

Special points of interest:

- Interest on outstanding tax: 11.25% from 1 July 2023.
- Interest on credit amounts: 7.25 % from 1 July 2023.
- Official interest rate: 9.25% from 1 June 2023.

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Filing season 2023—Main changes

The 2023 income tax filing has officially started on 7 July 2023.

Individual taxpayers who are not provisional taxpayers are required to submit their income tax returns before on or before 23 October 2023. Provisional taxpayers are required to submit their 2023 income tax return on or before 24 January 2024.

The following changes are implemented for the 2023 filing season.

Auto assessments

In 2022, persons who were auto assessed were granted 40 business days from the issue date of the auto-assessment to revise their return if they needed to amend their auto-assessment.

SARS has extend this 40 business day period to coincide with the normal filing due date for non-provisional taxpayers, which is 23 October 2023.

This will give those in the auto-assessment population more time to file a return if they wish to edit their auto-assessments.

Payment due dates

The payment due dates for persons who are not provisional filers are as follows:

- Auto-assessed persons: 30 days after the 2023 filing season ends.

- Other persons: 30 days after a notice of assessment has been issued.

Statement of assets & liabilities

Provisional taxpayers with business interests are required to declare their assets and liabilities (based on cost) in their tax returns each year.

Taxpayers who fall within this category, and with assets above R50 million, are required to declare specified assets at market values on their 2023 tax returns.

Foreign income disclosure

SARS introduced a Foreign Income box on the return for taxpayers who must declare worldwide foreign income. Taxpayers required to declare income sourced from a foreign employer while working in South Africa and/or abroad, however, did not have an appropriate source code to declare remuneration for foreign service rendered income. The following three new fields will now apply.

- New field “Income received from foreign employment services not reflected on a South African IRP5/IT3(a) certificate, subject to tax outside RSA and the s10(1)(o)(ii) exemption does not apply”.
- New field “Income received from foreign employment

services not reflected on a South African IRP5/IT3(a) certificate, subject to tax outside RSA and the s10(1)(o)(i) exemption applies.”

- New field “Income received from foreign employment services not reflected on a South African IRP5/IT3(a) certificate, subject to tax outside RSA and the s10(1)(o)(i) exemption does not apply.”.

Marriages in community of property

Taxpayers who are married in community of property are taxed on half of their communal interest, dividends, rental income, and capital gains. This Filing Season SARS has retrieved “Married in community of property” status from taxpayer’s previous declaration and collaborated with the Department of Home affairs to confirm marital status. Where the spouses are successfully matched and have interest investments, SARS will replicate the interest investment certificate on both spouses’ return where they will be taxed 50% upon assessment .

Reduced assessments

SARS has automated the process to request a reduced assessment. Eligible taxpayers should use the RRA01 form which can be completed on eFiling.

Auto assessments

Payment due dates

Statement of assets & liabilities

Foreign income disclosure

Marriages in community of property

Reduced assessments



Auto assessments

SARS started sending issuing auto assessments in respect of the 2023 filing season on 1 July 2023 to taxpayers whose tax affairs are less complicated. If the taxpayer is in agreement with the assessment, no further action is required from the taxpayer.

SARS uses data received from employers, medical schemes, banks, retirement annuity funds and other institutions to assess the amount of tax due. Once the auto assessment is completed, SARS informs the relevant taxpayer via the person's preferred communication channel, e.g. SMS or email. The person can then view the assessment on eFiling or the SARS MobiApp.

Agree with assessment

If the taxpayer agrees with the assessment, the person must check if a refund or payment is due. If a refund is due, no further action is required and the refund can be expected to be paid within approximately 72 hours, provided the banking details with SARS are correct. The 72 hours start from the time the assessment has been completed by SARS.

If a payment is due to SARS, it can be made via eFiling or

SARS MobiApp and EFT or before the payment due date. The payment due date of the amount owed to SARS is displayed on the "Notice of Assessment" (ITA34).

Disagree with assessment

If the taxpayer does not agree with the assessment, the person can access the relevant tax return via eFiling or the SARS MobiApp and can be completed and filed by 23 October 2023. The correctness of the data can be verified by reviewing the "Third Party Data Certificates" on eFiling.

