



South African Revenue Service

Dear Taxpayer

CORPORATE INCOME TAX FILING IMPORTANT CHANGES: 2020/21

This communication serves to inform you that SARS is in the process of updating the systems, forms and processes pertaining to the filing of Income Tax returns for companies. These changes will be implemented in a phased approach throughout the 2020 /21 period.

Corporate Income Tax (CIT) is imposed on businesses incorporated in terms of the Income Tax Act, 1962 and which derive income within the Republic or through a branch or permanent establishment within the Republic. Such companies are required to submit a return of income twelve months after the end of their financial year in the prescribed form. In addition to annual returns, companies are required to submit provisional tax returns. Provisional tax returns need to be submitted every six months and must contain estimated figures of total income earned for that period and taxes must be paid to SARS in respect of the income estimates for that period.

In 2019 SARS introduced HTML5 technology which replaced the ADOBE forms technology ensuring increased usability, better flow and real-time messaging. It also made provision for the visually impaired.

The CIT legislative changes promulgated in January 2020 outlined below will be implemented during the current financial year. This will enable corporate taxpayers to accurately comply with their CIT tax obligations and realise any benefit to them without undue delays.

During the 2020/21 financial year, SARS will implement the following legislative changes:

- Section 24O - Incurral of interest in respect of certain debts deemed to be in the production of income. The amendment aims to make it clearer to taxpayers what is required, which would lead to more accurate declarations and protect the fiscus;
- Additional questions in Section 12R – Special Economic Zones (SEZ) to deter incorrect claims against the fiscus;

- Section 12L- Extension to the “energy efficiency” deduction in favour of taxpayers as the incentive has been extended for three years;
- Definition of “Domestic Treasury Management Company” changed to make the incentive more accessible and attractive;
- Ultimate Holding Company container to accept Trust numbers - This requirement will enable the ITR14 return to accept Trust registration numbers in cases where the ultimate holding entity of this structure is a trust;
- Enhanced Estimated Assessment process - The objective of this requirement is to define the business rules and system processes relating to the submission of an original ITR14 return by the taxpayer subsequent to an estimated assessment being raised and issued by SARS. Furthermore the change will ensure alignment with the requirements of the Tax Administration Act (TAA) No. 28 of 2011.

The other phases includes the enhancement of the tax systems and to further support legislation.

All of the envisaged initiatives will allow SARS to give effect to its mandate of collecting all revenue due and ensuring optimal compliance with tax legislation and will align with the following SARS strategic objectives:

1. Provide clarity and certainty;
2. Make it easy for taxpayers to comply and fulfil their obligations;
3. Make it hard and costly for taxpayers that do not comply;
4. Increase the use of data within to improve integrity, derive insights and improve outcomes;
5. Build public trust and confidence in the tax administration system

SARS gratefully acknowledges compliant taxpayers for filing their tax returns on time and paying their taxes on time, and the support from tax practitioners. SARS reminds tax practitioners of the critical role that they play in bridging the gap between taxpayers and SARS. As legislation and regulations amend from time to time, it is of utmost importance for companies and tax practitioners that represent companies to keep abreast of the legal changes in particular areas of interpretation so that companies continue to meet their tax obligations.

SARS draws the attention to companies and tax practitioners that CIT filing compliance is currently an issue for SARS and as SARS closes in on non-compliance by companies it urges companies to note that it is compulsory for registered companies that are required to file a return to do so on time and complete in all respects. Failure to submit the return(s) within the prescribed period:

- Will result in administrative penalties being imposed on a monthly basis per outstanding return and
- Could result in a summons and/or criminal prosecution, which upon conviction is subject to a fine or to imprisonment for a period of up to two years.

More information

Should you have any queries, please contact your SARS dedicated stakeholder management representative, your dedicated relationship manager or visit the SARS website on www.sars.gov.za.

Sincerely

THE SOUTH AFRICAN REVENUE SERVICE**November 2020**

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