



## **THE START OF THE NEW TAX SEASON**

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## 1. THE START OF THE NEW SEASON

This year is going to be different to any other year. We are going to be all dealing with major shortfalls at SARS and there is going to be increased pressure from SARS, possibly like never before. The SARS Commissioner announced the fact that there was going to be R260 billion shortfall for the year. Therefore it is very important to plan the way forward properly. This year we cant just do what we did in the past as it not the same.

The plan that I think all tax practices need to adopt is to get the processes right, to think ahead and start early. In this set of notes I will deal with what we have to do in the short term and what we have to know and what we have to understand.

In this document we are going to talk about the planning process what we have to do now and what we have to send our clients. Its also important that our clients need to know their responsibilities and what they have to do.

It's because of what is going on and what the business world is going through that we have to get our communication strategy right up front so that there is no mixed messaging so that all the clients know exactly where they stand and what they have to do. By having the correct communications you will be making your risk averse.

Most important of all we have to take cognisance of where our clients are financially and how they are coping with the lockdown.

## 2. THE COMMUNICATION PROCESS

### 2.1 COMMUNICATING PROPERLY WITH YOUR CLIENTS

One of the areas that need urgent attention is the way a Tax Practitioner communicates with clients from **letters of engagement, mandates** to every day run of the mill **letters** and **e-mails**. Part of this communication will include **verbal**

**communication, e-mail communication** as well as **sms communication**. Good communication always starts with having a proper mandate or engagement letter.

In today's times meeting with clients can be hugely costly. At this point in time it is just not on. I am nevertheless sure that as everything normalizes that it is not going to be the same as in the past. There is certainly going to be a move to have online meetings with your clients and avoid the traveling.

In big cities think of traffic and the time it takes to get to a client or for the client to get to your office. Then consider crime and protests and the effect it has on travelling. There is more than a good reason to start having electronic meetings with your clients in order to finalise tax returns. Systems like **Skype** or **Gotomeeting** come into their own for this kind of meeting. I have seen practitioners embrace this practice very successfully.

Tax departments today have a greater need to communicate with their clients more so than ever before. It is a lack of proper communication that is going to cause problems for the firm. All documentation to clients must point out the responsibilities of the taxpayer to provide correct and timeous information. Make it their responsibility to do certain things by passing back the risk to them. There must be a clear understanding by the client of what their responsibility is and what the practitioner's responsibility is. We have reached the point where there is missed communication the Tax Practitioner will be blamed.

We have also reached the stage where the postal service is a dead service so if a Tax Practitioner is not emailing how are they notifying their clients. The only way to go about doing this is by making all your communications e-mail based. If you set this up properly, whatever you send to a client can be sent out as an attachment in a PDF format and save the documentation. Systems now also have an ability to keep the documentation for quick retrieval. With the advent of digital signatures, electronic documents, letters, tax returns etc. the way you store these documents are going to become exceedingly important.

## 2.2 COMMUNICATIONS

By writing your letters and your emails properly and by even introducing a **sms** system to remind clients of their tasks you can avert a huge area of risk for the practice. The SMS system should be used as a constant reminder to clients about their responsibilities which in the event of a dispute will become a critical part of risk aversion and defending yourself against claims.

There are some basic rules that you should adhere to in your communications. Write your letters on the basis that you are **defending yourself** in regard to future allegations which may be made against you by your client. Think about things that have happened to you in the past and you have had to defend yourself. E.g. your client has to pay a tax penalty and says they never knew about it and blames you. You need to make sure that you have procedures in place so that each step in the process building up to the provisional payment can be confirmed independently by having audit paper trails that you can show e.g. each step taken, letters, email and even SMS's that says "don't forget to pay your provisional tax".

Write your letters setting out all the responsibilities of the client and passing over the risk e.g. set out the consequences of not paying provisional tax on time and the penalties of paying late or if the tax return is not in on time what the consequences are. SARS has a penalty regime which they may kick into action at any point in time.

It's a fact that no taxpayer likes to pay penalties and interest and where they can they will hold you responsible.

It's my belief that because it's now coronavirus time that SARS will home in on taxpayers like you have never seen before. There is no better time than now to get your whole tax practice up to an excellent state from a professional point of view and from a risk averse point of view.

**At the end of this document we provide a series of links to the letters that you should be writing.**

### 2.3 ENGAGEMENT LETTERS

The core of the practice's risk aversion strategy is the way you handle your communications. It is of absolute necessity to have a signed mandate or engagement letter. It is in fact a term of the SARS e-filing terms and conditions state that you have to have such a document on file signed by your client.

An engagement letter with the e-Filing terms and conditions should be sufficient to give the Tax Practitioner a sufficient mandate to handle all tax aspects for your clients. In fact the engagement letter that Accfin presents sets out the whole tax year and should be used as an **educational document** for your client.

In my view it is necessary to set up a separate engagement letter for the tax department other than an engagement letter that covers audits. I would seriously recommend this because this document has to be reviewed each year as terms and conditions, procedures and circumstances change. Look at the effect of COVID-19.

A major issue that your tax practice will have is the **delivery of communications** and notices to your client as well as to SARS and from SARS. A paragraph detailing where electronic communications must be delivered is as follows;

*You agree that MY FIRMS electronic address will be used for all communications with SARS in respect of our services to you. If SARS has not recorded our address as your official postal or electronic address, we cannot be held responsible for any penalties or interest on the late submission of returns or late payments of any taxes if the returns, assessments, and other relevant documents were not timeously presented to us for action. You also confirm that the email address used in this communication to you is the address that will be used for our communications with you.*

The engagement letter must include the terms and conditions as specified on the SARS e-Filing web site as is detailed below.



## 2.4 MANDATE AND E-FILING TERMS AND CONDITIONS

I strongly suggest that the original bullet points contained in the original e-filing terms and conditions published by e-Filing (which have now been removed) be inserted into the mandate and engagement letter which we have done. The e-filing terms and conditions bullet points are listed below.

*Please be advised that South African Revenue Services (SARS) has now forced us to make use of their E-filing Services and we require your mandate for **MY FIRM** to register as an E-filer on your behalf. Once this is done the following additional terms and conditions in regard to E-filing shall apply:*

- ***MY FIRM** the e-Filer acts as a duly authorised agent on your behalf.*
- *You will be liable to SARS for the due and timeous fulfilment of all your obligations towards SARS.*
- *Any information submitted by **My Firm** to SARS by means of the e-Filing service will be based on information received from you and you are responsible for ensuring that such information is true and correct.*
- *Before we submit any information to SARS by means of the E-filing service we will need your confirmation that the information being submitted is a true and correct reflection of what you have provided.*
- ***MY FIRM** has disclosed the minimum conditions for the mandate to you and;*
- *Where SARS changes the conditions of E-filing on their website, the effect of such changes will take three months. **MY FIRM** will disclose any change and minimum conditions within the three month period to you.*

There is one term and condition on the e-Filing Terms and conditions which must be taken note of - **additional terms of use No 5:**

If the e-Filer is a registered tax practitioner or a person referred to in section 240(2)(d) of the Act, the e-Filer must obtain a written mandate from the taxpayer, **which mandate must be provided to SARS** and at a minimum –

1. **detail the authority** granted to the e-Filer by the taxpayer; and
2. **contain an acknowledgement by the taxpayer** that any and all liabilities under a tax Act remains with the taxpayer.

Please do not confuse the mandate and engagement TPPOA form to use which is used by tax practitioners who need the power of attorney when they visit SARS to handle a clients affairs.

