



South African Revenue Service

Dear Tax Practitioner

ENHANCED PERSONAL INCOME TAX RETURN (ITR12) AND UPDATED APPLICATION FORMS FOR TAX DIRECTIVES AVAILABLE FROM 14 SEPTEMBER 2015

The enhanced Personal Income Tax Return (ITR12) for individuals as well as updated application forms for tax directives will be available from 14 September 2015. We have made several enhancements, introduced new deductions and added new source codes in alignment with all the legislative requirements. (Please note that ITR12 returns in the current version not yet submitted to SARS via eFiling will after 14 September 2015 not be accepted).

Please take note of the following changes:

Income Protection Insurance Contributions

Income Protection Insurance Contributions will as from 1 March 2015 no longer qualify as a tax deduction.

Tax Free Investments

From the 2016 year of assessment, the ITR12 has been amended to make provision for tax free investments. The purpose of these investments are to encourage individuals to save and a person may invest up to R30 000 per tax year and a lifetime limit of R500 000 per taxpayer. However, should the prescribed annual/lifetime limit be exceeded, 40% of the amount exceeding the annual/lifetime limit, will be added to the normal tax payable for the Year of Assessment (YOA). The proceeds received on these investments will not be taxable.

Deductions in respect of expenditure incurred in exchange for issue of Venture Capital Company (VCC) shares

A Venture Capital Company (VCC) incentive was introduced from the 2010 Year of Assessment (YOA) to encourage investors to provide equity finance to small and medium sized businesses and junior mining companies. Investors can claim amounts invested in exchange for VCC shares as a tax deduction.

- The enhanced version of the ITR12 return makes provision for the details of the investments (limited to the top 10) to be completed on the return
- Where VCC shares are sold within a period of five years, from the date of acquisition, the proceeds must be declared under the recoupment of VCC shares section and will be added to the normal taxable income.

Taxable Distribution by a Real Estate Investment Trust (REIT)

The enhanced version of the ITR12 now makes provision for distributions received from Real Estate Investment Trusts (REITs). Please note that individuals married in community of property should declare 100% of distributions received. The 50% split will be applied programmatically on assessment.

Deduction of donations to certain organisations – new roll over created

The enhanced version of the ITR12 makes provision to list the donations made to a Public Benefit Organisation (PBO) separately (limited to the top five). The aggregate value of all donations made (to be captured in a separate field) will programmatically be limited to 10% of taxable income (before taking donations into account). The amount in excess of 10% of taxable income will be carried over to the next year.

New Fringe Benefit Source Codes for Bursaries and Acquisition of Immovable Assets

The enhanced version of the ITR12 now allows for the following additional codes on IRP5 certificates:

Source Codes	Description
3820 (3870)	Taxable Bursaries or scholarships – Further Education
3821 (3871)	Non-taxable Bursaries or scholarships – Further Education
3822 (3872)	Non-taxable Fringe Benefit – Acquisition of Immovable Property

Changes relating to tax directive application forms

With effect from 1 March 2015 the application forms were enhanced to provide for the following:

- An exemption applicable to a resident where services were rendered outside South Africa (Section 10(1)(gC))
- Where non-residents rendered services inside South Africa the portion of the lump sum amount relating to the services that were rendered inside South Africa to be taxed (Section 9(2)(i))

Notice of Assessment Updates

The following information has been added to the ITA34:

- Other deductions: Code 4051– Investment in Venture Capital companies
- Other income: Code 4245 – section 12J VCC recoupment
- Tax calculation: Tax free investment penalty (only applicable from 2016 YOA)
- Distribution from a Real Estate Investment Trust:
Code 4238 – Distribution from a Real Estate Investment Trust (REIT)
If the taxpayer is married in community of property the following code will be displayed: Code 0034 - Married in community of property - 50% adjustment.

Integrated Voice Response (IVR) system makes provision for more languages

Conveniently, taxpayers can now request and receive the ITR12 in printed form in all the official languages when calling the SARS Contact Centre on 0800 00 7277.

For more information please visit www.sars.gov.za or call the SARS Practitioner Contact Centre on 0860 12 12 19.

THE SOUTH AFRICAN REVENUE SERVICE

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