If there is an error in the data, the taxpayer can request the institution that provided the data to SARS to make the relevant correction and send the updated data to SARS. SARS will re-assess based on the updated information.

Paying tax

It is important to make payment as soon as possible to avoid interest. The payment due date of the amount owed to SARS is displayed on the "Notice of Assessment" (ITA34).

The easiest way to make a payment is to log into eFiling

or SARS MobiApp and schedule the payment there.

However, tax can also be paid at any branch of Absa, FNB, Nedbank, Standard Bank, and Capitec, or via an electronic funds transfer (EFT) using the standard drop-down listing of pre-loaded beneficiary IDs provided by the bank.

The beneficiary reference is the Payment Reference Number (PRN) listed on your "Notice of Assessment" (ITA34).

Submission of supporting documents

Supporting documents can be uploaded and submitted on eFiling, SARS MobiApp, or SARS Online Query System on the SARS website. The taxpayer must ensure that the correct case number is used.

If the updates in the tax return are accepted, SARS will issue a reduced or additional assessment. If the updates are not accepted SARS will notify the taxpayer.

If the person disagrees with the reasons provided for not accepting the updates, the normal objection and appeal facility can be used.

**Well done is
better that well
said.
Benjamin
Franklin**

Types of marriages

In South Africa, there are three types of marriage types, i.e. in community of property, out of community of property with or without accrual.

In community of property

Marriage in community of property is the default marital system in South Africa. Under this regime, all assets and debts before the marriage are shared jointly between both spouses. Any assets, debts and liabilities acquired during the marriage also forms part of

the joint estate.

Out of community of property—no accrual

Under this regime, spouses retain their independence and do not share assets and liabilities and there is also no distribution of assets on dissolution of the marriage.

Out of community of property—accrual

This type of marriage requires an anti-nuptial agreement to

be registered. Before the marriage is registered as a civil marriage with the Department of Home Affairs.

Both spouses retain their independence but, on dissolution of the marriage, a calculation is done to determine how much assets each spouse accrued during the marriage. The spouse whose estate accrued the most is required to pay half the difference to the other spouse.



Persons married in community of property

SARS has retrieved “Married in community of property” status from taxpayer’s previous declaration and collaborated with the Department of Home Affairs to confirm marital status.

Where a match between SARS and Home Affairs is confirmed, the spouses will be linked as follows:

- If investment income is identified for a taxpayer based on third party data received (e.g. IT3(b) certificate for interest earned), the third-party data will also be prepopulated on the spouse’s return if the spouses are linked on the SARS system.
- The investment income will be apportioned accordingly and will reflect on the notice of assessment (ITA34) issued to each spouse, upon assessment.

- If a spouse is not registered for tax the person may be routed for Auto Registration.

Option to opt out

Taxpayers married in community of property may opt to exclude certain income from the communal estate.

In previous tax years, one communal estate indicator was displayed per applicable box/subsection of the return and, if the taxpayer selected the indicator, it applied to the whole income amount declared in that part of the return (e.g. total local interest or total foreign dividends).

From the 2023 year of assessment, the taxpayer can select the communal estate indicator on a transactional level (i.e. for each institution from which the income was received).

This change applies to the following boxes/subsections of the return:

- Local interest
- Foreign interest
- Foreign tax credits on foreign interest
- Gross foreign dividends subject to SA normal tax
- Foreign tax credits on foreign dividends
- Distributions from a Real Estate Investment Trusts (REIT) /Taxable Local Dividends
- Capital Gain/Loss
- Local Rental Income



**We know what
we are but not
what we might
be.**

William

Shakespeare

Marriages in community of property—Further considerations

Protection of Private Information Act

In compliance with POPI Act, SARS may notify a person married in community of property about the interest on the investment concerned. Where appropriate, consent may be sought.

However, where the exceptions allow for SARS to process the personal information concerned, consent will not be necessary as in terms of sections 12, 15 and 18 of POPIA, SARS is empowered to process personal information of a taxpayer in compliance with section 1 of the SARS Act.