### ***Tax Return processing and submission***

The issue that I am raising is this:-

“the e-Filer must obtain a written mandate from the taxpayer, **which mandate must be provided to SARS and at a minimum –** “

What is meant by “**must be provided to SARS**”. Does this mean that the Tax Practitioner’s must submit (provided to) to SARS a mandate to cover everything? This wording is confusing, because if this is the case then SARS must provide a facility for this. If this is not the case then SARS should change the words. I think what SARS may be trying to say is that the Tax Practitioner should have a signed mandate in his or her possession which passes the risk of the return back to the taxpayer before any e-Filing can be done.

It appears that this term also applies to a person mentioned in S240 (d) of the TAA.

S 240 (d) provides for someone within the firm who provides advice or completes or assists in completing a document solely—

- (i) to or in respect of the employer by whom that person is employed on a full-time basis or to or in respect of that employer and connected persons in relation to that employer; or

- (ii) under the direct supervision of a person who is registered as a tax practitioner in terms of subsection (1).

## 2.5 MANAGEMENT OF THE TAX RETURN SUBMISSION PROCESS

In this section we talk about how a Tax Practitioner should manage the whole tax return submission process cycle. It's important to manage the process so that no steps are missed which could cause risk to the Tax Practitioner. Later on, we will talk about how task management helps in this process and we will give some of the steps in the process. Task management is really just about managing each step in the process.

Start thinking now about the tax process now even though the season only starts in September.

### 2.5.1 Important Steps in the Process

There are two critical steps in the tax return process that must be adhered to.

Ensuring that you have an updated ***mandate letter*** on file is critical to being risk averse in your tax practice and probably the most important step that you carry out before submitting a tax return. It is important to ensure that the client approves the tax return that you are going to submit before it is e-Filed.

There should be documented steps in the process that at least deals with the following even if you are a very small practice.

#### **\* Check that the mandate is signed and up to date**

If you ***don't*** have a signed mandate in your possession do not submit the tax return as SARS could hold you responsible for anything that SARS finds wrong with the tax return.

#### **\* Taxpayer to approve the return before submission**

Another important step would be to get the taxpayer to sign the return or facsimile or report as acceptance that they agree with the figures that are being submitted to SARS.

Each firm should devise a step-by-step procedure or check list whereby each function can be ticked off as completed. The tasking system will take care of all the steps in the process ensuring that your firm becomes risk averse.

In a tax calculation system one can set up a system to ensure that all the steps are carried out before electronic submission is allowed. An example is that if say the client has not approved the tax return it can't be submitted by mistake.

It is clear that before a Tax Practitioner can submit any document on the e-filing website namely a provisional tax return or an income tax return it is imperative that he gets the clients approval before the document flows through to SARS. In other words, the client must indicate that he has agreed with the return prepared by the Tax Practitioner and the practitioner should have evidence to this effect.

It is also no good to have an email for the approval but it is misplaced and can't be found when you really need it. It is certainly no good if the client gives you a verbal ok for both provisional tax and for tax returns.

For convenience there should be a disclaimer for every tax return that the taxpayer must sign.

***This tax return is prepared by My Firm based on information received from you. You confirm that you have signed the letter of mandate and you indicate your agreement with the net income as shown in this documentation and confirm that the figures are supported by the information and supporting records that you have supplied to us by signing this page. You also confirm that we can go ahead with the filing of your income tax return. On signature of this page we confirm that we will proceed with the electronic submission of your tax return.***

Before the Tax Practitioner submits the return electronically the client must sign the printed report which is retained in the taxpayers file. One could also email the report to the client and by the client clicking on a button created in the email this would signify the clients assent.

Running or managing the various processes in a tax department is extremely difficult owing to the stop start nature of the tax return process and the large number of people involved in the process. The more taxpayers you have the more control you need. We at Accfin have developed a technology which we call ***task management*** which is integrated into all aspects of our software. Tasks help manage the process or the steps of each function in building up a tax return using the cradle to the grave approach.

In the previous chapter we dealt with the two most important tasks that should be signed off even for the smaller practice i.e. Mandate and approval of the return.

By making use of task management systems a user or the manager of a tax department can define the steps in the process that they wish to manage. The steps could be simple, perhaps a three-step process or they could be more complex perhaps a ten-step process. Later in this section we define some of the tasks that you would need to consider.

Task can be either electronic or manual. It is just that if these tasks are manual they would be much harder to control. With the electronic approach used in Accfin's tax solution you will easily be able to see exactly what tasks are outstanding at any point in time.

### **2.5.2 Some Risk Control Aspects**

There are numerous articles and papers on risk control. Tax departments now have to take extra care as they cannot afford mistakes which could result in claims against them either by the client or by SARS or mistakes that can affect their reputation.

Completing tax returns can be likened to doing audits. There are rules and procedures that have to be followed in order for the auditor to get to an opinion that he can sign off on the financials. The same applies to tax returns. There are rules and procedures that must be followed that will allow a practitioner to sign off on a tax return and be satisfied that all the rules and procedures have taken place and that his or her good name is protected.

### 2.5.3 Tasks That You Should Set Up

Detailed below is a list of suggested procedures or tasks that could be followed in a tax department in order to satisfy risk control and put good management controls in place.

- ✓ **Mandate** – Make sure you have an up to date mandate.
- ✓ **Data collection process** – make sure you get all the data to complete the tax return before you start processing the tax return. This will include financial statements and interest and dividend certificates. Make sure you obtain all the necessary information for the statement of assets if required.
- ✓ **Input IRP5** – make sure that you have all the IRP5 forms and that they are correct – pay particular question to the medical aid figures.
- ✓ **Provisional tax** Make sure you confirm the actual payments otherwise the amount due could be wrong
- ✓ **Preparation of schedules in process** – complete all the schedules that you need for supporting figures in the tax return.
- ✓ **Inputting the data into a Tax Calculator** – capture the data making sure that that you select the correct source codes.
- ✓ **Checking the tax calculation** – check the calculation making sure that the figures tie up with your schedules and input documents.
- ✓ **Submit the tax return to a manager for vetting** – manager to review the tax return making sure that it is correct.

- ✓ **Client to sign documents** – arrange for client to come in and sign the return – make sure that the client understands the full implications of what he is signing
- ✓ **Submit to E-filing** –submit the data from the back office system to e Filing.

#### 2.5.4 Time lost can never be recovered!

The approach that is used in tax return production is different to provisional tax returns because tax returns is more of a build-up of the return which if we take all the steps in the process can be by multiple people i.e. review, signoff and submission.

<b>E Filing Website</b>	<b>Back Office System</b>
Analytics. SARS runs analytics and can tell exactly what you do including if you play “what if” on the travelling allowance. They may as well have a camera in your office.	No Analytics. The first time SARS sees anything from a taxpayer is when the return is filed. Play “what if” without consequences.
On average a high net worth taxpayer will be loaded 5-7 times on the eFiling website system before the return is Filed. This takes time and there is no control over the process other than manual controls.	The first time SARS sees the tax return is when it’s filed via the Back Office system. There is a huge advantage in building up a return on an external system independent of the website as there is total control of every aspect.
There is difficulty in accessing the tax return in a high volume database as you have to log in each time and there are a number of key strokes to find the tax return. You cannot leave the return open as the system will take you out automatically forcing you to log in again.	Access a tax return instantly irrespective of the size of the database and leave it open indefinitely.
There is no facility to automate the moving of the tax return around the office on the SARS e Filing website. One has to advise others by email or verbally or by printing it out for completion and review taking time.	In building up a tax return the system allows the moving of the tax return around the office automatically through the various stages of preparation, signing and review.
It is difficult for multiple people to work on and review one return.	Multiple people can work on and review the return easily.

