

# Provisional Tax

South African Revenue Service



# The purpose and SARS Vision 2024

## Purpose:

- This presentation is merely to provide information in an easily understandable format and is intended to make the provisions of the legislation more accessible
- The information therefore has no binding legal effect, and the relevant legislation must be consulted in the event of any doubt as to the meaning or application of any provision.

## SARS Vision

To build a smart modern SARS with unquestionable integrity, trusted and admired by Government, the public, as well as our international peers. We focus on the following strategic intents:

MAKE IT EASY &  
SIMPLE TO  
COMPLY

MODERNIZE  
SYSTEMS TO  
PROVIDE SEAMLESS  
ONLINE DIGITAL  
SERVICES

CREATE  
AWARENESS,  
CLARITY &  
CERTAINTY

MAKE IT HARD TO  
NOT COMPLY

# Points Of Discussion

Overview

Exempt Income

Estimate of Taxable Income

When must Provisional Tax be paid

Provisional Taxpayers – Companies and other than Company

Interest on under-estimation and late payment

Medical Scheme Fees Tax Credit

# Overview

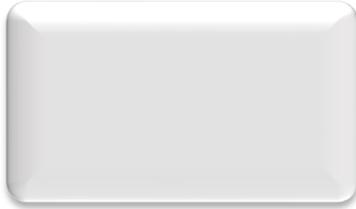
## What is provisional Tax?

Provisional tax is **not** a separate tax from Income Tax. It is a method of paying tax due, to ensure the taxpayer does not pay large amounts on assessment, as the tax liability is spread over the relevant year of assessment.

It requires the taxpayers to pay at least two amounts in advance, during the year of assessment, which are based on estimated taxable income.

# Overview

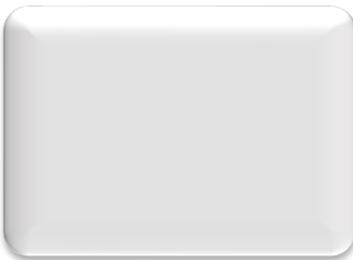
## Who is a 'provisional taxpayer'?



Any person, (other than a company) who earns income which 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.



Any Company (other than those specifically excluded).



Any person notified by the Commissioner of SARS

# Overview

## Who is not a Provisional Taxpayer?

An approved public benefit organisations or recreational clubs that have been approved by the Commissioner in terms of s30 or s30A

Bodies Corporate, share block companies or certain associations of persons

Non-resident owners or charterers of ships or aircraft

Small business funding entity or deceased estate

# Overview

## Who is NOT a Provisional Taxpayer?

### Natural Person: An Individual

**An Individual is not required to submit and pay provisional tax (IRP6) if he or she does not carry on any business, and the individual's taxable income:**

- Will not exceed the tax threshold for the tax year; or
- From interest, dividends, foreign dividends, rental from the letting of fixed property; and the remuneration from an unregistered employer will be R30 000 or less for the tax year.

# Exempt Income

Local  
Dividends

Investments  
from South  
African  
Financial  
Institutions

Interest *from*  
investments

Under 65 years old with  
interest up to R23 800

Over 65 years old with  
interest up to R34 500

An apportionment on  
interest based on number  
of days in that year of  
assessment if applicable,  
effectively from 1 March  
2023

# Estimate of Taxable Income



Provisional taxpayers must, submit an estimated taxable income which will be calculated by the taxpayer in respect of the year of assessment for which the provisional tax is payable



This estimate must not include any retirement fund lump sum benefits, retirement fund lump sum withdrawal benefit or any severance benefit received by or accrued to the taxpayer during the relevant year of assessment.



The return must be submitted even if the provisional tax calculation results in a nil payment

# Estimate of Taxable Income

## Basic Amount

The basic amount is the taxpayer's taxable income assessed by the Commissioner for the latest preceding year of assessment LESS the amount of any taxable capital gain.

- The basic amount for all taxpayers must be increased by 8% if the estimate is made more than 18 months after the end of the latest preceding year of assessment.

- The “year last assessed”, as shown on the IRP6 return, will refer to an assessment preceding the year of assessment for which the estimate is made, and for which a notice of assessment relevant to the estimate has been issued by SARS not less than 14 calendar days prior to the due date of such estimate.

# Basic Amount

## Example

Lesego Construction (Pty) Ltd has a February year end. At the time it had to submit its provisional tax return for its 2022 year of assessment, the taxable income for its 2019 year of assessment, which was its latest preceding year of assessment at the time, was R1 200 000.

The taxable income for its 2019 year of assessment includes a R300 000 taxable gain.

