the 2024 YOA.
  - This field will allow a maximum value of 99
  - The section for '*Details of Partners (excluding yourself)*' will be repeated according to the value entered in this field.

- '**Details of Partners (excluding yourself)**'

  - Indicate the '*Entity Type'*:
    - *'Individual'*
    - *'Company'*
    - *'Trust'*
    - *'Other'*
  - Complete the particulars for each partner.

10 VOLUNTARY DISCLOSURE PROGRAMME (VDP)

a) The purpose of the VDP is to allow taxpayers an opportunity to regularise their tax affairs with SARS. Taxpayers must voluntarily apply to SARS to disclose their defaults or non-compliance. A VDP application number will be allocated by SARS. Once the VDP application has been evaluated by the VDP Unit and if voluntary disclosure relief is granted, a written agreement will be concluded between

the taxpayer and SARS to effect the necessary assessments.

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

c) If you have applied for voluntary disclosure:

- Please insert the VDP application number in the field provided on your return.
- When completing your return, remember to include all income and expenditure applicable for the tax year as per the VDP agreement concluded with SARS.

d) Note: A VDP submission may not result in a credit/refund due by SARS.

- If the assessment results in a credit/refund, the return will be rejected.
- Please contact the VDP unit for further assistance.

11 PROVISIONAL TAXPAYERS

a) A *'provisional taxpayer'* is:

- Any person (other than a company) who earns income that is not remuneration, an allowance or advance as contemplated in section 8(1) or who earns remuneration from an employer that is not registered for employees' tax;
- A company; or
- A person notified by the SARS Commissioner that he/she is a provisional taxpayer.

b) Provisional tax is not a separate tax from income tax. It allows a taxpayer to pay the income tax liability for the year of assessment in **advance**. This is to ensure that the taxpayer does not have a large tax debt to pay when the annual income tax return is processed.

- Provisional taxpayers are required to **estimate** their taxable income for the year of assessment and pay the tax liability in advance every six months during the year of assessment. A top up payment may be made by the last business day in September where the accounting financial year end (FYE) is February.
- When the annual income tax return (ITR12) is filed and assessed, provisional tax paid will be off set against the tax liability calculated by SARS for the year of assessment.
- A taxpayer may be liable for interest and penalties if he/she does not make the compulsory provisional tax submissions applicable to the year of assessment.

c) Note: Outstanding provisional tax returns and payments will affect an application for a Tax Compliance Status (TCS).

d) For more detailed information on Provisional Tax, please refer to the following publications on the SARS website:

- GEN-PT-01-G01 – Guide for Provisional Tax – External Guide
- LAPD-IT-G01 – Guide on Income Tax and the Individual
- Interpretation Note 1 (Issue 3) - Provisional Tax Estimates

11.1 PROVISIONAL TAX PERIODS AND DUE DATES:

a) The provisional tax return and payment due dates applicable to individual taxpayers are as follows:

b) **2024 YEAR OF ASSESSMENT** (1 Mar 2023 to 29 Feb 2024)

- 2024/01 - first provisional tax period
  - Due date = 31 Aug 2023
  - This provisional tax return (IRP6) and payment is based on half of the **estimated** taxable

income (income, expenses, deductions, tax credits) for the full year of assessment.
    - Note: The submission of the first period IRP6 return and applicable payment is **compulsory**.
- 2024/02 - second provisional tax period
    - Due date = 29 Feb 2024
    - This provisional tax return (IRP6) and payment is based on the **estimated** taxable income (income, expenses, deductions, tax credits) applicable to the **full** tax year i.e. 1 Mar 2023 - 29 Feb 2024.
    - Note: The submission of the second period IRP6 return and applicable payment is **compulsory**.
- 2024/03 - third provisional tax period
    - Due date = 30 Sep 2024
    - This payment is based on the **actual** taxable income (i.e. income, expenses, deductions, tax credits) for the full tax year i.e. 1 Mar 2023 - 29 Feb 2024.
    - Please note: A payment for the third period is **voluntary**. It is usually a **top-up/additional** provisional tax payment made to reduce any interest on underpayment of provisional tax (in other words, the shortfall between the amounts paid in the first and second provisional tax periods and the actual amounts of tax assessed by SARS based on what was declared on the annual ITR12 return or what was finally determined to be due following any verification or audit).