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There are glitches in saving returns where changes made to a return are often lost.	No saving of a tax return when building up a return as it's automatically saved on the system. Provided the correct procedure is carried out there will be no loss.
One can't complete the return unless all the fields are completed resulting in the stepping through of many fields.	One only needs to complete the parts that have to be completed and the rest can be ignored.
Sending the form to a client can prove difficult with all the different browsers and different versions of Adobe.	Not applicable as a report pack can be produced and sent to the client.
One cannot print the form until all the fields are completed.	A report pack can be produced at any time during the building stage.
Running on the SARs e Filing website is a duplication to your own in house systems and files. Returns have to be printed and entered into the filing system.	There is no duplication as all the data is processed internally and then communicated to SARS.

By making use of the Accfin methodology in filing a tax return the practice will save 45 minutes per taxpayer per year which can result in substantial savings.



### 3. LAW THE CHANGING PROVISIONAL TAX PROCESSES

#### 3.1 Introduction

The new electronic processes that SARS have introduced over the years have been a baptism of fire to the Tax Practitioner community. It is understood that change does cause disruption and re-learning, and there are bound to be teething problems and we accept that and plan for it where possible. The problem in South Africa is that there is not sufficient time after tax legislation changes to make the necessary system changes so that the law can be properly implemented by SARS. Sometimes these changes are communicated very late, causing disruption and late delivery of amendments to software. Sometimes the wording of the legislation is really difficult to understand and takes time to unwind.

Take for example the 14 days rule for the determination of the basic amount and the way this has been implemented by SARS on the IRP6. You should be well aware that during the process the figure can change or could be wrong on the website.

From my understanding, National Treasury makes the laws without thinking of their practical implementation on SARS systems and their roll out. In the past, when the laws were changed, SARS had to delay the implementation and even with the delay SARS could not program the changes on their own systems in time.

SARS also introduces policy changes like the **turnover field** in order to reduce their risk which is an excellent example of the way SARS introduces policy changes without having a backup of changes in the legislation. When implemented there was very little notice and no time for software vendors to make the necessary changes as it was a last-minute thing. Many practitioners I have spoken to just insert a zero.

In 2020 owing to the terrible situation of COVID-19 SARS have introduced a relief system which in fact is just a deferral of the payment. It is going to be up to the tax practitioner to manage and control the actual payments. There is a document in this set of notes that will explain how the COVID-19 relief will work.

### 3.2 Provisional Tax changes

Any back-office e Filing system must be super-efficient at provisional tax as the provisional tax system lends itself very nicely to the e Filing model. The ability to download form data straight into a Tax Management system and then submit the calculated data back to SARS saves this country millions of rand in labour. In fact, this concept is proved and provisional tax systems are running incredibly well.

Unfortunately, provisional tax law has been changing over the years. We have now reached a point where the law is complicated and the penalty regime onerous. There are also various interpretation issues as up and until recently SARS has not issued clarity on a number of things. This is the situation despite the fact that SARS has issued the 3<sup>rd</sup> version of their interpretation notes in 2019.

The law was changed with effect from 1 January 2010 in regard to the two-tier system. In effect provisional tax remains almost the same as it has always been, however the two-tier system was introduced. Taxpayers who earn more than 1 million rand will need to produce an accurate estimate for the P2 payment in terms of the legislation. The estimate must be within 80 percent on assessment and if not, SARS will apply a penalty.

At January 2015 new penalty laws were introduced and although it is pretty difficult to understand some of these laws Tax Practitioners have the added responsibility of **communicating** these laws to their clients.

There is no question now that any Taxpayers doing their own IRP6's are in fact taking a huge risk as the chances are, they will never understand the new laws unless they have a tax background and of course they will be subject to penalties.

### **3.3 Note From The Author**

In my view the method of calculating P2 in many companies is extremely difficult. It's ok when the economy is static or predictable in terms of growth. Let's look at two situations where this is not the case: -

**A smaller company with fluctuating turnover whose profits are over R1 million, whose books are far behind can never make an accurate prediction because there is no time before the P2 payment.**

**Right now there is even a bigger problem with the prediction of P2 June companies as there has been a lockdown from the end of March virtually right through until now. The question is therefore does the company go for a deferred payment if they are in the ballpark in regard to the income or has the company suffered loss because of the COVID-19 situation.**

**A large listed enterprise with many branches and many tax allowances can never make the prediction accurately as there is no time. As a rule, it will take at least 3 months to get an accurate result.**

**Paragraph 19(3) causes havoc with cash flow where it kicks in. In regard to the way the company has conducted itself in the pause or has always had income SARS will place more pressure on the company.**

**The legislation does not take into account system problems and failure!**

**The provisional tax system will cause taxpayers and tax practitioners extreme problems.**

### **3.1 Comments On Basic Amount**

***“The amount of the estimate cannot be less than the basic amount unless the Commissioner, having regard to the circumstances of the case, agrees to accept a lower amount.”***

Clearly there WERE some practical difficulties with this! Please remember this only applied to the income of less than R1 million. It now appears that when it comes to basic amount being over a million that SARS are not going to upload the figure to the SARS e-filing website.

Remember in past years [a long time ago] one would write to the Commissioner motivating the lower basic amount. To my knowledge no reply was ever received, but there was a record of a lower basic amount being used and permission from the Commissioner being sought. We accepted the non-reply of the Commissioner as to the fact that the Commissioner had agreed to the use of the lower amount.

Later on, the motivation for a lower amount used to be inserted on the SARS e Filing website when filing the form. Currently no motivation is sent through. There is now no method for advising the Commissioner that a lower amount is being used. Therefore where you are working within R1 million and you decide to reduce the amount it is a good idea to keep the motivation on file so that you can justify when SARS queries the amount.

There was therefore a **disconnect** between what the law says and with the practical situation of submitting an amount lower than the basic amount. SARS have clarified this in the interpretation note which now says;

**“The amount of the estimate *cannot be less than the “basic amount” unless the circumstances of the case justify the submission of an estimate of a lower amount.*”**

However, if SARS sees that an amount has being lowered materially SARS may ask the taxpayer to justify the estimate in terms of Para 19(3) and if not satisfied with the justification will increase the amount. It is therefore necessary to make sure that the reason for lowering the amount can be justified.

Owing to the situation of the COVID-19 and the fact that SARS find themselves in a very precarious position in regard to revenue collections provisional tax must be carefully considered and should be as close as possible to what the final income tax return is going to compare.

### 3.4 Issue in Regard to the Amount Appearing on the Irp6

Detailed below is a discussion on the amount that actually appears on the IRP6. It's important to note that I believe because of the COVID-19 that everything is going to be totally different. This means that the estimate used for provisional tax purposes needs to be considered very carefully to avoid the imposition of penalties.

I think that it is important to note that as we go down this road we are going to rely on the figure posted on the SARS e-filing website **less and less**. This is why I highly recommend a back office system that downloads the assessments as SARS processes them. This will allow the practitioner to have something to work with in regard to the last assessment.

SARS provides an IRP6 with an amount on it i.e. the basic amount according to SARS. You will see this amount on the SARS e-filing website.

Prior to the payment date in the past, provisional taxpayers were sent a form with the latest assessment reflected on it. Now of course this figure is reflected on the IRP6 page on the SARS e Filing website. In regard to the last basic amount being over R1 million SARS now leaves this blank so that the taxpayer can input the necessary income. We have reached the point where we cannot rely on the figures on the SARS website. In many cases the figures are blank and in the case of companies there are no calculations.

Owing to various logistical problems SARS as a rule loads the figures onto the website at least 60 days prior to the **payment date**. Clearly there is a disconnect between the law and what they are able to do logistically as the definition of the basic amount talks about 14 days prior to the **submission date** which is totally not feasible for larger practices or a large tax base as there is just not enough time to handle the logistics in terms of the time available.