Where the spouses are married in a civil union of community of property there is a certain level of oneness that they assume hence the provisions of section 7 of the ITA.

Therefore, the information received from one spouse is information that by law the other spouse is supposed to be aware of by virtue of their marriage regime, meaning that there is no secrecy provision that has been compromised.

SARS will thus inform the primary spouse that 50% of the investment income will be taxed in his/her hand and that the remaining amount must be declared by the other spouse.

Separation

If persons married in community of property are separated, a spouse must inform SARS of the separation by completing a RRA01 form or lodge a dispute when taxed based on the other spouse’s information.

Divorce

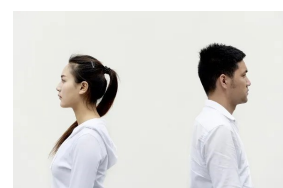
A person may submit a request for correction and amend their marital status from “Married in community of property” to “Not Married (Single, Divorced, Widow/Widower).

Exclusion—legal contract

The person may access their tax return where the investment income section appears.

The person may search for the Interest Income that he/she wishes to exclude from communal estate, then select “Mark here with an “X” if this amount should be excluded from the communal estate (if married in community of property)”.

The amount will then be taxed 100% upon assessment.





Personal income tax

Individuals who receive taxable income in excess of a specific amount (known as the “tax threshold” amount) in a year of assessment are liable for income tax.

- The tax threshold amount for the 2023 year of assessment is R 91 250 for individuals below the age of 65;
- R 141 250 for individuals aged 65 years but under 75; and
- R 157 900 for individuals aged 75 years and older.

A year of assessment for an individual consists of 12 months beginning on the first day of March of a specific year and ending on the last day of February of the following year. The 2023 year of assessment therefore started on 1 March 2022 and ended on 28 February 2023.

Once the tax threshold has been exceeded, tax is determined according to a sliding scale (known as marginal or statutory rates).

Tax rates for individuals—2023 year of assessment

2022/23	
Taxable income	Tax rate
R0 - R226 000	18% of each R1
R226 001 - R353 100	R40 680 + 26% of the amount above R226 000
R353 101 - R488 700	R73 726 + 31% of the amount above R353 100
R488 701 - R641 400	R115 762 + 36% of the amount above R488 700
R641 401 - R817 600	R170 734 + 39% of the amount above R641 400
R817 601 - R1 731 600	R239 452 + 41% of the amount above R817 600
R1 731 601 and above	R614 192 + 45% of the amount above R1 731 600

Rebates:

- Primary rebate: R 16 425
- Secondary rebate (Additional rebate for persons 65 years and older) R 9 000
- Tertiary rebate (Additional rebate for persons 75 years and older) R 2 997

*The best way
to predict the
future is to
create it.
Anonymous*

Employees' tax (PAYE)

Employees' tax is the tax that employers are required to deduct or withhold from the remuneration of employees (for example, salaries, wages and bonuses etc.) and pay over to SARS on a monthly basis.

Employees' tax is also referred to ordinarily as “Pay As You Earn” (PAYE). The tax is withheld when remuneration is paid or becomes payable to an employee, for example, on a daily, weekly, fortnightly or

monthly basis.

Employees' tax is therefore a withholding tax on employment income and will be offset against the employee's final income tax liability for the applicable year of assessment.

The following amounts may be deducted from remuneration before employees' tax is calculated:

- Pension or provident fund contributions.

- Retirement annuity fund contributions.

- Any bona fide donation made by the employer on behalf of the employee which does not exceed 5% of that remuneration after taking into account the above allowable deductions.

- Medical scheme fees tax credit and additional medical expenses tax credit (if applicable).



Employees' tax

Commission, travel allowances and non-standard employment (part-time employment) income are subject to employees' tax irrespective of the amount received.

Part-time employment normally refers to employment whereby a person works for an employer for less than 22 hours in a full week.

In instances where any of an employee's employment income is subject to em-

ployees' tax, the employee's final tax liability is assessed when SARS processes the income tax return that has been submitted by the employee for that applicable year of assessment.

