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Tax Season 2020 will be Easier Thanks to SARS' New Approach!

"Death, taxes, and childbirth! There's never any convenient time for any of them" (Margaret Mitchell, Gone with the Wind)

TAX SEASON 2020

SARS

This year's tax season will unfold in a different manner to previous years. These changes have been driven by ongoing innovation at SARS and by the Covid-19 pandemic.

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The tax season is split into three time frames:

1. **April 15 to May 31**

   This is the period when employers submit their reconciliation of employee earnings and all third party information providers (providers of interest certificates, medical aid certificates, retirement earnings are three examples) send their certificates to SARS and the relevant individuals.

   All of the above had to be with SARS by the end of May.

   SARS have used this time to verify information from the National Population Register, the Deeds Office and the Companies' Register.

   As all of this information becomes available, SARS have begun populating individuals' tax returns.

2. **June 1 to August 31**

   Taxpayers need to ensure that all their information is up to date and accurate – for example, if they have moved, they need to reflect their new address on eFiling. Taxpayers should also be testing their eFiling usernames and passwords and ensuring they can communicate electronically with SARS. They should also verify that all third party information is correct.

   SARS will be following up on third party information, checking it for accuracy. In cases where SARS finds substantial non-compliance, they may lay criminal charges against third party information providers (including employers).

   <u>Auto Assessments</u>

   During this period SARS will issue a large number of taxpayers with auto assessment notices via sms and taxpayers need to check theirs on SARS eFiling or SARS MobiApp and indicate to SARS if they accept the assessment outcome. Where the taxpayer accepts the outcome of the auto-assessment, the taxpayer will not be required to submit a return.

   The auto assessment process will take a significant amount of work out of the tax season – many taxpayers benefit by not needing to submit a return and SARS do not need to assist that many people in SARS branches plus they save much admin work.

   SARS will notify taxpayers whose third party data is compliant that they may file early i.e. before September 1.

3. **September 1 to January 31**

   SARS will issue a public notice to confirm which taxpayers need to submit a return.

   Those taxpayers who file manually at a SARS branch must do so by October 22. Taxpayers must make an appointment online to see an assessor and need to arrive on time for their meeting with a reference number SMSed to them by SARS. Due to the impact of Covid-19, these appointment rules by SARS will be rigidly enforced.

   Non-provisional taxpayers who file electronically have until

November 16 to submit their tax return on SARS eFiling.

Provisional taxpayers who complete their return electronically must do so on or by January 31, 2021.

To summarise due dates:

TAX SEASON 2020 DEADLINES

pe of Taxpayer	Channel	Due Date
isional and al taxpayers	Manually at a SARS Branch	22 October 202
isional taxpayers	File electronically	16 November 20
al taxpayers	File electronically	31 January 202

Although there will be the inevitable teething problems with the new approach, it offers time saving for both taxpayers and SARS.

Giving is Good – Just Know Who You are Giving To

There is usually an upsurge in giving when there is a severe crisis. COVID-19 is no exception – witness the outpouring of help for vulnerable people who face lockdown without income or food.

This reaction is to be admired as it affirms our humanity, but it is worth doing some due diligence on who you are giving to, especially considering the sudden spate of NPOs (Non-Profit Organisations) and people soliciting donations and assuring you that whatever you give is either tax exempt or tax-deductible as they are a PBO (Public Benefit Organisation).

It is easy to verify these claims

Although it is not mandatory to register as an NPO, virtually all non-profit organisations do so as it shows a commitment to the spirit of altruism and good governance required of such organisations. NPOs are under the jurisdiction of the Department of Social Development (DSD) and it is a quick process to check if an NPO is registered **here** by typing in the box the name of the NPO.

Many of these NPOs are also PBOs which are usually registered with SARS to enable you as donor to claim the tax allowances available, and can be verified on the SARS **website**.

Other due diligence

Ask the NPO to give you proof that the money you are giving is going to where the NPO promises. This is a standard requirement – Foundations that give to NPOs require that they report back verifying not only that the money was correctly spent, but also showing the impact this giving has had on the targeted individuals and communities.

When you make a donation to a section 18A registered PBO, they must issue you with a prescribed certificate that SARS will require you to submit when you claim the deduction in your tax return. The certificate also verifies that the donation will only be used for certain purposes as prescribed by law and approved by SARS.

Formalise your giving

Instead of donating to causes on an ad-hoc basis, why not have a "giving policy"? Establish how much you are prepared to donate and the causes you want to support. Many companies are now encouraging their staff to donate to good causes.

To do this, an understanding of tax legislation is important –

Donations tax

A company will not incur donations tax for the first R10 000 per annum in donations and an individual R100 000 per annum – any amounts over the company or individual limit are taxed at 20%.

Note that you cannot claim a tax deduction for any donations tax you pay in this regard.

PBOs

Over and above this, SARS allows both registered and non-registered NPOs that meet the legal criteria in the Income Tax Act to register as a PBO. <u>One advantage of being a PBO is that individuals or companies will not be subject to donations tax on their donations to the PBO</u> even for amounts over the limits set out above.

To also get a tax deduction, check that the PBO is registered in terms of section 18A of the Income Tax Act – only those PBOs which are additionally approved by SARS in terms of section 18A can also issue donation tax receipts for donations received. Donors can then deduct up to 10% of their taxable income (for individuals, adjusted for retirement lump sums and severance pay) from donations to PBOs on assessment of their taxes. Note that SARS will require presentation of a valid donations tax receipt from the donor to claim the deduction. Should the individual or company have given more than 10% of their taxable income in one year, then the excess over 10% can be carried over to the next year. Thus, you get favourable tax treatment by donating to

PBOs.