Calculate the amount of Lesego Construction (Pty) Ltd.'s first provisional tax payment if this payment was based on its basic amount.

# Basic Amount Continued

## Solution

First provisional tax payment (due 31 August 2021)	
Basic amount	
Taxable income for the latest preceding year of assessment	R1 200 000
Less: taxable capital gain included in the taxable income	<u>(300 000)</u>
Basic amount	<u>R 900 000</u>
Normal tax on basic amount (R900 000 x 28%)	R 252 000
First Provisional tax payment (1/2 of the normal tax payable on basic amount (R252 000 x 1/2))	R126 000

# When must Provisional Tax be paid?

- **The first payment** must be made within six months from the commencement of the year of assessment in question. For example, if the year of assessment ends on the 28/29 February. The first provisional tax period becomes due on or before 31 August.
- **The second payment** must be made no later than the last working day of the year of assessment. This will be last business day of February.
- **The third payment** is voluntary and may be made:
  - for companies with a year end of February, and any other person (other than a company), the last business day of September; in any other case, within six months of the end of the year of assessment.

# When must Provisional Tax be paid?

## Example of payment dates

The following example refers to a 29 February 2024 year-end (2024 tax year):

- First provisional tax payment due on 31 Aug 2023
- Second provisional tax payment due on 29 Feb 2024
- Third or voluntary payment due on 30 Sept 2024

The following example refers to a 31 May 2024 year-end (2024 tax year):

- First provisional tax payment due on 30 Nov 2023
- Second provisional tax payment due on 31 May 2024
- Third or voluntary payment due on 30 Nov 2024

# Example of a Provisional return (IRP6)

## Taxpayer Estimate

Gross Income (sales/turnover plus other income)  
R 200000.00 ✓

Less- Employees' tax for this period (12 months)  
R 0.00 ✓

Estimated taxable income \*  
R 200000.00 ✓

Less- Foreign tax credits for this period (12 months)  
R 0.00 ✓

Tax on estimated taxable income \*  
R 36000.00 ✓

Less- Provisional tax paid for 1st period  
R 0.00 ✓

## Recalculate Tax

Less Rebates - Primary, secondary and tertiary  
R 17235.00 🔒

Tax payable for this period  
R 9029.00 🔒



# Example of a Provisional return

## Unusual / Infrequent amounts included in the estimated taxable income (eg. CGT , Lump sums)

Amount included in estimated taxable income that relates to unusual / infrequent events \*

R 300000.00 ✓

## Historical Information

Year last assessed  
2020

Taxable income for that year  
R 0.00

Basic amount  
R 0.00

## Payment Detail

Payment ref no. (PRN)  
!P00012021

Beneficiary ID / Account no.  
SARS-PROV

# Provisional Taxpayers other than Company

First Period:	Second Period:	Third Period (voluntary):
- Half of the total estimated tax for the full year	- Total estimated tax for the full year	- Total estimated tax for the full year
- Less employees tax for this period. (6 months)	- Less the employees tax paid for the full year	- Less the employees tax paid for the full year
- Less any allowable foreign tax credits for this period. (6 months)	- Less any allowable foreign tax credits for the full year	- Less any allowable foreign tax credits for the full year
	- Less the amount paid for the first provisional period	- Less the amount paid for the 1 <sup>st</sup> and 2 <sup>nd</sup> provisional periods

# Penalty for under- estimation

It is levied when the actual taxable income is more than the taxable income estimated on the second provisional tax return.

The penalty amount depends on whether the actual taxable income is more or less than R1 million.

## **More than R1 million**

If taxable income for the year of assessment is less than 80% of actual taxable income declared on your annual tax return.

20% percent penalty will be levied on the difference between the amount of tax payable on 80% of actual taxable income, after taking into account rebates in the determination of normal tax payable, employees' tax and provisional tax paid.

# Penalty for under-estimation

## R1 million or less

If taxable income for the year of assessment is less than 90% of actual taxable income as finally determined; and the basic amount applicable to the second period.

The amount of the penalty is 20% of the difference between the lesser of –

- the amount of normal tax payable for the year of assessment on 90% of actual taxable income as finally determined; and
- the amount of normal tax payable for the year of assessment on the basic amount applicable to the second period,

# Penalty for late payment

- 10% penalty will be levied on the late payments.
- A penalty imposed on underestimation of actual taxable income on the second period; is reduced by the penalty imposed for the late payment of provisional tax.
- The Commissioner may remit the whole or any part of the penalty if satisfied that, the failure to submit an estimate timeously was not due to intent to evade or postpone the payment.

