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TECHNICAL BRIEFING PROVISIONAL TAX P2 2019

Updated December 2018 for P2 2019

INTRODUCTION

It is important to understand the legal aspect of provisional tax as well as how the software system of Sky Tax works. This document should be read together with webinars that have recently been run which deal with the legal aspects. Please click on the link below to find the webinars.

https://www.accfinsoftware.com/tax-webinars.html

Please note that in some of the screen shots in this document, not all the years reflect correctly as we have used screen shots from past years where applicable.

Do not leave your provisional tax process for the last minute. The pressure will get to you. Start with the high net worth individuals and companies first so that you can advise these clients. The golden rule is that by the 31st January you have advised all your clients of their provisional tax commitments.

Note the colours, red is P2. Make sure you are always on the right payment. Create a bookmark at the bottom of the screen.
Communications with your clients about their provisional tax affairs is essentially important. Get your letters and emails working well before the time so that you can communicate with your clients. It would now be a good time to set up digital signatures. Digital signatures would allow you to become completely paperless. Click on this link for more information.

https://www.accfinsoftware.com/digital-signatures.html

Where multiple people work on provisional tax and one person does all the work and other review taxpayers then it’s a good idea to make sticky notes advising about the status of the taxpayer and allocating work to other users. In fact, it’s important to note that the Sky sticky note system is in fact our CRM system. This will allow you to track and control virtually every aspect of your system.

**IMPERITIVE STEPS**

**NEW USERS** – It’s imperative that you have connected your Sky Tax system to the SARS e-Filing system and that you have synchronized your system from the EFREGISTER as indicated below.
You will not be able to do provisional tax if the taxpayer is not connected to e-Filing and you have not processed a retrieve of the IRP6 form. If you have any issues with this please contact support immediately especially if you can’t register a client.

In order to use the letter writing and emailing and digital signatures please communicate with support if you have not set up. Please do not leave any process for
the last minute. A powerful feature of our software is getting the communications to work. Please do not leave any process for the last minute as this will create tremendous pressure on you, on us as well as your clients.

We have provided all the **standard provisional tax letters** on the Sky Tax System. Your logo can be inserted and the letter can be tailored to what you want. Do this well before you wish to send the letters out. Letters can be edited to your requirements easily; however, it is not the intention of this document to deal with the setup of the letters.
THE PROVISIONAL TAX PROCESS IN POINT FORM

Before you start the provisional tax, process ensure that your ledgers for the 2018 year as well as 2019 P1 have been set to **FINALISED** and locked **TO AVOID** calculating the wrong year inadvertently. This can be done globally from the calculation screen. This will preserve the integrity of the previous year’s data.

1. Run a global calculate **P2 2019** to refresh your ledgers making sure all the parameters are properly selected.
2. Retrieve the IRP6 data from SARS e-filing using the global retrieve **IRP6 function**. This can be run globally from the calculate screen – allow sufficient time for the data to download. In some instances, you may only see the results the next day. The next day run an update status and all the records should be populated. *(Please note don’t retrieve until we are satisfied that SARS have loaded the data- by the time you read this it should be available- but you need to check first.)* – please see the notes on the **IRP6 upload by SARS below for more information.**
3. Run a global calculate **P2 2019** to refresh your ledgers. The SARS figures will always be used first. You may reset one by one or globally to the ledger figure or to an estimate.
4. Run the IRP6 **difference report** for P2 or set the filter for enquiry. This will give you all the differences between the SARS figures and what you have on file in the provisional tax ledger. Where necessary investigate all the differences. You may also use a filter to display the differences on screen. We would suggest that you track and control with status or sticky note. See below.
5. For each incorrect SARS data download reset the record to the ledger by clicking on the ledger radio button which will be the last assessment downloaded which falls before the cutoff date. Recalculate and refresh your screens.
6. Communicate with your clients and obtain approval for filing.
IRP6 DATA UPLOAD
The SARS provisional tax data is normally uploaded by SARS 60 days from the payment date. *Do not retrieve IRP6 forms until you are satisfied that the data has been uploaded.* Owing to the fact that the data is uploaded so early there will be timing differences on the last assessment and on the SARS records. Please see the definition in regard to the **basic amount** and the SARS practice note on provisional tax.

In past periods there have been various errors in the downloads of the IRP6 data, we don’t know what this year holds, however there will certainly be timing differences:

1. In some instances, blank IRP6 data has being downloaded. In fact, if the last assessed income is over R1million SARS leaves the figure blank as they want you to do an accurate calculation.
2. The wrong assessment has been downloaded, for example a 2015 assessment has been used where a 2016 assessment should have been used.
3. SARS tends to do their uploads 60 days prior or even earlier and the wrong figure may be used.

Clearly, we have no control over these discrepancies in the data. It’s best that where the SARS data is wrong that users revert their provisional tax calculations to their own data or to estimates obtained from their clients, i.e. the last assessment that was downloaded as this is the safest procedure to follow.

Please see the notes on differences below.

DIFFERENCE REPORT
You need to set the difference filter on the review screen or print out the report from the printer report below. The report will always print out all the differences if no filter is set. The screen below will show how to print the difference report.
The report looks as follows which will allow you to work through each item and tick off each taxpayer.

You may also use the filter options to only display the differences selected on the screen – see below. There are various other filters that can be selected that will help in the determination of selecting clients in different circumstances as
indicated on the menu options below. When the filter is selected only taxpayers that meet those circumstances will display in the list panel. Once you have checked the difference records you may change the status to the effect that it has been checked.