For many years now, **SARS has had technical difficulty** in collecting the assessment figures for the IRP6 as this is a bi-annual process for the big provisional tax runs of August and February as well as issues with timing and in many cases

collecting the correct figures. In many instances a zero is provided where there should be a figure and in many other instances the timing is wrong and the incorrect basic amount is shown on the IRP6. Clearly the 14 days before the submission date as in the basic amount definition is not practical because by the time the Practitioner receives the IRP6 it is too late to do a proper and decent job. In the past we used to have a 60-day period which was far more practical as this gave the Practitioner more time to do proper calculations and liaise with their clients.

We have been told in the past that the amount on the form is the **deemed basic amount** and can be used for the purposes of calculating provisional tax, but this is not really correct. Think about the person at home who does not have proper records and does not really understand the laws, how do they handle provisional tax, do they just accept the figure.

What is the position where the wrong basic amount is used by SARS or a zero is used? If a taxpayer receives an assessment which reflects a higher taxable income than that shown on the IRP6, after he has received the IRP6, he may use the figure reflected in the IRP6 (see paragraph 19(1)(e))

In terms of Para 19 (3) the Commissioner may ask the taxpayer to justify the estimate used and if the justification is not adequate the Commissioner can push up the estimate. What is the effect of the penalty situation if the wrong figure on the IRP6 is used?

Clarity is needed on whether the amount on the IRP6 is the deemed basic amount and what is the effect if it's wrong and the taxpayer who may be totally oblivious to this uses this wrong figure. The way the legislation is worded SARS takes no responsibility for the figures being wrong. It is really important to understand that's SARS are not responsible for providing the correct figures as they are in fact doing taxpayers a favour by providing the figures at all, therefore it is imperative that Tax Practitioners get the figures correct.

Owing to the above this is the reason why a good back office system will tell you what the correct cutoff date is for the determination of the correct basic amount. The system will allow you the choice of choosing the correct amount. The back-

office systems should provide the practitioner with various differences like the last assessment the date of the assessment and the downloaded figure.

About 3 or 4 weeks prior to the payment date practitioners should **stop filing tax returns** to prevent assessments and in so doing make the logistics easier for themselves. This will prevent the basic amount from changing.

### 3.5 Business Day

This means a day which is not a Saturday, Sunday or public holiday.

The TA Act generally uses business days in the context of time periods for registration, submission of returns or requested relevant material and calendar days in the context of time periods for payment of tax or calculation of interest.

The definition of basic amounts talks about 14 days prior to the **submission date**. This is in fact 14 actual days based on the above definition which may have a major impact on which basic amount should be used. As the legislation uses **submission date, the 14 days can be different for every taxpayer depending on the submission date.**

The **cutoff** date for P1 Aug 2019 is 16 August 2019 and for P2 Feb is 15 Feb 2020.

### 3.6 Letter That SARS Send Out In Terms Of 19(3)

Detailed below is an actual letter sent out by SARS in the situation where the taxpayer sold a property and made a huge capital gain which he neglected to tell the Tax Practitioner much to the Tax Practitioners embarrassment.

Tax Practitioners need to take precautions and prevent this from happening.

**INCOME TAX: FIRST PROVISIONAL TAX PAYMENT FOR 2016 YEAR OF ASSESSMENT:  
2016  
DUE DATE: 29 FEBRUARY 2016**

With regard to the calculation of provisional taxes made, the amount of tax payable is determined on the estimated taxable income. This requires you to specifically estimate your taxable income for the relevant year of assessment and not revert to the basic amount.

With reference to the estimate of taxable income made in respect of the above provisional tax period, kindly furnish me, in terms of section 46 of the Tax Administration Act No. 28 of 2011 and paragraph 19(3) of the Fourth Schedule to the Income Tax Act No 58 of 1962, as amended ('the Act') with the following documents and supporting information used in determining your estimate of taxable income for the 2016 year of assessment.

- Computation of the above-mentioned taxable income (including but not restricted to, if applicable interest income, share options and foreign income) as at 29 February 2016.
- If applicable, a schedule of net capital gains calculated for the financial year.

These gains should also be included in the computation of taxable income, in terms of section 26A and the Eighth Schedule of the Act.

- Key assumptions applied in determining the taxable income.

Kindly submit the above information to me on or before 17 November 2015. If on receiving your response it has been determined that an additional amount is payable (in terms of para 19(3) of the Fourth Schedule of the Act, as amended) a second SARS letter will be sent to you requesting the payment of the additional amount.

It must be noted that this additional payment that may become due, will be free of interest or a penalty for the late payment of provisional tax, if it is paid within the new prescribed payment period recorded in the SARS second letter. Furthermore, this additional payment, could assist you to ensure that you do not fall foul of the provisional tax underestimation penalty under Para 20 of the Fourth Schedule of the Income Tax Act. You are therefore respectfully requested to ensure that you take advantage of this opportunity to ensure that your provisional taxes are paid in full.



Interesting to note that in the case of a P1 if the taxpayer rectifies there will be no penalty in the situation of the above example.

### 3.7 Some Differences Between Provisions and Practice

	<b>Provisions</b>	<b>Actual</b>
<b>REGISTRATION AS A PROV TAXPAYER</b>	<p><b>USED TO BE</b> Register within 21 days of becoming a provisional taxpayer.</p> <p><b>NOW</b> Retrieve an IRP6 in terms of Interpretation Note</p>	<p>Retrieve an IRP6 on the SARS website and you are a provisional taxpayer.</p> <p>SARS will penalise if no provisional tax is paid when there is a payment due.</p>
<b>Cut-off date for determination of the basic amount</b>	<p><b>USED TO BE</b> 60 days from the <i>payment date</i>.</p> <p><b>NOW</b> 14 days from the <i>submission date</i> (not the payment date). This Could make the cut-off date different for every taxpayer in a tax practice.</p>	<p>Most make use of the SARS figure that is downloaded at the 60-day mark. It is very difficult to implement the rule from the submission date unless you have a back-office system which guides you.</p>
<b>LOWERING THE BASIC AMOUNT ON P1 ON LESS THAN R1 MILLION.</b>	<p><b>USED TO BE</b> Obtain the permission of the commissioner.</p> <p>In practice nothing is done so there was a dis-</p>	<p><b>NOW</b> the basic amount can be lowered if the circumstances of the case justify the submission of an estimate of a lower</p>

	connect between legislation and practice.	amount as stated – as per interpretation note.  SARS can ask you to justify the estimate in terms of Para 19(3) and push the amount up if they are not happy with the justification.
<b>UNDERSTATEMENT PENALTIES.</b>	There are clear cut rules as included in the interpretation note and the provisions making the penalty regime much stronger especially for P2.	SARS may work on the DATA loaded on the e Filing website and not the proper figure causing disruption.
<b>MISSING A PAYMENT DATE FOR P2.</b>	<b>USED TO BE</b> A penalty of 10% and interest charged at the prescribed rates.	<b>NOW</b> A nil payment will be assumed and an understatement penalty will be charged which could be substantial.

### 3.8 Deferral of Payment - Instalment Payment Agreement

You now have an automatic deferral of payment in terms of the Covid-19 relief rule.

A **Senior SARS** official may enter into an agreement with a taxpayer in the prescribed form under which the taxpayer is allowed to pay a tax debt in one sum or in instalments, within the agreed period if satisfied that:

- Criteria or risks that may be prescribed by the Commissioner by public notice have been duly taken into consideration; and

- The agreement facilitates the collection of the debt.
- The agreement may contain such conditions as SARS deems necessary to secure collection of tax.
  - SARS may terminate an instalment payment agreement if the taxpayer fails to pay an instalment or to otherwise comply with its terms and a payment prior to the termination of the agreement must be regarded as part payment of the tax debt. The agreement remains in effect for the term of the agreement except if:
    - A senior SARS official may modify or terminate an instalment payment agreement if satisfied that:
      - The collection of tax is in jeopardy;
      - The taxpayer has furnished materially incorrect information in applying for the agreement; or
      - The financial condition of the taxpayer has materially changed.
- A termination or modification:
  - Takes effect as at the date stated in the notice of termination or modification sent to the taxpayer; and
  - Takes effect 21 business days after notice of the termination or modification is sent to the taxpayer.