Staff can also get tax relief on their PAYE through “payroll giving” whereby the employer donates on their behalf up to 5% of the employee’s remuneration (adjusted for pension and RAF contributions) to qualifying section 18A PBOs. The donation will then be reflected on the employee’s IRP5 at the end of the year and the PBO will issue a section 18A receipt to the employer as proof.

Having a company-wide giving campaign will forge closer links with employees, as this is something all the staff can be involved in and buy into.

There are intricacies to this aspect of tax, so consult your accountant.

The Solidarity Fund

This fund has been set up as a COVID-19 relief fund and has PBO and section 18A status which has been enhanced to allow taxpayers donating to it to claim 20% of their taxable income as a deduction. There will thus be a limit of 10% for any qualifying donations (including donations to the Solidarity Fund in excess of its specific limit) and an additional 10% for donations to the Solidarity Fund. Where staff elect to do “payroll giving”, employers can deduct up to either 33% for 3 months during 1 April to 1 July 2020 or 16,6% over 6 months during 1 April to 1 September 2020 for the 2021 tax year, of employees’ remuneration, when staff donate to the Solidarity Fund. The same rules apply in terms of section 18A certificates as covered above – make sure that you will get a section 18A receipt.

Having a policy of giving leads to more consistent and larger flows of funds to non-profit entities. Not only does this help the less fortunate communities, but it makes our society (and therefore our businesses) more sustainable.

Who will Emerge as Winners and Losers in the Post Covid-19 Marketplace?

Many trends that emerged in the lockdown period will almost certainly continue post Covid-19. Technology, for example, has received a huge boost with products like Zoom now household names.

One thing we shouldn’t forget is that periods of anxiety and boredom provide a perfect platform for creativity to flourish. Hopefully, many of you have taken the extra time that lockdown gave you to flesh out the idea that you have had for many years.

The winners are…

The big trend of the global lockdown has been the move to working from home which has worked out well and is set to continue.

There will be many spinoffs from this:

- Home improvements will benefit as people spending a lot more time at home will become aware of items that can enhance their houses. Furniture companies will get more business. Redecorating businesses will also see an uptick in their sales as will TV and sound systems suppliers.

- The businesses where staff work at home will be able to scale back on the size of their offices (there will still be a demand for offices, but it will be reduced). As rent is usually one of the high cost items that most businesses have, this downsizing will contribute to cost reduction. Another cost saving will be in reduced travel costs as staff will continue to take advantage of virtual meetings and save travel time – companies will see less airfares and petrol costs along with reduced accommodation and meal costs.

- With the reality of climate change and the petrol industry slowly dying, there will be renewed focus on solar and wind energy. This swing to renewable energy will bring in a new surge in investment – something badly needed in the difficult economic times ahead.

- Smaller towns stand to gain from this as people working from home realise they can relocate to a simpler, healthier lifestyle (a recent survey in New York showed that 50% of those surveyed would like to move out of big cities). Already parts of the Karoo are marketing the attractiveness of living in quieter and cleaner areas and are upgrading technology so that people can work there.

- Distributors and online shopping should continue to be amongst the winners as consumers see how convenient and efficient ordering online is.

- Health products and pharmaceuticals should also be successful post Covid-19 as people have grasped how important staying healthy is.

And the losers…

- The property sector has already taken some body blows – the retail sector and shopping malls will need to think creatively as consumers take to online shopping and spending will remain weak for a while. Whilst an obvious solution might be to convert shopping malls into residential units, the potential trend of people moving out of the large cities could negate this.

Office blocks will also be under pressure as demand for office space will likely continue to fall. Again, creative thinking may be needed, perhaps along the lines of office "hot seating" i.e. allowing different people to book a desk for say a day or a few days a week, or conversion to residential or small industrial units.

Industrial properties may experience some success as distribution centres for online sales grow and companies bring crucial parts of their supply chain back from overseas production.

- The coal, oil and gas industry will continue to decline. Before Covid-19, many financial institutions were refusing to finance projects in these fields and they expect renewables and electric cars to become more prominent.

- Tourism and the travel industry will take time to recover as consumer spend will remain muted due to ongoing job losses. This will have knock-on effects on restaurants, hotels and bed and breakfast facilities which additionally have been struggling with lockdown restrictions.

It will take a while for the world and South Africa to recover from Covid-19 with forecasts that the first world will not get back economically to where it was in 2019, until at least 2022. In South Africa it will take even longer.

Fraudsters are Everywhere: Cybercrime up 667% since Lockdown

There has been a surge in internet scams over the past three months – from malware, phishing and ransomware to obtaining your log-in details.

Take extra precautions such as dual authorisations for payment, carefully validate new beneficiaries and get your IT staff or consultants to regularly check that no malware is loaded onto your IT platforms.

Recently, SMSes were being sent out from the "Public Investment Corporation (PIC)", promising money from a "Business Personal Relief Fund". If you replied, you got an approval letter and money was promised once you paid a "handling fee". If you Google the PIC, there is no mention of Covid-19 relief money.

SARS have reported scams whereby taxpayers get messages from "SARS" about their income tax return or about an audit on the taxpayer or asking for missing documents and you are asked to disclose confidential information in your reply to “SARS”. See some examples of the latest scams on the SARS “Scams and Phishing Attacks” page.

There are other scams involving Transnet.

Treat emails, SMSes, and Social Media with caution, particularly if you get offered some form of relief.

Your Tax Deadlines for July 2020

- 7 July – Monthly PAYE submissions and payments
- 24 July – VAT manual submissions and payments
- 30 July – Excise Duty payments
- 31 July – VAT electronic submissions and payments
- 31 July – CIT Provisional Tax Payments where applicable.

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