

Frequently Asked Questions

Turnover Tax



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The frequently asked questions (FAQs) in this document have been compiled to address the salient questions that the public regarding the application of various provisions related to turnover tax payable by microbusinesses, as outlined in the Sixth Schedule to the Income Tax Act 58 of 1962 (the Act).¹

These FAQs are designed to assist the public in understanding certain practical and technical aspects of turnover tax applicable to microbusinesses. They are not an “official publication” as defined in the Tax Administration Act 28 of 2011, nor are they intended to serve as a legal reference. Additional information on some of the topics covered in this document can be found in the *Tax Guide for Micro Businesses*.

The FAQs may prompt further questions concerning the tax treatment of microbusinesses. Consequently, they may be updated periodically to address new questions and any legislative changes.

All other forms, guides and interpretation notes referred to in these FAQs are available on the SARS website at **www.sars.gov.za**. Unless indicated otherwise the latest versions of these publications must be consulted.

For more information, assistance and guidance you may –

- visit the SARS website at **www.sars.gov.za**;
- contact the SARS National Service Centre (between 8am and 4.30pm South African time weekdays except on Wednesdays when the service centre can be called between 9am and 4.00pm) –
 - if calling locally, on 0800 00 72 77; or
 - if calling from abroad, on +27 11 602 2093;
- have a virtual consultation with a SARS consultant by making an appointment via the **SARS website**;
- visit your nearest SARS service centre, after making an appointment via the **SARS website**; or
- contact your own tax advisor or practitioner.

Any specific questions not covered in the FAQs can be emailed to **policycomments@sars.gov.za** for consideration. The mailbox is best reserved for issues relating to interpretation of tax legislation. The SARS channels are available for queries relating to operational matters.

Leveraged Legal Products
SOUTH AFRICAN REVENUE SERVICE
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¹ All references to sections are to sections of the Income Tax Act 58 of 1962 unless otherwise indicated.

1.

What is turnover tax?

Turnover tax is a simplified tax system that was introduced with effect from 1 March 2009, applicable to years of assessment starting from this date. It aims to alleviate the tax compliance burden for qualifying micro businesses by imposing a tax on turnover at progressive rates, as outlined in the table below.

2025 (1 March 2023 – 28 February 2025) – no changes from the previous year:

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

Turnover tax is payable by any person registered as a micro business with SARS. It replaces income tax, capital gains tax, or dividends tax that might otherwise be payable by the registered micro business. Certain amounts that fall outside the scope of the turnover tax system are subject to the normal tax system, such as remuneration and investment income earned by natural persons.

2.	What is qualifying turnover?	<p>Qualifying turnover is a calculation used to determine whether a person–</p> <ul style="list-style-type: none"> • qualifies for turnover tax for registration purposes; or • must be migrated to being fully taxable under the normal tax system, necessitating a compulsory deregistration from turnover tax. <p>A threshold of R1 million for a year of assessment is applied to determine eligibility for turnover tax. If a person is a registered Value-Added Tax (VAT) vendor, VAT charged on the supply of goods or services must be included in the R1 million threshold calculation. If the person has carried on business for less than 12 months, this threshold is reduced to account for the number of full months that business was not carried on (see Question 7).</p> <p>Qualifying turnover is calculated as follows:</p> <p>Total receipts from carrying on business activities, excluding –</p> <ul style="list-style-type: none"> • any amount of a capital nature; and • any amount exempt from normal tax under section 10(1)(zK) or 12P (that is, amounts received from a small business funding entity or a government grant as defined). <p>For more information, see the <i>Tax Exemption Guide for Small Business Funding Entities</i> and Interpretation Note 59 “Tax Treatment of the Receipt or Accrual of Government Grants”.</p> <p>In the case of a business structure comprising a partnership, the total receipts from the partners collectively must not exceed R1 million.</p> <p>To determine whether a person qualifies for turnover tax or must transition to the normal tax system, the qualifying turnovers of connected persons must be combined if –</p> <ul style="list-style-type: none"> • the connected person carries on business activities that should properly be considered part of the other person’s business activities; and
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		<ul style="list-style-type: none"> the main reason, or one of the main reasons, for “splitting” the business activities is to ensure that the qualifying turnover of that person remains below the qualifying turnover threshold. <p>Thus, the qualifying turnover of a person should be combined with the business receipts of connected persons. If the combined qualifying turnover exceeds R1 million, none of the connected parties will qualify as a micro business.</p> <p>For a detailed assessment of parties considered connected persons to natural persons and companies, see Interpretation Note 67 “Connected Persons”.</p>
3.	Who qualifies for turnover tax?	<p>The criteria for determining whether a person qualifies for turnover tax consists of both a positive and a negative test.</p> <p>Under the positive test, the person may qualify as a micro business if the person is –</p> <ul style="list-style-type: none"> a natural person (or the deceased or insolvent estate of a natural person that was a registered micro business at the time of death or insolvency); or a company, <p>and the qualifying turnover does not exceed R1 million for the year of assessment (see Question 2).</p> <p>Under the negative test, the person (natural person, partners in a partnership or company) will be disqualified if at any time during the year of assessment –</p> <ul style="list-style-type: none"> that person holds any shares or has any interest in the equity of any company at any time during the year of assessment not falling under the permissible shareholdings list (see Question 4); in the case of a natural person, more than 20% of that person’s total receipts during the year of assessment is derived from providing a professional service (see Question 5); in the case of a company, more than 20% of its total receipts consist of investment income (see Question 11) and income from providing a professional service;