Proof of deduction

An employer must issue a receipt known as an employees' tax certificate (also known as an IRP5)

where employees' tax was deducted or withheld from the employee's earnings. This IRP5 discloses, amongst other things, the total employment income earned for the year of assessment and the employees' tax that was deducted or withheld by the employer and paid over to SARS.



Provisional tax—Individuals

A provisional taxpayer includes –

- any individual who earns taxable investment income, business income or farming income (that is, any income other than remuneration);
- any individual who earns remuneration from an employer that is not registered for employees' tax purposes; or
- any person who is notified by the Commissioner that he or she is a provisional taxpayer.

An individual will not be regarded as a provisional taxpayer if that individual's taxable income for the 2023 year of assessment is not derived from the carrying on of any business, and if such taxable income –

- does not exceed the applicable annual tax threshold; 5 or
- is derived solely from interest, dividends, foreign dividends, rental from the letting of fixed property and any remuneration from an employer that is not registered for employees' tax purposes, and will not exceed R30 000.

Obstacles are things a person sees when he takes his eyes off his goals.

E. Joseph Cossman

Objections and appeals

An individual who is aggrieved by an assessment issued by SARS, has the right to object to that assessment. That individual also enjoys the right to object to the imposition of qualifying administrative non-compliance penalties or interest. However, no objection is allowed in respect of the imposition of certain statutory interest such as late payment of interest on outstanding income tax.

An objection must be submitted within 80 business days after the date of the assessment or SARS decision. An individual who has requested

reasons for the assessment, must submit the objection within 80 business days after –

- the date of the notice sent by SARS that adequate reasons have been provided and that no further reasons will be provided; or
- the date SARS provided the individual with the reasons or further reasons.

An automated dispute management workflow process exists for the above. The dispute form to use is the Notice of Objection (DISP01).

The form can only be submit-

ted via eFiling or at a SARS branch (by appointment only).

If the person disagrees with the objection decision, an objection must be lodged within 30 business days SARS delivered the objection decision. This period may be extended by:

- 21 business days, if a senior SARS official is satisfied that reasonable grounds exist for the delay; or
- Up to 45 business days if a senior SARS official is satisfied that exceptional circumstances exist for the delay;





Criminal offences

Non-compliance

Criminal offences relating to non-compliance could be committed if an individual does not comply with an obligation imposed under a tax Act.

The Tax Administration Act contains a comprehensive list of these obligations. These offences are committed if the person performs or fails to perform an act willfully and without just cause. If convicted, the person is subject to a fine or to imprisonment for a period not exceeding two years. This category includes offences such as (but not limited to) –

- failure to register or notify SARS of a change in registered particulars when required;
- failure to retain records as required;
- failure or neglect to submit a return or document to SARS or issue a document to a person as required;
- failure to provide information, documents or material facts to SARS as and

when required under a tax Act; and

- obstructing or hindering a SARS official in carrying out his or her duties.

Tax evasion

Criminal offences relating to tax evasion could be committed if a person intentionally evades tax or obtains an undue refund, or assists another person to do so.

If convicted, that person may be subject to a fine or to imprisonment for a period not exceeding five years.

This includes

- the making of false entries in books of account or income tax returns without reasonable grounds for believing that entry to be true,
- providing false answers to information requests, and
- fraud.

Secrecy

Criminal offences relating to secrecy provisions could be committed if a SARS official (current or former) or the Tax Ombud, who have sworn

an oath or taken a solemn declaration, or persons or entities to whom the information is disclosed, contravene the secrecy provisions.

If convicted, these persons could be subject to a fine or imprisonment for a period not exceeding two years.

Filing returns without authority

Criminal offences relating to filing a return without authority occur where a person –

- submits a return or other document to SARS under a forged signature;
- uses another person's electronic or digital signature in an electronic communication to SARS without that other person's consent and authority; or
- submits to SARS a communication on behalf of another person without that other person's consent and authority.

A person convicted could be subject to a fine or imprisonment for a period not exceeding two years.

If you focus on results, you will never change.

If you focus on change, you will get results.