### **3.9 Deferral of Payment - Criteria for Instalment Payment Agreement**

- A senior SARS official may enter into an instalment payment agreement only if:

The taxpayer suffers from a deficiency of assets or liquidity which is reasonably certain to be remedied in the future;

The taxpayer anticipates income or other receipts which can be used to satisfy the tax debt;

Prospects of immediate collection activity are poor or uneconomical but are likely to improve in the future;

Collection activity would be harsh in the particular case and the deferral or instalment agreement is unlikely to prejudice tax collection; or

The taxpayer provides the security as may be required by the official.

### **3.10 Registration and de-registration**

#### **3.10.1 The registration process:**

You have to register the taxpayer for provisional tax under organization's tax types. SARS then has to verify the provisional tax registration. If verification is successful, registration will be approved. If taxpayer's details have changed, SARS wants to authenticate the provisional tax profile and request supporting documents. Once supporting documents have been submitted, and SARS are satisfied, they will approve the provisional tax registration.

#### **3.10.2 To deregister:**

Send a letter on your letterhead and email it to your SARS pcc email addresses.

##### Region

North (including Pretoria, North West, Limpopo, Mpumalanga & West Rand)      [pcc.north@sars.gov.za](mailto:pcc.north@sars.gov.za)

Central (including East Rand, Soweto, Alberton, Vereeniging)      [pcc.central@sars.gov.za](mailto:pcc.central@sars.gov.za)

Ensure that you have the following information on you letter for deregistration:

- Tax reference number
- Tax practitioner number

- When following up, quote the original case number that you were allocated in your email (you will receive this once pcc replies on your email)
- E-mail address to enable SARS to respond to your enquiry (even if you sent an e-mail still put your e-mail on your letter)
- Subject of e-mail – clearly state what the enquiry is about (deregistration of Provisional Tax)
- Attachment if required
- Limited to 5 queries per e-mail, should you have more than one to deregister.

Once you receive feedback that SARS has deregistered your client as a provisional tax payer go to the website and untick the provisional tax under organisation on e-filing.

## 4. PROVISIONAL TAX AUTOMATION– IN THE TAX PRACTITIONERS OFFICE

### 4.1 Interaction with SARS

In regard to provisional tax, back office tax systems interact with the SARS e Filing server on the following basis:

1. Register directly from within the back-office system a taxpayer either individually or in bulk electronically with SARS e Filing and receive an electronic receipt to this effect. This in effect connects the practise tax base with the SARS e Filing profile.
2. Pull down the taxpayers IRP6 form data from the SARS e Filing server into the IRP6 forms received database of the back-office system for comparison with taxpayer assessment records. (***There are some issues in regard to the timing of this- see the provisional tax notes***)
3. When the provisional tax has been processed and finalised in a back-office system and communicated to the clients of the tax practice, the IRP6 forms are then submitted electronically to SARS e Filing server.

### 4.2 Interaction with Back Office System

A back-office system will carry out the following automatic functions: -

1. Calculation of provisional tax globally.
2. Comparing different situations with your own in-house records.
3. Moving provisional tax records around the office for finalisation and review.
4. Automatic communications with the client by way of email.
5. Pulling through the medical credit automatically from the last tax calculation.

### 4.3 Benefits of a Back-Office Provisional Tax System

The whole point of making this process electronic for end users and ISV's is to reduce the logistics and the huge cost associated with these logistics. Huge money has been

spent by SARS and ISV's on making these systems work and now the time has come to use these systems so Tax Practitioners can show significant time savings.

The benefits to the Tax Practitioner of making use of a back-office system that connects with SARS is huge. In my view there is no comparison. The savings are in obtaining the SARS IRP6 figures and entering it into your system as this data is downloaded automatically and then once the figure has been finalised to submit the figures automatically back to SARS. According to statistics that we have it takes a few minutes to download a thousand IRP6 data records and will probably take about double that to resubmit them once the figures have been finalized and confirmed by the Tax Practitioners clients. This represents a huge saving in time, because firms that still go onto the website and re-submit the data need to spend days and they need to get their planning right in order to do this. Take into account the ability of a back-office system to communicate quickly with clients by attaching letters to e-mail and providing digital signatures and confirmation will significantly reduce this task making provisional tax a breeze.

SARS have indicated that the volumes for provisional tax are reasonable through back office systems and it makes it worthwhile to them as opposed to the situation with the filing of income tax returns which seems to have a low uptake by Tax Practitioners.

#### **4.4 The Different Systems for Provisional Tax – Manual Versus Back Office**

There are two types of user methods listed below: -

1. **MANUAL** No tax system in use at all. All SARS processing happens on the e Filing web site. The company may be using a spreadsheet.
2. **BACK OFFICE** system with full interaction with SARS.

We will all agree that *provisional tax law* has become very *complicated* and is prone to risk and errors. There is no way that most of your clients will be able to handle it properly, understanding all the laws and the penalties, especially the new understatement laws. I am therefore going to paint the picture for each of the

## THE START OF THE 2021 TAX SEASON

scenarios mentioned above. Of course, size plays a part and that a firm has some volume.

<b>1. No Tax system in use. Use the Filing website only</b>	<b>2. Use Back Office System in full interaction with SARS</b>
Each taxpayer's IRP6 to be retrieved one at a time which is very time consuming as there is no bulk retrieval.	Globally retrieve IRP6's into the Tax system for processing, manipulation and communicating with clients.
Calculate one provisional taxpayer at a time on the website. Time consuming as you have to access each taxpayer individually and make the changes individually. There is no global processing option.	Calculate provisional tax globally in minutes.
Have to check the figures being used against a manual tax file. Time consuming and impossible in a larger database.	Not necessary all automatic as a difference report is produced. Shows the difference between what SARS says and the last assessment.
No quick method for checking the difference between SARS IRP6 figures and the correct basic amount figure.	Producing the difference report is an automatic function and will highlight the differences.
Medical credits have to be calculated manually.	The back-office system will pull in the first part of the medical credits based on the last tax calculation taking the current rates into account.
No method of communication with clients. This is a manual very time-consuming method and has to be	Communication with clients is automatic with forms and letters created automatically being emailed to taxpayers in bulk.



## THE START OF THE 2021 TAX SEASON

done one by one on an email system outside the SARS system.	
There is no method to track and control the status of a PT return like client confirmation unless a manual or spreadsheet is kept. This is very time consuming.	Ability to track and control the status automatically by making use of digital signatures.
E file IRP6 on the e filing website client by client which is very time consuming.	E file IRP6 from the Back-Office application in bulk.
Companies don't calculate	Automatic calculation

There are some important issues that go beyond the table above that one needs to understand.