# Interest on underpayment

## Interest in terms of 89bis

Is levied at the prescribed rate (currently **11.25% until 31 August 2023** and **11.75 % effectively from 1 September 2023** per annum subject to change) is payable on late payments in respect of first, second and third periods.

# Interest on underpayment

## 89quat(2) interest

Interest in terms of section 89quat(2), is payable if the normal tax exceeds the 'credit amount' (i.e., an underpayment of tax) and if in the case of:

- ✓ An individual or trust, the taxable income for the year of assessment exceeds R50 000, or
- ✓ A company, the taxable income for the year exceeds R20 000.

# Interest on underpayment

## 89quat(4) interest

Interest is payable if the 'credit amount' exceeds the normal tax payable for that year of assessment and:

- ✓ The amount exceeds R10 000; or
- ✓ The taxable income for the year of assessment exceeds R50 000 (individual or trust); or
- ✓ The taxable income for the year exceeds R20 000 (company).

# Interest on underpayment

## 89quat(4) interest

This interest is payable at the prescribed rate (currently 7.25% until 31 August 2023, and 7.75% effectively from 1 September 2023 per annum subject to change on the amount by which the 'credit amount' exceeds the normal tax and is calculated from the day following the 'effective date' to the day before the first due date on the relevant notice of assessment.

Interest paid to a taxpayer by SARS on an overpayment is taxable and must be declared under interest income in the Income Tax Return (ITR12) for the tax year in which it is received.

# Medical Scheme Fees Tax Credit 2023/2024

The tax credit is applicable in respect of fees paid by the taxpayer to a registered medical scheme.

- 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 for the first two persons covered by those medical schemes, or
- R246 in respect of benefits for every additional dependant.

For each month in that year of assessment for which contributions are paid.

# Additional Medical Scheme Fees Tax Credit

A further medical expenses tax credit amount in addition to the medical scheme fees tax credit is deducted (as a rebate) from the normal tax payable by a person who is a natural person.

A person who is 65 years or older or an individual, his or her spouse, or his or her child is a person with a disability is eligible for 33.3% of the aggregate of the full medical scheme contributions in excess of three (3) times the credit plus 33.3% of all other qualifying out of pocket medical expenses paid by that person (excluding medical scheme contributions).

Persons below 65 years are entitled to 25% of the aggregate of the full medical scheme contributions in excess of four (4) times the plus all other qualifying out of pocket medical expenses (excluding medical scheme contributions), only to the extent that the amount exceeds 7,5% of the taxable income excluding retirement fund lump sums and severance benefits.

# Additional Medical Scheme Fees Tax Credit

## Example

Person 65 years and older

Mr ABE is 65 years old and he has made R3000 contribution per month to a medical scheme for himself and his wife from 1 March 2023

His qualifying medical expenses by 29 February 2024 is R30 000.

# Additional Medical Scheme Fees Tax Credit

## Solution

Type of deduction	Expenses	Calculation
Standard monthly medical scheme fees tax credits	R3000 p.m. x 12 = R36000 p.a.	$(R364 + R364)$ $= R728 \text{ p.m.} \times 12$ $= R8\,736$
Additional medical expenses tax credit		$[R36\,000 - (3 \times R8\,736)] +$ <b>R30\,000</b> $= (R36\,000 - R26\,208) +$ <b>R30\,000</b> $= R9\,792 + R30\,000$ $(R9\,792 + R30\,000) \times 33,3\%$ $= R13\,250.74$

# Payment Methods

## Payment is done via the following channels:

- Bank (using the payment reference number and beneficiary ID)
- Via eFiling
- Via Electronic Funds Transfer (EFT)

## Payment Details:

- ❖ The client's **19-digit** payment reference number – [**10 digit tax reference number, P, 00, year (2023) and period (02)**]
- ❖ The **beneficiary ID/account number** which is linked to a specific type of tax to make payments (**SARS-PROV**).

**Please Note:** These details are reflected on the payment advice of the IRP6 return.

Payments that do not comply with both the above-mentioned payment reference number and the beneficiary ID will not be accepted

# Go Digital

## Remember our Digital Channels

- We've made it easier for you

### Go Digital!

- Download the SARS MobiApp
- Register for eFiling
- SARS Online Query System

- Visit us on our Social Media platforms

- LinkedIn  Facebook  Twitter 



- For more information on Provisional Tax, please visit:

SARS YouTube channel: <https://www.youtube.com/user/sarstax>

SARS website: [www.sars.gov.za](http://www.sars.gov.za)

Thank you  
Re a leboha  
Re a leboga  
Ndza Khensa  
Dankie  
Ndi a livhuwa  
Ngiyabonga  
Enkosi  
Ngiyathokoza