LUMP SUMS AND CAPITAL GAINS
Make sure that you have taken out lump sums and capital gains included in the basic amount in previous years that were included in the downloads from SARS. If assessments have been entered properly this separation will be done automatically by Sky as the system will separate the lump sums from assessments.

PAYE
Make sure you have the correct PAYE figures which you must obtain from your client. SARS downloads the PAYE from the previous assessment which may or may not be accurate for this purpose.
MEDICAL TAX CREDITS

Make sure you have the correct medical credits. You can pull the 6A from the tax calculation automatically i.e. that’s if you have used the Sky Tax calculation facility. Sky calculates the rebate based on the 2019 rates. The 6B to be obtained from the client as this unfortunately is based on the circumstances if the taxpayer for the particular year. The updates option below shows a global function for all taxpayers listed in the panel. There is a field for medical credits which is shown on the screen below. In this instance you can pull the details from the last tax calculation and adjust automatically to the current rates.

By clicking on the appropriate options the system will update the provisional tax ledger with the medical credits (only the first part s6A ) as well as turnover for companies. If you wish to add the actual expenses then please obtain the figures from your clients.

Some rules:

Make sure you have a backup before you run this process. Only if you run on your own server.

Make sure the tax year is set to 2019

Make sure you have the correct year end month

Recalculate the ledgers

Decide if you wish to increase the turnover

By running this process, the system will automatically calculate the medical credits and populate the turnover figures for companies
CAPITAL GAIN

If a capital gain is included for the 2019 year make sure it is correct. The screen below shows you how to do this. To change the figures, make sure the screen below is in edit and estimate mode. Once you have changed the capital gain figure or the income figure click on the calculated button.
STATUS
Make sure you review the figures you are using and this you can do by making use of status. Status can be used for filtering data as well as to select the e-filing group that you want.
CLIENT APPROVAL
Client approval is an important risk aversion procedure. Obtain client approval and have it on file you can save it against each record. Once you have this submit the form to SARS. Do not leave submissions for the last day or payment date as SARS processes submissions overnight. This you will do by sending your client written confirmation. Make use of email and digital signatures.

FILING
You can file each taxpayer individually by clicking on the Submit button of the review ledger. The status of the taxpayer will change to **Queued** and eventually **Success** when it gets through to SARS the next day when you update status.
You can also **file in bulk** by selecting the following screen. Make sure that you only see the clients that you wish to file as the system will file everything that’s listed. Make use of the filter to select the group that you want to file.
Ensure that client pays on time by following up.
After the IRP6 data has been retrieved and we expected accurate information and we did not the system defaults to the SARS figures on the top left-hand side and the provisional tax ledger will look as is above. In the above screen the IRP6 data does not have the 8%, yet on calculation of the assessment 8% X 4 was added. Please note the 8% will always calculate automatically.

To change the figure to the ledger figure, click on edit mode and then click on the ledger radio button and the system will choose the ledger details.
To change the figure to the actual figure, click on edit and change the income in the screen below.

Close the above screen and click on the green tick to save the record.

Please make sure you have selected the correct company type **small business** etc. if this is necessary.
THE SITUATION WITH AN INDIVIDUAL

Remember the PAYE displayed in the bottom hand side is a guide only. This relates to the assessment year in question. The PAYE figure should always be the actual figure or as close as is possible to the actual and this is changed in the yellow cell marked employee’s tax on the bottom right hand side. Obtain the correct figure from your client. The same applies to foreign tax credits.

USING FILTERS

In order to see the difference between the ledger and what is downloaded set the filter as indicated in the screen below.

Please note that before you start using the filters on differences etc. you may set partner filters or entity type filters as all the filters are successive and you can build a filter on top of a filter.
And the following screen will display only with those records that have differences only.
In order to **produce a report**, click on the reports icon and print a report of the differences.

**ADDING ADDITIONAL INCOME TO THE BASIC AMOUNTS**
Where the income is less than R1m and you the lower P2 estimate, the pressure is on to get the income as accurate as possible. In this situation you have to be within 90% accuracy on assessment. If you are convinced that the income on final assessment will be lower than R1 million then it will always be safer not to lower the P2 estimate but to use the figure defined as basic amount.

Despite what you do if the final income assessed comes in at over R1 million then P2+P1 has to be within 80% of the assessed income. Even if you think it is below R1 million and the assessment come in at over a million this rule applies. The 2\textsuperscript{nd} payment (total payments) must be within 80% of the assessment.

This is a contentious risk area and you need to make sure that your client understands the consequences of understating the P2 provisional tax estimate.
Whenever the income is over R1m you have to be within 80% accuracy on assessment irrespective of whatever you do, even if you thought the income would be lower than R1 million, if not understatement penalties will apply.

We have added a facility to adjust the income for capital gains OR to add additional income or change the income where you need to. Make sure you are in **Estimate** mode.

Click on the 3 dots and the following screen will display.
Enter the capital gain amount to be taxed and the estimated income will be updated accordingly.

Please ignore the lump sum as it’s not necessary to complete anymore.

Enter the increased amount for a capital gain. I.e. this must be the taxable portion of the capital gain that needs to be addressed in this year.

When the above window is closed the ledger is updated with the new figure.

Continue with the calculation in the normal way.

QUICK REVIEW OF EACH TAXPAYER
You may use the screen below to change the view and to set filters. This allows you to quickly step through each record very quickly to change any figures by editing and setting sticky notes if necessary.