		<ul style="list-style-type: none"> • at any time during the year of assessment, that person is – <ul style="list-style-type: none"> ➤ a personal service provider (in the case of a company); ➤ or a labour broker without a certificate of exemption (in the case of natural persons). <p>(See Interpretation Note 35 “Employees’ Tax: Personal Service Providers and Labour Brokers” for more details on personal service providers and labour brokers).</p> • The total of the following amounts exceeds R1,5 million over a period of 3 years comprising the current year and immediately preceding 2 years of assessment or a shorter period if the person was registered as a micro business for less than 3 years: <ul style="list-style-type: none"> ➤ receipts from the disposal of immovable property used mainly for business purposes; and ➤ receipts from the disposal of any other asset used mainly for business purposes (excluding financial instruments – see Question 11). <p>In addition to the general restrictions outlined above, the following disqualifications must be considered:</p> <p><i>Partnerships</i></p> <p>A partner in a partnership may be disqualified if:</p> <ul style="list-style-type: none"> • Any of the partners in that partnership is not a natural person, for example, if one of the other partners is a company or trust. • That person is a partner in more than one partnership at any point during the year of assessment. • The qualifying turnover of that partnership for that year of assessment exceeds the threshold of R1 million.
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4.	Permissible shareholding by a company or natural person	<p>A person generally does not qualify as a micro business if, at any time during the year of assessment, that person holds any shares or has any interest in the equity of a company. However, shareholding or interest in the following types of entities is permissible:</p> <ul style="list-style-type: none"> • A company listed on a South African exchange.

		<ul style="list-style-type: none"> • A portfolio of a collective investment scheme as described in paragraph (e) of the definition of “company” in section 1(1). • A body corporate, share block company, or any other association of persons managing the collective common interest of members. • A venture capital company (as defined in section 12J). • A social or consumer co-operative. • A co-operative burial society (or any other similar co-operative if all income derived from its trade during any year of assessment is solely from its members) or primary savings co-operative banks if the shareholding or interest constitutes less than 5%. • A friendly society.
5.	What is a professional service?	<p>“[P]rofessional service” means a service in the field of accounting, actuarial science, architecture, auctioneering, auditing, broadcasting, consulting, draftsmanship, education, engineering, financial service broking, health, information technology, journalism, law, management, real estate broking, research, sport, surveying, translation, valuation or veterinary science”</p> <p>For natural persons providing professional services at any time during the year of assessment, no more than 20% of their total receipts may be derived from these services, to qualify as a micro business.</p> <p>For a company, the 20% limitation applies to the total receipts from rendering professional services and investment income (see Question 11).</p> <p>Determining whether a person is rendering a professional service is a factual enquiry. For further details on the definition of “professional service” see the <i>Tax Guide for Micro Businesses</i> (Issue 3) at 3.4.2(b) and Annexure A.</p>

