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**CREATING BETTER FUTURES THROUGH CHANGE AND EDUCATION**

# AGENDA FOR TODAY

- SA's Tax landscape
- When you should register for tax
- Companies and the advantages.
- Filing your taxes & Keeping records
- Tax Clearance Certificates
- Foreign tax income

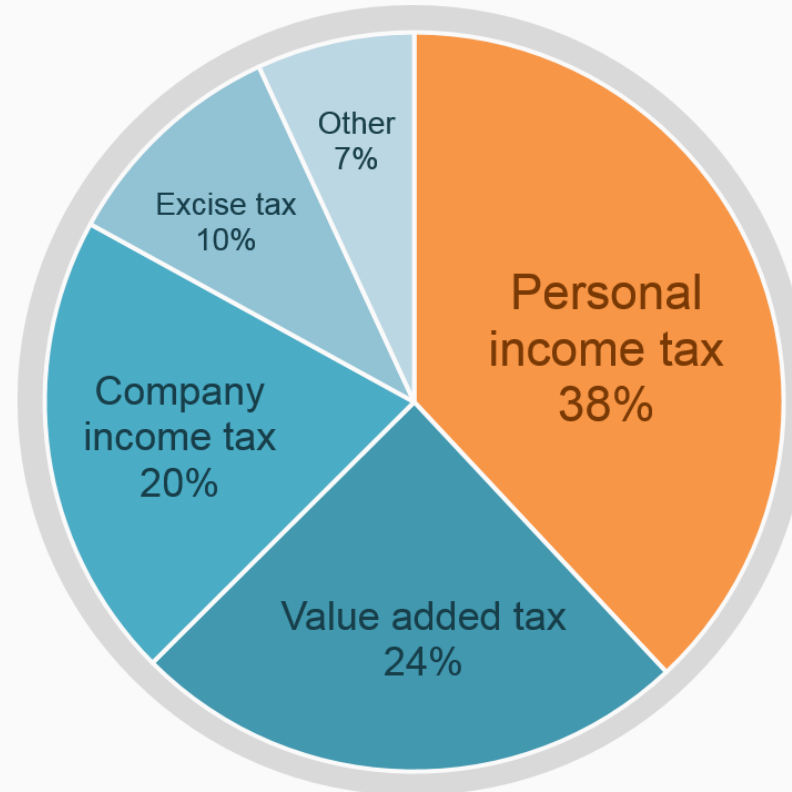


- Direct taxes
  - Personal Income Tax
  - Company Tax
- Indirect Taxes
  - VAT
  - Fuel Levies
  - Customs & Excise



# WHERE DOES THE TAX COME FROM

Personal income tax contributes over a third of the tax pie  
Percentage breakdown of tax (R1,22 trillion) collected by national government in 2017/18



Percentages have been rounded and may not sum to 100% Source: Financial statistics of national government, 2017/18



# WHEN SHOULD I REGISTER FOR TAX



- Individual Tax

- Earn an income
- Carries on a trade
- Earned money from a foreign source
- Have incurred a capital gain in excess of R 40 000
- South African resident and have more than R 225 000 worth of assets outside of South Africa.

- Company Tax

- Registered automatically when a company is registered.
- Becomes liable for tax from day 1.



# WHEN SHOULD I FILE A RETURN?



## Personal Income Tax

- Filed Annually in the tax season announced by the Commissioner of the South African Revenue Services (SARS) *Changes Annually.*
- **Filing Requirements**
  - Not employed for the full year
  - Had more than one employer
  - Income Exceeded R 500 000
  - Have an allowance that you can claim against.
  - Earned interest of more than the interest exemption
  - Have any other deductions that you want to claim.

## Companies:

- Within 6 months of the conclusion of the financial year end.
- Compulsory to file even if the company was dormant.



- Compulsory Threshold
  - R 1 000 000 in turnover
- Voluntary requirement
  - R 50 000 supplies in the preceding 12 months.

## What does this mean?

- You have to charge 15% on your invoices as VAT
- Have to comply with the VAT Act in terms of invoices.
- You can claim VAT on your expenses from registered VAT vendors
- The difference between input and output vat needs to be paid to SARS every two months.
- **NB!** This will add additional operational expenses to your business.



# WHY REGISTER A COMPANY



## Advantages:

- Company owns the assets and is separated from your personal estate.
- Transition when selling a business is easier.
- Can design an optimal tax plan.
- Can have shareholders and directors who are different people. Shareholders does not have a say in the day to day operations, but can appoint the directors of the company.
- If you stop trading for a while you can keep your name and keep the company dormant. *This will have additional annual compliance costs.*

## Disadvantages:

- Additional compliance requirements
  - CIPC Annual Fee
  - Signed financial statements by an accountant.





# HOW MUCH TAX WILL I PAY?



## • Personal Income Tax

- Will be paid according to the annual tax rates
- Marginal Tax rates from 18 – 45%.
- Tax threshold
  - Under 65 R 83 100
  - Between 65 and 75 R 128 650
  - Over 75 R 143 850
- Have certain exemptions (interest earned)

## Company Tax

- Flat rate of 28% from R 1 of profit.
- Dividends from the profits are taxed at 20%.
- **Small business Corporation**
  - Tax only paid after R 83 100 of Profit
  - 28% only reached after R 550 000



## • Requirements

- All Shareholders must be natural persons
- Gross income may not exceed R 20 million
- Not more than 20% of income may be from investment income
- May not be a personal services company or venture capital company

## Tax Rate

- R 0 - R 83 100
  - Nil
- R 83 101 - R365 000
  - 7% of the amount over R 83 100
- R365 001 - R550 000
  - R19 733 + 21% of the amount over R365 000
- R550 001 +
  - R58 583 + 28% of the amount over R550 000



# WHAT CAN YOU DEDUCT FROM YOUR INCOME



- Only pay tax on your net income
- Can deduct any expense in the production of income
  - Accounting fees
  - Bank Charges
  - Entertainment
  - Marketing and Advertising
  - Traveling Expenses
    - Vehicle Expenses
    - Vehicle Maintenance
    - Fuel & Toll Fees
    - Accommodation
    - Plane tickets
    - Special equipment such as shoes, clothing etc.