c) **2025 YEAR OF ASSESSMENT** (1 Mar 2024 to 28 Feb 2025)

- 2025/01 - first provisional tax period
    - Due date = 31 Aug 2024
    - This provisional tax return (IRP6) and payment is based on half of the **estimated** taxable income (income, expenses, deductions, tax credits) for the full year of assessment.
    - Note: The submission of the first period IRP6 return and applicable payment is **compulsory**.
- 2025/02 - second provisional tax period
    - Due date = 28 Feb 2025
    - This provisional tax return (IRP6) and payment is based on the **estimated** taxable income (income, expenses, deductions, tax credits) applicable to the **full** tax year i.e. 1 Mar 2024 - 28 Feb 2025.
    - Note: The submission of the second period IRP6 return and applicable payment is **compulsory**.
- 2025/03 - third provisional tax period
    - Due date = 30 Sep 2025
    - This payment is based on the **actual** taxable income (i.e. income, expenses, deductions, tax credits) for the full tax year i.e. 1 Mar 2024 - 28 Feb 2025.
    - Please note: A payment for the third period is **voluntary**. It is usually a **top-up/additional** provisional tax payment made to reduce any interest on underpayment of provisional tax (in other words, the shortfall between the amounts paid in the first and second provisional tax periods and the actual amounts of tax assessed by SARS based on what was declared on the annual ITR12 return or what was finally determined to be due following any verification or audit).

11.2 LETTER ISSUED TO TAXPAYERS AFTER ASSESSMENT

a) An individual's status may change from a non-provisional taxpayer to a provisional taxpayer (or vice versa) on the SARS systems, based on the information declared on the ITR12 return.

- If you are converted to a provisional taxpayer when your assessment is processed, you will receive a letter from SARS confirming your change in status and the tax obligations as a provisional taxpayer.
- If you are converted from a provisional taxpayer to a non-provisional taxpayer when a subsequent assessment is processed, you will receive a letter from SARS confirming your change in status.

b) Note: You are required to evaluate your income on an annual basis to determine if you qualify as a

provisional taxpayer for the year of assessment and if you are required to submit the compulsory provisional tax returns and payments as illustrated in the section above.

11.3 EXAMPLES

Example

On 23 Oct 2023 Mr X filed his return for the 2023 year of assessment (which is for the period 1 Mar 2022 to 28 Feb 2023). Due to rental income, interest and foreign dividends declared on the 2023 ITR12 return, Mr X's status was automatically changed from a *non-provisional taxpayer* to a *provisional taxpayer* when the 2023 ITR12 return was assessed.

SARS issued a letter to Mr X on 23 Oct 2023 to inform him of his provisional tax status for the 2023 year of assessment.

Scenario: 1

On 1 March 2022 (the beginning of the tax year), Mr X was aware that the rental income, interest, and foreign dividends earnings during the 2023 year of assessment made him a provisional taxpayer. He filed provisional tax returns and made payments as follows.

- On 31 August 2022 for the **2023/01** provisional tax period *(based on **half** of his estimated taxable income for the full year, 1 Mar 2022 – 28 Feb 2023)*
- On 28 February 2023 for the **2023/02** provisional tax period *(based on his estimated taxable income for 1 Mar 2022 – 28 Feb 2023)*
- On 30 September 2023 for the **2023/03** provisional tax period *(this was a voluntary payment because Mr X determined that based on his actual taxable income he has underpaid provisional tax in the first two periods)*.