6.	What is the year of assessment for a micro business?	<p>The year of assessment for a micro business runs from 1 March to 28/29 February of the following year. A company with a year of assessment that ends on a date other than the last day of February does not qualify as a micro business. If a company with a different year-end wishes to register as a micro business, it may change the end of its financial year by notifying the Companies and Intellectual Property Commission using the prescribed form.</p>
7.	How does the limitation for qualifying turnover apply for a period less than 12 months?	<p>If a person commences trading during a year of assessment, the R1 million threshold is proportionately reduced if that person operates a business for less than 12 months in that year. In this case, the qualifying turnover applicable to the business must be adjusted based on the number of full months during which no business was carried on. The Act does not specify a method for making this apportionment.</p> <p>A fair and reasonable method should be applied to determine the reduced threshold of the qualifying turnover. Taxpayers may use the following method (fixed amount method) to establish the reduced threshold when a micro business has not carried on business for the entire year of assessment:</p> <p>“Fixed amount method” – by dividing the R1 million threshold by 12, a fixed monthly amount of R83 333.33 is obtained for the year of assessment. The R1 million threshold is reduced by the fixed amount multiplied by the number of full months the taxpayer did not carry on business, as illustrated in the example below.</p> <p>Example: Assume a person commenced carrying on business activities on 15 June 20X1 and therefore <i>did not trade</i> for three and a half months in that year of assessment (from 1 March to 14 June 20X1). The qualifying turnover is determined as follows:</p> $= \text{R1 million} - (\text{R83 333,33} \times 3^*)$ $= \text{R750 000 (rounded off)}$ <p>* For each full month that no business was carried on, the R1 million threshold must be reduced by R83 333 (the fixed amount determined by dividing the threshold by 12). The threshold is only reduced for the number of full months no business was carried on (that is, March, April, and May), instead of 3,5 months or 4 months.</p>

8.	How is taxable turnover calculated?	<p>Taxable turnover is used to determine tax liability under the turnover tax system. It comprises all amounts not of a capital nature <i>received</i>** during the year of assessment from carrying on business activities in South Africa. Certain amounts may either be included or excluded from the calculation specified below:</p> <p><i>Inclusions in taxable turnover:</i></p> <ul style="list-style-type: none"> • 50% of all receipts of a capital nature from the disposal of – <ul style="list-style-type: none"> ➤ immovable property, mainly used for business purposes; and ➤ any other assets, mainly used for business purposes (excluding any financial instruments); and • In the case of a company, investment income (excluding dividends and foreign dividends). For more details on the meaning of “investment income”, see Question 11. <p>[The word “mainly” is generally understood to mean more than 50% (see Question 9)].</p> <p><i>Exclusions from taxable turnover:</i></p> <ul style="list-style-type: none"> • In the case of a natural person, investment income. • Any amount exempt from normal tax under section 10(1)(zK) (amounts received from a small business funding entity) or 12P (certain government grants). • Any amount received by that registered micro business prior to its registration as a micro business that was subject to normal tax under the Act. • Any amount received by that registered micro business from any person as a refund for goods or services supplied to the registered micro business. <p>[** Only amounts <i>received</i> by the micro business contribute to its taxable turnover. Amounts that <i>accrue</i> to the micro business but have not been received in the year of assessment must not be included in its taxable turnover. The turnover tax system does not allow for the deduction of expenses against income as is permitted under the normal tax system.]</p>
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9.	<p>How does one determine whether a receipt is of a capital nature for the purposes of calculating qualifying turnover and taxable turnover?</p>	<p>A distinction must be made between receipts of a capital nature and those of a revenue nature, as the tax treatment differs.</p> <p>Income received from the normal business activities of the micro business is considered a receipt of a revenue nature and must be included in taxable turnover for the year of assessment. A receipt of a capital nature typically refers to proceeds from the disposal of an asset used in the business activities of the micro business. Such assets include, for example, immovable property, motor vehicles, equipment etc, provided they are used by the micro business.</p> <p><i>Amounts of a capital nature and taxable turnover</i></p> <p>Only capital assets used <i>mainly</i> for business purposes are considered when calculating taxable turnover. The word “mainly” means more than 50%. Immovable property is regarded as used mainly for business purposes if more than 50% of its floor area is used for business activities. Trading stock should be excluded from immovable property for the taxable turnover calculation. Other assets (excluding financial instruments) will be regarded as used mainly for business purposes if they are used for business purposes more than 50% of the time.</p> <p>Only 50% of proceeds received that are of a capital nature must be included in taxable turnover. [This 50% inclusion replaces any capital gains tax that may have been applicable.]</p> <p><i>Amounts of a capital nature and qualifying turnover</i></p> <p>When calculating qualifying turnover, receipts of a capital nature are not considered.</p>
10.	<p>What is a ‘financial instrument’ and how is it treated if disposed of by a micro business?</p>	<p>A “financial instrument”, as defined in section 1(1), includes, among others, loans, advances, debt, debentures, shares, bank deposits, participatory interests in collective investment schemes, futures, options, forward exchange contracts, index-linked instruments, and crypto assets. Any proceeds from the disposal of financial instruments are considered “investment income” and must be included in taxable turnover if the micro business is a company.</p>