- You have to keep record of all your expenses.
  - Bank statements
  - Slips for cash transactions
  - Slips for expenses more than R 250
  - For entertainment; note who your client was
  - Make it part of your daily/weekly ritual
- Have it summarised for your accountant/ tax practitioner to lower your costs.
  - Free spreadsheet available for download at [www.yourmoneylifecoach.co.za](http://www.yourmoneylifecoach.co.za)
  - Use promo code : STARS 2020



# PROJECT MANAGING YOUR CONTRACTS



- Use a spreadsheet to account for your income and expenses.
- Does not matter with SARS, as long as you declare all.
- Where tax has been deducted, ensure that you receive and IRP5 at the end of the tax year



# TAX REFUNDS



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- From time to time, a gig might deduct tax from your earnings.
- Depending on how much it might be worth it to apply for a tax directive which will lower the tax they deduct.
- **NB!** This does not mean the tax is not due, it simply means SARS is assisting you with some of the expenses.
- To apply for a tax directive you can:
  - Do it via E-Filing
  - Obtain the assistance of a Tax Practitioner.
- Supporting documents will include a letter from the company and estimation of expenses.
- SARS will not issue a Tax Directive for income lower than 18%.



- Make sure you declare it in your tax return.
- Can be taxed in the foreign country .(SA has a 20% withholding tax on foreign nationals for sportspersons and entertainers)
- Tax paid in foreign country can be deducted as an expense or you can get credits for it in SA (if we have a Double taxation agreement) .
- Keep your records.

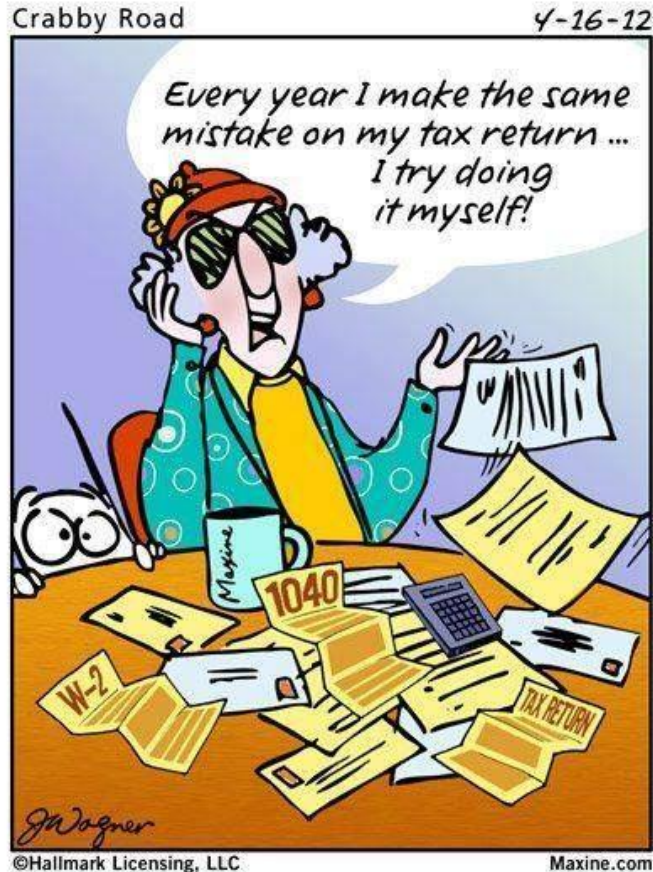




- A confirmation from SARS that your taxes are up to date.
- Used to be valid for one year
- Pin letter is now issued and tax is monitored in real time.
- To apply for a tax pin letter you can:
  - Do it via E-Filing
  - Obtain the assistance of a Tax Practitioner.
- **Proof of tax no**
  - Enquire with SARS
  - Can be obtained from personal e-filing profile.



- Can I DIY My Tax?



- Tax Practitioners:

- Has to be registered with SARS
- Has to be registered with a Recognised Controlling Body (RCB)
- Have to keep their knowledge up to date with Continuous Professional Development (CPD).



# QUESTIONS TO ASK YOUR TAX PRACTITIONER



- 1) Are you registered with SARS?
- 2) Who is your RCB?
- 3) What experience do you have?
- 4) What do you charge?
- 5) What does this include?
- 6) When are your fees payable?
- 7) Do you charge additional fees if I am audited?
- 8) How will you be submitting my taxes?

## Tips in dealing with a Tax Practitioner:

1. Ask for your ITA34 (Assessment). This will prove that your taxes have been submitted.
2. Ensure that you sign a mandate with them.
3. Ensure that they make use of a practitioners profile when they submit your tax. You can have a shared access profile.
4. Ask them for a simulation before they submit your return.
5. They are **legally not allowed** to charge a contingency fee ( a % of your refund). Please report this practices to their RCB and or SARS.
6. Verify their credentials with SARS and their RCB.



## TALK TO US

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