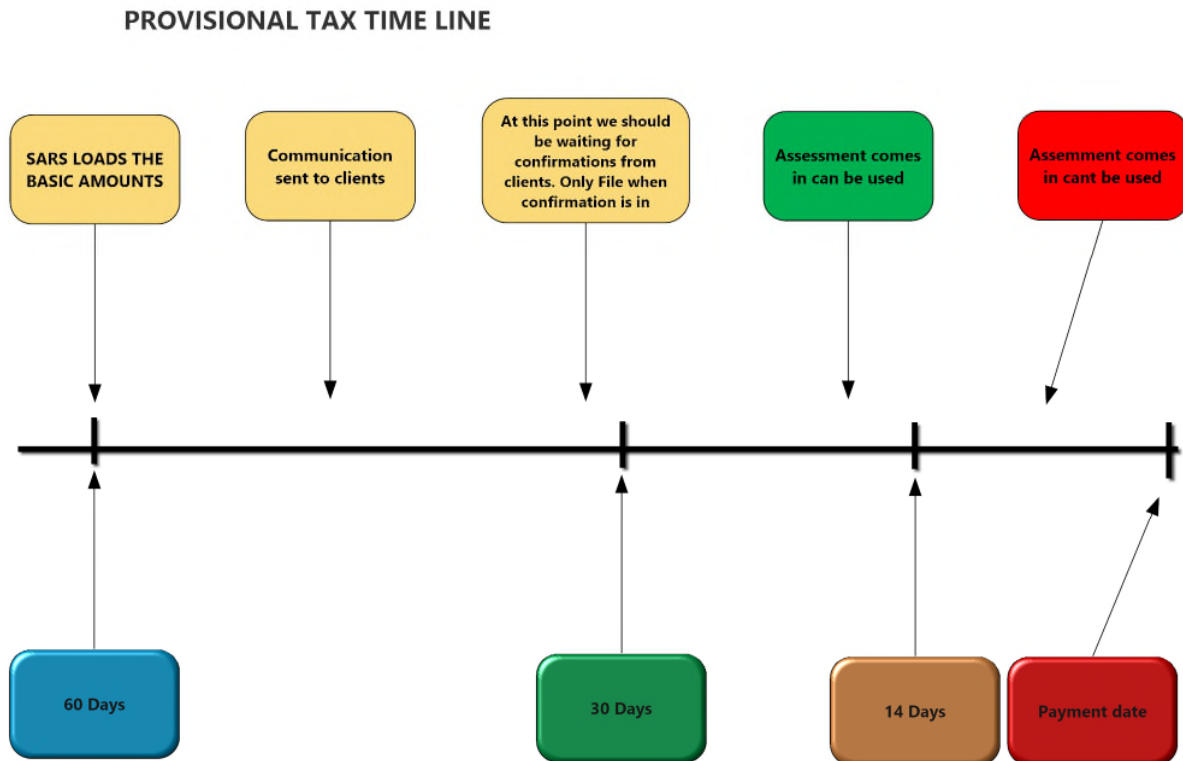
SARS loads the basic amounts about **60 days prior** to the payment date. The website refreshes the basic amount as new assessments come through. The practitioner will never know if they miss an email or SMS about the assessments from SARS. The method of trying to find the assessment is extremely time consuming on the SARS e Filing website. With a back-office system, the assessments are loaded daily directly from SARS and all that the practitioner has to do is look at the assessments file to decide which figure are going to be used by comparing it with the current provisional tax status. In a manual system and a system without connection this would have to be checked manually. On a large database this is almost impossible. By not being connected with an integrated system with SARS Tax Practitioners are doing your clients a great disservice.

There is another very important issue in that SARS are putting up the **incorrect figures** in many instances and earlier basic amount rather than the later correct ones that is why one needs a difference report which will give the Tax Practitioner an idea as to which figure should be used.

The **communication aspect is automatic**, the ability to send bulk emails will save an inordinate amount of time as opposed to one at a time.

#### 4.5 Timing issues in regard to Provisional Tax Processing

Timing of the provisional tax process is very important from a logistical point of view. Detailed below is a chart depicting how you should work the timing? If you manage this process well it will make the provisional process much simpler.



It is absolutely imperative when making use of the provisional tax e-Filing system that you get your **timing right**. For example, if the payment date is the 31<sup>st</sup> August the practitioner needs to know by the 20<sup>th</sup> of the month that the taxpayer agrees with the figures to be submitted, because once the practitioner presses the button and submits the provisional tax form to SARS there is no way that this can be changed easily. Of course, you do a 2<sup>nd</sup> version but this is costly and time consuming.

A practice should also put in more effort in advising **high net worth taxpayers** with their payment details earlier rather than later.

#### **4.6 Provisional Tax Payments**

When we started this e-Filing process the majority of firms indicated that they were not interested in generating payments to SARS on behalf of their clients because of the risk issues involved.

What we have found is that larger accounting firms do not wish to get involved in payments and would rather let the client make the necessary arrangements to pay the provisional tax. Smaller accounting firms get involved in generating the payments for their clients and larger firms don't.

I think the time has now come to find the mechanism to generate payments in bulk and users can make their choice as to whether they want to or not. In our systems we are in fact carrying all the bank accounts if you are e-filing tax returns. I do not see why we cannot introduce a bulk facility so that when the necessary confirmations from the client have come in, the system will then automatically generate payments in bulk, subject to the client's final authorization. The system of Payments is now geared towards this as the notification is sent to the bank and the client needs to authorise. There will be huge time savings in this.

#### **4.7 The Risk of Provisional Tax**

Provisional Tax has become very very risky. It is a possibility that depending on when you submit your tax return every single taxpayer in you tax base could have a ***different basic cutoff date***, because of the definition of basic amount which counts back 14 days from the ***submission date***. The planning for Provisional Tax has become very critical. In the past the submission date was the date that we use to count back the 60 days for the basic amount.

The next issue that has become significantly important is the fact that SARS does not get the ***correct figures on the website***. There may be an earlier figure which is displayed before the latest correct figure. There may even be a blank. Now this

becomes a problem where you want to calculate provisional tax and the taxpayer's income is below a million rand and you use the incorrect basic amount. If SARS was in a position to show the correct basic amount below R1 million rand this would make provisional tax much simpler and Tax Practitioners have a basis of comparison.

The situation as mentioned above makes it really difficult to get the right figure on a manual basis. It is much safer to have a back-office system that will allow you to make the right choice, as it is very easy to get this wrong when you are working manually. It should be noted that the onus is on the taxpayer and tax practitioner to get the numbers right.

Where the taxpayer's income is **over a million rand** then we need to start doing more accurate tax calculations working out the 6A and 6B Medical Credits and if there is a Capital Gain to actually work it out as accurately as possible. The gap between final tax calculation and provisional tax narrows as provisional tax becomes more complicated and riskier. The missing out of a capital gain in provisional is a high-risk area which will allow SARS to punish the taxpayer if its left out of a provisional tax calculation.

To this end it is very important that you have a tax calculator on hand so that you can do the tax calculations inserting the figures into the Provisional Tax calculation.

## 5. PROVISIONAL TAX AND COVID-19 RELIEF

### 5.1 INTRODUCTION

**Please Note: In order for the provisional tax COVID-19 relief to be activated on Sky TURNOVER on the provisional tax ledger must be entered and the COVID-19 tick box ticked on the review page. We will have something similar for individuals in due course.**

The 2<sup>nd</sup> relief draft document from SARS has been published with additional relief options. It seems that individuals are now included for provisional tax relief under certain conditions. Please ensure that you understand what the conditions are.