Mr X will also earn rental income, interest, and foreign dividends during the 2024 year of assessment and therefore must file provisional tax returns and make payments as follows:

- On 31 August 2023 for the **2024/01** provisional tax period *(based on **half** of his estimated taxable income for the full year, 1 Mar 2023 – 29 Feb 2024)*
- On 29 February 2024 for the **2024/02** provisional tax period *(based on his estimated taxable income for 1 Mar 2023 – 29 Feb 2024)*

Scenario:2

Mr X was not aware that the rental income, interest and foreign dividends he earned during the 2023 year of assessment made him a provisional taxpayer. He only learned that he was a provisional taxpayer after he received the letter from SARS on 23 Oct 2023.

When the return for the 2023 year of assessment is processed:

- The non-submission of the **2023/02** provisional tax return and payment (which was due on 28 Feb 2023 i.e. prior to the filing of the 2023 ITR12 return on 23 Oct 2023) may result in a penalty for underpayment due to underestimation of provisional tax being imposed (i.t.o. paragraph 20 of the Fourth Schedule to the Income Tax Act) as non-submission is deemed to be a *submission of an estimate of taxable income of zero (nil)*.
- Mr X will be liable for section 89*quat* interest on underpayment of provisional tax from 30 September 2023 until the date of assessment.
- The non-submission of the **2024/01** provisional tax return and payment (which was due on 31 Aug 2023, that is, prior to the filing of the 2023 ITR12 return on 23 Oct 2023) may result in a penalty being imposed for the late payment of provisional tax (i.t.o. paragraph 27(1) of the Fourth Schedule to the Income Tax Act) and interest thereon.

What should Mr X do to ensure he is tax compliant?

- With regard to the 2023 year of assessment, Mr X was already penalised for the non-submission of provisional tax returns when the 2023 ITR12 was processed on 23 Oct 2023. The applicable penalties levied will reflect on the notice of assessment (ITA34) issued. Mr X must pay any outstanding debts due to SARS.
- With regard to the 2024 year of assessment, as Mr X is a provisional taxpayer, he will need to pay the provisional tax, penalty and interest due for **2024/01**. Further, he will be required to submit the second estimate of taxable income and payment, for **2024/02**, on or before 29 February 2024. If Mr X realises that his taxable income is more than what he estimated and paid in the first two periods, he may on or before 30 Sep 2024 make a third **2024/03** (top-up) payment of the difference between what will be due, and what was already paid, to avoid being liable for section 89*quat* interest.
- To ensure that he is tax compliant going forward, Mr X must evaluate his tax affairs on an annual basis and determine if the type of income he will earn for the year of assessment will make him a provisional taxpayer. If he qualifies as a provisional taxpayer, he must submit the compulsory provisional tax returns and payments as illustrated in the section above.

12 STATUTORY RATES OF TAX APPLICABLE TO INDIVIDUALS

12.1 RATES FOR THE 2023 YEAR OF ASSESSMENT

Taxable income	Rate of tax
1 – 226 000	18% of taxable income
226 001 – 353 100	40 680 + 26% of taxable income above 226 000
353 101 – 488 700	73 726 + 31% of taxable income above 353 100
488 701 – 641 400	115 762 + 36% of taxable income above 488 700
641 401 – 817 600	170 734 + 39% of taxable income above 641 400
817 601 – 1 731 600	239 452 + 41% of taxable income above 817 600
1 731 601 and above	614 192 + 45% of taxable income above 1 731 600

Rebates	
Primary rebate	R16 425
Secondary rebate (for persons 65 years and older)	R9 000
Tertiary rebate (for persons 75 years and older)	R2 997

12.2 RATES FOR THE 2024 YEAR OF ASSESSMENT

Taxable income	Rate of tax
1 – 237 100	18% of taxable income
237 101 – 370 500	42 678 + 26% of taxable income above 237 100
370 501 – 512 800	77 362 + 31% of taxable income above 370 500
512 801 – 673 000	121 475 + 36% of taxable income above 512 800
673 001 – 857 900	179 147 + 39% of taxable income above 673 000
857 901 – 1 817 000	251 258 + 41% of taxable income above 857 900
1 817 001 and above	644 489 + 45% of taxable income above 1 817 000