Jack Dixon

Trusts

A trust is formed when the founder (also referred to as a donor or settlor) places cash or other assets under the administration and control of a trustee(s) to or for the benefit of a beneficiary(ies) or for a specified purpose.

There are three types of trusts in South Africa, i.e.

- **Ownership trust** – A founder or settlor transfers ownership of assets or property to trustees to be held for the benefit of a defined or a determinable beneficiary (ies) of the Trust. ii) **Bewind Trust** – A founder or set-

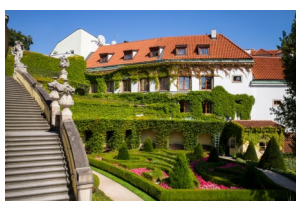
tlor transfers ownership of assets or property to beneficiaries of the trust.

- **Bewind Trust** – A founder or settlor transfers ownership of assets or property to beneficiaries of the trust. The assets remains the property of the beneficiaries, but it is administered by the trustees (i.e. trustees are given control over the property).
- **Curatorship Trust** – The trustees administer the assets of the trust for the benefit of a beneficiary that

lacks the capacity to do so, e.g. a curator placed in charge of a person with a disability.

A person may only act as trustee if authorised by the Master of the High Court where applicable, and the trust must be registered with the Master of the High Court (MOHC)). In this regard the Master of the High Court issues a Letters of Authority authorising the trustees to act.

A trusts can be described as an inter vivos trust (created while the founder was alive)



Types of trusts

or mortis causa/testamentary (trust created upon the death of the founder).

A trust can also be classified based on the rights conferred on the beneficiaries, e.g.:

- Vesting trust—the income or capital gain or assets of the trust are vested in the beneficiaries and the beneficiaries are said to have vested rights to the income or assets of the trust. The beneficiaries are the true owners of the trust capital and income
- Discretionary trust—the trustees usually have the discretion to decide whether and how much of the income or capital of the trust to distribute to the beneficiaries. In these circumstances, the beneficiaries merely have contingent/discretionary rights to the income or capital of the trust.

The purpose of the trust may also be considered, e.g.

- Trading trust
- Asset-protection trust
- Charitable trust

- Special trust.

Tax returns

To register a new trust for income tax and submit supporting documents, a taxpayer can use the online platforms on the SARS website at sars.gov.za in the SARS Online Trust Registration link

The filing period for trusts that are non-provisional taxpayers opens after 8pm on 7 July and closes on 23 October 2023, and for trusts that are registered for provisional tax, it opens after 8pm on 7 July 2023 and closes on 24 January 2024.

In addition, the beneficiaries and donors (where deeming provisions apply) of a trust must declare their income that was vested in a beneficiary by the trust during the year of assessment in their income tax returns.

A trust is a “person” for tax purposes and is therefore a taxpayer in its own right. The ITR12T must be completed and submitted by the trustees of the trust, or the tax practitioner appointed by the trustee(s)

Special trusts

Special Trust – Type A

This type of trust is created solely for the benefit of one or more persons who is a relative of the founder and has a disability as defined in section 6B (1) and such disability incapacitates the person(s) from earning sufficient income for their maintenance, or from managing their own financial affairs.

In order to be classified as a Special Trust – Type A, approval must be obtained from SARS.

A trust will cease to be a Type A Trust from the beginning of the year of assessment during which all the beneficiaries with a disability (for whose sole benefit the Trust was created) become deceased.

Special Trust—Type B

This trust is created in terms of the will of a deceased person solely for the benefit of beneficiaries who are his/her relatives, who are alive at the time of death of the deceased, and the youngest is under the age of 18 at the end of the year of assessment. The term “relative” includes relatives in the third degree of consanguinity in relation to the beneficiary.



*We see things
not as they are,
but as we are.*

**H. M
Tomlinson**

Trust changes for 2023 Filing season

The filing periods for trusts are as follows:

- Trusts that are not subject to Provisional Tax runs from 7 July 2023 to 23 October 2023; and
- Trusts that are subject to Provisional Tax starts from 7 July 2023 to 24 January 2024.