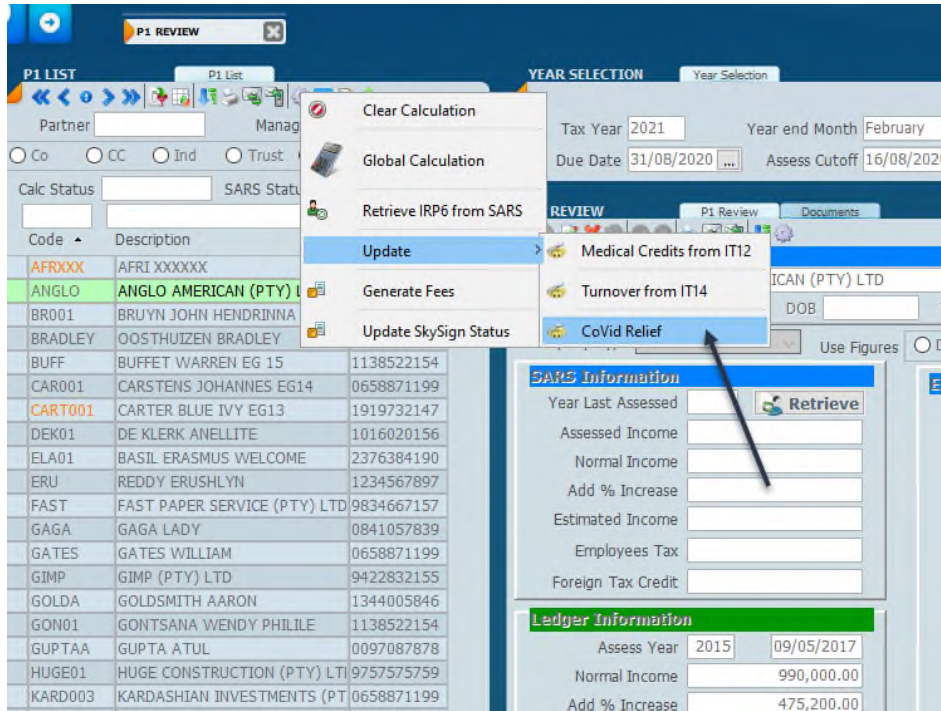
It is important to understand that as far as provisional tax is concerned taxpayers will calculate the provisional tax in exactly the same way as it has been done in the past using the same laws and provisions. The relief is in the way we make the payments, by SARS giving deferments on the payments depending on when the year end is and when the provisional tax payments fall due. We have been advised that SARS is making no change to their systems as the submission of provisional tax will be exactly the same as it has always been with the same rules, it is just the payment that is deferred.

**The COVID-19 provisional tax relief may be claimed if the TURNOVER of the company does not exceed R100 million and the taxpayer is tax compliant.**

**If a business is operated by an Individual, partnership or trust then as long as its Turnover does not exceed R100 million and passive income is less than 20% the individual can apply the provisional tax relief rules. The individuals provisional tax relief will be introduced in Sky Tax in due course. Please make sure you understand what passive income is.**

## 5.2 SETUP

In order to set up COVID-19 relief. Select the function wheel on the top of the provisional tax review screen and click on update and then COVID-19.



Activate COVID-19 by clicking on the Activate COVID-19 Relief.

## THE START OF THE 2021 TAX SEASON

**YEAR SELECTION** Year Selection

Tax Year 2021 Year end Month February Reply Date 26/08/2020 ...  
Due Date 31/08/2020 ... Assess Cutoff 16/08/2020 ...

**P1 REVIEW** P1 Review Documents

**Particulars of Taxpayer**

Client: ANGLO|ANGLO AMERICAN (PTY) LTD  
Id/Reg No 454554555 DOB Y/E February Tax Number 9158264847

Company Type Normal Use Figures  Default  Sars Itp6  Ledger  Estimate

**SARS Information**

Year Last Assessed Retrieve

Update CoVid Relief

CoVid 19 Relief Measure?

Activate De-Activate Cancel

Foreign Tax Credit

**Ledger Information**

Assess Year	2015	09/05/2017
Normal Income	990,000.00	
Add % Increase	475,200.00	
Estimated Income	1,465,200.00	
Employees Tax	.00	
Foreign Tax Credit	.00	

**Estimated Calculation** 15/04/2020

Turnover	45,000,000.00
Estimated Income	1,465,200.00
Tax on Income	410,256.00
Rebate	.00
Medical Credit	.00
Tax for Full Year	410,256.00
Tax for this period	205,128.00
Employees Tax	.00
Foreign Credits	.00
Tax Liability	205,128.00
Interest	.00
Penalty	.00
Total Due	205,128.00
CoVid Relief - Due	61,538.40

### 5.3 CALCULATION OF PROVISIONAL TAX

At this point you may run the provisional tax calculation as you would normally do by doing the calculation and the retrieval from SARS, doing all the normal checks and balances to make sure the estimates are correct taking into account the current COVID-19 situation. For more information on this we refer you to our technical briefing on provisional tax which will be found on the link below. After running the calculation and whilst you are doing the review you may implement the relief rules where necessary by adding Turnover and ticking the appropriate tick boxes.

<https://www.acffinsoftware.com/sky-tax-help.html>

### 5.4 PROVISIONAL TAX COVID-19 RELIEF RULES

If P1 is payable between **1 April 2020 and 1 October 2020** the payment relief is 15% of the total tax liability. The 15% will be calculated before the tax liability is halved for P1.

If **P2** is payable after **1 April 2020 but before 1 April 2021** the payment relief is 65% of the total tax liability.

This means that if the company is claiming the relief by the time, they make the P2 payment they must have made provisional tax payments that total 65% of provisional tax due for the year.

The balance remaining of 35% owing to SARS is to be payable by the time the P3 or top up payment is due, if not, interest will kick in at the normal SARS rates. It should be borne in mind that if the P3 or top-up payment is made six months after the year end for June taxpayers and seven months after the year end for February companies no interest or penalties will be payable. If the top-up payment is not made on time interest will be payable from that point on at normal SARS's rates.

In the event that the relief is claimed and the taxpayer is not tax compliant then the normal penalties and interest will kick in, it seems that this will only be on assessment, but this remains to be seen.

## **5.5 SKY TAX PROVISIONAL TAX RELIEF CALCULATION P1**

The provisional tax review screen is shown below.



# THE START OF THE 2021 TAX SEASON

**YEAR SELECTION**

Year Selection

Tax Year: 2021    Year end Month: February    Reply Date: 26/08/2020

Due Date: 31/08/2020    Assess Cutoff: 16/08/2020

**P1 REVIEW**

**Particulars of Taxpayer**

Client: ANGLO|ANGLO AMERICAN (PTY) LTD    1st. Year of Liability: MARK SILBERMAN  
Id/Reg No: 454554555    DOB:    Y/E: February    Tax Number: 9158264847    SENIOR MANAGER

Company Type: Normal    Use Figures:  Default     Sars Irp6     Ledger     Estimate

**SARS Information**

Year Last Assessed	<input type="text"/>	<input type="button" value="Retrieve"/>
Assessed Income	<input type="text"/>	
Normal Income	<input type="text"/>	
Add % Increase	<input type="text"/>	
Estimated Income	<input type="text"/>	
Employees Tax	<input type="text"/>	
Foreign Tax Credit	<input type="text"/>	

**Ledger Information**

Assess Year	2015	09/05/2017
Normal Income	990,000.00	
Add % Increase	475,200.00	
Estimated Income	1,465,200.00	
Employees Tax	.00	
Foreign Tax Credit	.00	

**Estimated Calculation**    09/04/2020

Turnover	45,000,000.00
Estimated Income	1,465,200.00
Tax on Income	410,256.00
Rebate	.00
Medical Credit	.00
Tax for Full Year	410,256.00
Tax for this period	205,128.00
Employees Tax	.00
Foreign Credits	.00
Tax Liability	205,128.00
Interest	.00
Penalty	.00
Total Due	205,128.00
<input checked="" type="checkbox"/> CoVid Relief - Due	61,538.40

Once the ledger has been calculated we can put the review screen into edit mode and tick the COVID-19 relief tick box, recalculate to get the right tax due.

In the above screen the amount of R205,128 will be e-filed but only R61,538.40 will be paid which is 15% of the total tax due of R410,256.00. It is understood that SARS will keep the details of the outstanding amounts.

## 5.6 SKY TAX PROVISIONAL TAX RELIEF CALCULATION P2

The same principle will apply when the P2 provisional tax payment is calculated. The tax submission must be based on the Tax liability calculated.

By the time P2 is paid by the company the P2 payment must be 65% of the total tax liability and therefore there should only be an amount of 35% that should be outstanding. The shortfall of 35% to be paid by the time that the top-up or P3 is due must be paid to avoid interest, thereafter interest will kick in.