		<p>Proceeds from financial instruments are relevant for determining whether a company meets the 20% limitation that applies to investment income and income from rendering a professional service. If more than 20% of a company's total receipts consist of investment income and income from rendering a professional service, the company will not qualify as a micro business. See Question 3.</p> <p>For natural persons, proceeds from the disposal of a financial instrument are considered investment income and are excluded from taxable turnover. For natural persons, investment income must be addressed under the normal income tax rules.</p>
11.	What constitutes investment income and how must it be treated by a micro business?	<p>Investment income comprises two categories, namely –</p> <ul style="list-style-type: none"> • any income in the form of annuities, dividends, foreign dividends, interest, rental derived from immovable property, royalties, or income of a similar nature; and • any proceeds derived from the disposal of a financial instrument. <p>Investment income under the first category is generally pertains to income generation that may be passive in nature. See Question 10 for an explanation of financial instruments.</p> <p>Investment income is treated as follows:</p> <p><i>Companies</i></p> <p>A company must include all amounts from the two categories listed above in taxable turnover, excluding dividends and foreign dividends. Dividends and foreign dividends are subject to the provisions in the main body of the Act regulating dividends tax.</p> <p><i>Natural Persons</i></p> <p>Investment income is not included in taxable turnover for natural persons but must be reported under the normal income tax rules. Accordingly, it must be declared as gross income in the annual income tax return, where a full or partial exemption may apply.</p>

12.	Does the rental fee from movable goods received constitute investment income if a business that provides catering services also hires out equipment and décor such as marquees, crockery, tables, chairs, etc?	<p>No, the rental fee derived from movable goods does not constitute investment income. Only rental income from immovable property is considered investment income.</p> <p>Rental income from movable goods is not included in the 20% limitation applicable to a company for investment income and income from rendering a professional service. For natural persons registered as a micro business, rental income from movable goods is taxed under the turnover tax system, as it does not qualify as investment income.</p>
13.	Is a micro business exempt from employees' tax obligations and the submission of VAT returns if the micro business is a VAT vendor?	<p>No, a micro business is not exempt from the obligation to withhold employees' tax, skills development levies (if applicable), unemployment insurance fund (UIF) contributions, or to account for VAT if it is voluntarily registered as a VAT vendor.</p> <p>However, to reduce its compliance burden, a micro business may opt to make payments twice a year for these taxes.</p> <p>A micro business registered as a VAT vendor falls under category D (section 27(1) of the Value-Added Tax Act 89 of 1991) and is required to submit one return every six calendar months, ending on the last day of February and August each year.</p>
14.	When can a qualifying micro business apply for registration for turnover tax?	<p>A person qualifies as a micro business by meeting the positive criteria and not being disqualified (see Question 2) may choose to register for turnover tax –</p> <ul style="list-style-type: none"> • before the beginning of a year of assessment or such later date as the Commissioner may prescribe by notice in the Gazette; or • in the case of a person that began business activities during a year of assessment, within 2 months from the date of commencement of those activities. <p>It is advisable to submit the registration application as a micro business in a timely manner or well in advance of the deadline for the following reasons:</p> <ul style="list-style-type: none"> • If the last day for submitting an application for turnover tax falls on a Saturday, Sunday, or public holiday, the submission must be made no later than the last business day before that date.