Rebates	
Primary rebate	R17 235
Secondary rebate (for persons 65 years and older)	R9 444
Tertiary rebate (for persons 75 years and older)	R3 145

12.3 RATES FOR THE 2025 YEAR OF ASSESSMENT

Taxable income	Rate of tax
1 – 237 100	18% of taxable income
237 101 – 370 500	42 678 + 26% of taxable income above 237 100
370 501 – 512 800	77 362 + 31% of taxable income above 370 500
512 801 – 673 000	121 475 + 36% of taxable income above 512 800
673 001 – 857 900	179 147 + 39% of taxable income above 673 000
857 901 – 1 817 000	251 258 + 41% of taxable income above 857 900
1 817 001 and above	644 489 + 45% of taxable income above 1 817 000

Rebates	
Primary rebate	R17 235
Secondary rebate (for persons 65 years and older)	R9 444
Tertiary rebate (for persons 75 years and older)	R3 145

13 CONCLUSION

Should you require any further information which might not be addressed in this brochure, visit the SARS website www.sars.gov.za or book an appointment with SARS or call SARS 0800 00 7277 for assistance.

14 DEFINITIONS AND ACRONYMS

Please refer to the following link for definitions, acronyms and abbreviations:
Glossary South African Revenue Service (sars.gov.za)

15 DOCUMENT MANAGEMENT

15.1 REVISION HISTORY TABLE

	Date	Version	Description
Detail of Change	01-08-2020	22	Updates for the 2020 Filing Season (automatic assessment, third party data, travel claim, s10(1)(o)(ii) exemption)
	14-09-2020	23	More than fifteen IRP5 certificates, Exemption in terms of section s8A/s8C from 2019, medical tax credits for main member
	04-12-2020	24	Auto assessment, Donations to Solidarity Fund
	01-07-2021	25	Updates for the 2021 Filing Season
	21-02-2022	26	Updates for the 2021 Filing Season Phase 2 (Revised estimated assessment, PBO number validation for S18A deductions)
	01-07-2022	27	Updates for the 2022 Filing Season (automatic assessment, additional voluntary pension/provident fund contributions, remuneration from foreign employer(s) for services rendered in RSA, section 12J VCC, long service awards, SARS interest, CGT disposals to connected persons, income on IRP5/IT3(a) regarded as trading income, UDZ, farming operations, medical expenditure, s10(1)(o)(ii) exemption relating to s8A/8C gains)
	09-12-2022	28	Updates for the 2022 Filing Season Phase 2 (letter issued for change in provisional tax status, returns for future years); IRP5 income for foreign services rendered.
	26-06-2023	29	Updates for 2023 PIT Filing Season: spousal auto assessment, third party data after assessment, suspension of payment, assets > R50 million, marriages in COP, unutilised interest exemption and annual exclusion, income from foreign employment services, unique

			identifier, S18A donations with receipts/certificates, local assets at market value.
	13-10-2023	30	Updates to investment income section
	08-12-2023	31	Market value of local asset exceeding R50 million
	24-06-2024	32	Updates for 2024 PIT Filing Season: investment income for spouse; returns older than 5 years; qualifying criteria s10(1)(o)(i) and s10(1)(o)(ii); local business/farming operations/rental property (descriptions validations, ceased trading operations in YOA); farming updates & field validations; UDZ extension; learnership agreement extension, enhanced renewable energy deduction (12BA); TFI limitation; solar energy tax credit; partnership changes, VDP assessments with credit result, S11F(2)(a) allowable retirement fund contribution deduction for YOA less than 12 months.
	02-08-2024	33	Amendments to allowable retirement fund contribution deduction for years of assessment less than 12 months (S11F(2)(a))
	07-08-2024	34	Updates deductions for home office expenses (IN 28)
	14-10-2024	35	Update to provisional tax dates
	02-12-2024	36	Medical indemnity insurance claims - Independent practitioners
	25-04-2025	37	One-time-pin for change of bank details, Remove Help-You-eFile

16 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.

For more information about the contents of this publication you may:

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