### 5.7 PROVISIONAL TAX RELIEF ON P2 FOR JUNE COMPANIES

June will be here soon! Provisional tax on P2 for June companies must be calculated as you would normally do. Where a provisional tax payment was made by the end of December 2019 being P1 this would have been based on 50% of the full tax liability. When the P2 is made by the end of June then the payment only has to be 15% which will make the total tax payment 65% of the total provisional tax liability.

### 5.8 PROVISIONAL TAX IRP6 FACSIMILE FORM

The printing of the provisional tax form will have the following changes and reflect the COVID-19 relief and the payment due. Please note that the IRP6 form will have the payment reference number on it. Please make sure that your clients get the payment reference number. The payment push to the bank can be adjusted to reduce the amount.

Estimated taxable income		1,465,200.00
Turnover		45,000,000.00
Estimated taxable income		1,465,200.00
Tax on estimated taxable income		410,256.00
Less: Rebates		0.00
Less: Medical Credit		0.00
Tax for the full year		410,256.00
First Period: Less half of the tax payable for the full year		205,128.00
Less: Employees' tax for this period (6 months)		0.00
Less: Foreign tax credits for this period (6 months)		0.00
Tax payable for this period		205,128.00
Add: Penalty		0.00
Add: Interest		0.00
<b>Total Amount Payable</b>		<b>205,128.00</b>
CoVid19 Relief		143,589.60
<b>Reduced Amount Payable</b>		<b>61,538.40</b>

Y Y Y Y M M D D

Signature of the provisional taxpayer or representative \_\_\_\_\_ Name of the provisional taxpayer or representative taxpayer \_\_\_\_\_ Date \_\_\_\_\_

**Payments can be made at any SARS branch office**  
 Mondays to Fridays: 08h00 - 15h30  
 Closed on Saturdays, Sundays and Public holidays.  
 Payments can also be made at or electronically to: ABSA, FNB, NEDBANK, STANDARD BANK  
 Payment reference number 9158264847P00012021 Beneficiary ID/Account number SARS-PROV

Income tax reference number P001 period year

## 5.9 MANAGING THE PROVISIONAL TAX PAYMENTS

Sky Tax has a **receipting system** in place to manage all payments to SARS. Where you know your client has paid the provisional tax simply enter it in the screen below to keep track of the outstanding balance. An example of the receipting screen is shown below for the above payment that was processed.

**Receipt Data Entry**

**Particulars of Taxpayer**

Client Code: ANGLO ANGLO AMERICAN (PTY) LTD      MARK SILBERMAN  
 Id/Reg No: 454554555      Tax Number: 9158264847      SENIOR MANAGER  
 Tax Return Year: 2021      Entry No: 4

Receipt Date: 11/08/2020      Receipt Allocation:  Prov 1st  
 Receipt Ref: 1234567       Prov 2nd  
 Receipt Amount: 61,538.40       Top Up  
 Interest Allocation: .00       Bal of Acc

Remark: Payment of 15% of provisional tax in terms of COVID 19 tax relief.

Status	Amount Due	Interest	Receipts		Amt Owing	
Prov P1	SUCCESS	205,128.00	.00	61,538.40	11/08/2020	143,589.60
Prov P2			.00	.00		.00
Top Up			.00	.00		.00
			.00	61,538.40		
Tax Return			.00	.00		.00

Receipts    Refunds

**Receipts List**

Date	Entry	Ref	Allocation	Interest	Receipt Amount
11/08/2020	3	1234567	Prov 1st	.00	61,538.40

The above screen will show the amount due to SARS after the first payment. At this stage there is nothing to be done until we get to the P3 or top up stage.

The P2 payment will be handled in exactly the same way.

## 5.10 GENERATING A TOP UP PAYMENT

Multiple top up payments can be generated at any time by entering the income that you wish to base the payment on.

Looking ahead to Sept 2021 when the P3 or top up is due the top up screen will look like the screen below.

# THE START OF THE 2021 TAX SEASON

SELECTION Selection Strm Of Accc

**Particulars of Taxpayer** Client: ANGLO|ANGLO AMERICAN (PTY) LTD 1st Year o  
MARK SILB  
Id/Reg No 454554555 DOB Y/E February Tax Number 9158264847 SENIOR M

Yr	P1 Status	P2 Status	TopUp	Tax Ret	Submit	Date	Assess	Date	Balan
2021	SUCCESS				0		0		
2020		FINALISED			0		0		
2019	FINALISED	FINALISED			0		0		
2018	QUERY	PRINTED		CREATED	0		0		
2017	CALCULATED			REQUESTED	0		0		

TOP UPS Prov P1 Prov P2 Top Up Tax Return Payments

Company Type **Normal**

**Tax Calculation** 16/04/2020

Turnover	45,000,000.00
Taxable Income	1,465,200.00
Tax on Income	410,256.00
Rebate	.00
Medical Credit	.00
Tax for Full Year	410,256.00
Prov Tax paid	236,666.40
Employees Tax	.00
Foreign Credits	.00
Tax Liability	173,589.60
Interest	.00
Penalty	.00
Total Due	173,589.60
Calc Status	

**Provisional Payments**

	Estimated Income	Payable
1st Payment	1,465,200.00	61,538.40
2nd Payment	1,465,200.00	175,128.00
Other Payments		
11/04/2020	1,465,200.00	173,589.60

The total tax paid on P1 and P2 amounts to R236,666.40 (R61,538.40+R175,128) which is 65% of the total tax liability. The top up payment to be made must then be R173,589.60 being 35% of the remaining provisional tax liability by due date in order to avoid interest. 30 September 2021 for February company and 6 months after the year end for every other company.

On the screen below we print a remittance advice that can be used to send to clients for the top up payment.

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The screenshot displays the JasperViewer application window. On the left, the 'Particulars of Taxpayer' section shows client information for ANGLO AMERICAN (PTY) LTD and a table of tax years. The 'TOP UPS' section shows a table with columns for 'Yr', 'P1 Status', 'P2 Status', 'TopUp', and 'Tax Ret'. The 'Provisional Payments' section shows a table with columns for 'Estimated Income' and 'Payable'. The main area on the right is a 'REMITTANCE TAX ADVICE' form. It includes fields for Reference number (9158264847), Tax period (202103), Amount payable (173,589.60), and Taxpayer (ANGLO AMERICAN (PTY) LTD). There are checkboxes for payment methods: Cash, Cheque, Postal order, and Money order. It also provides information on where payments can be made (SARS branch office or electronically via ABSA, FNB, NEDBANK, STANDARD BANK) and includes a payment reference number (9158264847P00032021) and beneficiary ID (SARS-PROV). A 'Notes' section at the bottom provides instructions for making payments and a disclaimer.

Yr	P1 Status	P2 Status	TopUp	Tax Ret
2021	SUCCESS			
2020		FINALISED		

	Estimated Income	Payable
1st Payment	1,465,200.00	61,538.40
2nd Payment	1,465,200.00	175,128.00

Other Payments	Estimated Income	Payable
11/04/2020	1,465,200.00	173,589.60

In the event that the income is more than anticipated then a further top up is required by adding an additional top-up record by increasing the income and calculating.

As many top-ups as is necessary can be generated to fit in with the taxpayer's cash flow by increasing the income as required, but interest will be charged.

## Please Note

Our system Sky Tax can request a virtually instant on demand balance of account for individuals. We are trying to get this for companies and to get the receipts for all tax types, unfortunately there is no guarantee that this will happen.

## 6. ANNEXURES

Mandate Letter

<https://www.acffinsoftware.com/tax-mandate-letter.html>

Provisional Tax Letters

<https://www.acffinsoftware.com/sky-tax-prov-letters.html>