		<ul style="list-style-type: none"> Section 22(4) of the Tax Administration Act 28 of 2011 states that a person who applies for registration and has not provided all required particulars and documents may be deemed not to have applied for registration until all necessary particulars and documents are submitted to SARS. <p>Consequently, an application may be regarded as not submitted on time, which could lead to the elected year for registration as a micro business being postponed to the subsequent or a later year of assessment.</p>
15.	How does one register for turnover tax?	<p>A turnover tax application form (TT01) must be completed and can be submitted through any of the following channels:</p> <ul style="list-style-type: none"> By making an appointment on the SARS eBooking system; or By emailing SARS at – <ul style="list-style-type: none"> ➤ Tax practitioners: pcc@sars.gov.za ➤ Taxpayers: contactus@sars.gov.za <p>SARS will issue a letter to the applicant informing them of the outcome of the application. If the submitted TT01 form is incomplete, the taxpayer will be notified, and the application will be reconsidered once all required information has been provided. To submit supporting documents, use the SARS Online Query System (SOQS). Alternatively, visit the SARS website at www.sars.gov.za and click on the tab “Businesses and Taxpayers ⇒ Small Businesses” for further information.</p>
16.	Can SARS deregister a micro business?	<p>SARS may deregister a micro business under the following circumstances:</p> <ul style="list-style-type: none"> <i>Compulsory deregistration</i> This occurs when the person no longer qualifies as a micro business (see Question 2); <i>Voluntary deregistration</i> When a registered micro business opts to be taxed under the normal tax system and chooses to deregister from the turnover tax system.

		<p>In the case of compulsory deregistration, SARS must deregister the micro business effective from the beginning of the month following the disqualifying event. If disqualification occurs during a year of assessment, the taxpayer's assessment for that year will include an amount payable made up of both turnover tax and normal tax.</p> <p>For voluntary deregistration, SARS must deregister the micro business effective from the beginning of a year of assessment, provided the taxpayer made the request <i>before</i> the start of that year of assessment.</p>
17.	When must turnover tax be paid?	<p>Registered micro businesses are required to make two interim payments and, if necessary, one final payment on assessment. A registered micro business must, within six calendar months from the start of the year of assessment, estimate its taxable turnover for the full year.</p> <p>The second interim payment must be made on or before the last day of the year of assessment, which is either 28 or 29 February. These interim payments are submitted by completing the form "Turnover Tax Payment Advice (TT02)" using any of the following methods:</p> <ul style="list-style-type: none"> • Online – Turnover Tax Payment Advice (TT02). • By telephone through the SARS Service Centre on 0800 00 SARS (7277). • At a SARS Service Centre. <p>The TT02 should be retained for your records and not submitted to SARS. Turnover tax is due and payable on 31 August and at the end of the year of assessment, that is, 28 or 29 February each year. However, if the payment due date falls on a Saturday, Sunday, or public holiday, payment must be made on or before the last business day preceding that date.</p>
18.	Must a micro business submit an annual return for turnover tax?	<p>Yes. A registered micro business is required to submit an annual turnover tax return (TT03), which can be obtained from –</p> <ul style="list-style-type: none"> • the SARS website ; or • a SARS Service Centre.

		<p>The TT03 can be submitted through the following channels:</p> <ul style="list-style-type: none"> • By e-mail to either: <ul style="list-style-type: none"> ➤ Tax practitioners: pcc@sars.gov.za; or ➤ Taxpayers: contactus@sars.gov.za. • At a SARS Service Centre where an agent will assist you – remember to bring all your supporting documentation. • By booking an appointment before visiting the nearest SARS Service Centre to avoid queues. <p>A micro business should also submit a normal income tax return (ITR12 for natural persons and ITR14 for companies).</p>
19.	Are penalties and interest levied on late payment of turnover tax?	Yes, interest and penalties are imposed on the late or underpayment of turnover tax.
20.	Must any records be kept?	<p>A registered micro business must retain and maintain records of –</p> <ul style="list-style-type: none"> • amounts received during the year of assessment; • dividends declared during the year of assessment; • each asset of the micro business at the end of the year that cost more than R10 000; and • each liability of that micro business at the end of the year exceeding R10 000. <p>A micro business is required to retain these records for five years from the date of submission of the return. The records should not be submitted with the TT03 annual return but should be kept available for audit purposes if requested by SARS.</p> <p>A registered micro business must retain and maintain records of –</p> <ul style="list-style-type: none"> • amounts received during the year of assessment; • dividends declared during the year of assessment;

		<ul style="list-style-type: none">• each asset of the micro business at the end of the year that cost more than R10 000; and• each liability of that micro business at the end of the year exceeding R10 000. <p>A micro business is required to retain these records for five years from the date of submission of the return. The records should not be submitted with the TT03 annual return but should be kept available for audit purposes if requested by SARS.</p>
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