In addition, the beneficiaries, and donors (where deeming provisions apply) of a trust must declare their income

that was vested in a beneficiary by the trust during the year of assessment in their income tax returns.

The representative taxpayer (the trustee(s) of a trust) or the appointed tax practitioner must file an income tax return for the trust on an annual basis to avoid penalties and interest.

SARS introduced changes to the Income Tax Return for Trusts (ITR12T), eFiling enhancements, including addi-

tional questions to the Income Tax Return Wizard and mandatory supporting documents that must accompany the return.

- Wizard—Additional questions to determine if any local or foreign amount(s) were vested in the trust as a beneficiary of another trust or deemed to have accrued in terms of s7 during this year of assessment; and the number of trusts from where these





VAT: Temporary letting of new dwellings—BGR64

BGR 64 clarifies the VAT treatment of newly built residential dwellings that have been developed and held for sale under a taxable supply by developers, but that are temporarily let while marketing the property.

Temporary exempt supply

A developer that temporarily applies any dwellings for exempt supplies under section 12(c) must make an output tax adjustment under section 18D(2) based on the adjusted cost of the construction, extension or improvement to the fixed property as contemplated in section 10(29). Under section 9(13) the time of supply for the adjustment is the date that the agreement for the letting and hiring of the accommodation in a dwelling comes into effect.

Sale of dwelling—within 12 months

The sale of a dwelling during the 12-month period in which it was temporarily applied for exempt supplies under section 12(c) is a taxable supply. The consideration for the supply will be the amount paid or payable for the property, or the open market value of the property, as determined in accordance with section 10(2). The time of supply rule for fixed property under section 9(3)(d) will be applicable.

Adjustment after 12 months

A developer will be required to make an output tax adjustment based on the open market value of the property under section 18(1) read with section 10(7) if the dwelling is let for a period of more than 12 months.

The time of supply under section 9(6) is the day immediately after the 12-month period referred to in the definition of “temporarily applied” in section 18D(1)(b) has been exceeded.¹¹ The subsequent sale of such a property will not be a taxable supply under section 7(1)(a), but instead, the purchaser will be required to pay transfer duty.

Claw-back deduction

If the developer was previously been required to declare output tax under section 18D(2), the output tax may be clawed back under section 16(3)(o). The deduction is calculated by applying the tax fraction to the adjusted cost of the construction, extension or improvement to the fixed property.

Determination
is the wake-up
call to the
human will.

Anthony
Robbins



Trust changes for 2023 Filing season

amounts were received

- Simplified Return for Passive Trusts—To provide for a less cumbersome return, where limited Trust specific activities occurred during the year of assessment. The wizard and guide will provide guidance in this regard. The taxpayer must ensure that the correct “type” of return is selected on the first page of the tax return (Income Tax Return Wizard).
- A new field for credit agreements and debtors’ allowance “Lay Byes” (S24) has been added under both sides of Special Allowances not claimed in the Income Statement and Allowances/Deductions.
- Beneficial Ownership Declaration page to record all beneficial owners and those who may gain financially from the proceeds of the taxpayer.
- Based on the wizard question above (relating to distributions received from other Trusts), the required number of containers for these distributions will be opened in the return.
- Supporting documents to be submitted with the ITR12T—All mandatory supporting documents must be uploaded and submitted with the Trust return. This includes,
 - * the Trust instrument,
 - * Annual Financial Statements,
 - * Letters of Authority (LoA) and
 - * resolutions/minutes of trustee meetings.

The requirements will vary according to the Trust type.

Managing Tax Compliance Matters

Trusts are included in the definition of a “person” in terms of the Income Tax Act, 1962 (ITA), and as such, the representative taxpayer (trustee/s) has a responsibility to register all Trusts for income tax purposes.

Note that the representative taxpayer (the trustee/s of a Trust) or the appointed tax practitioner **MUST** file an income tax return for the Trust on an annual basis in terms of the annual notice and during the Trust return filing period.

SARS Draft Guide—Net-billing Tariff System

SARS published a draft guide on the Tax Treatment of the Net-billing Tariff System for Excess Power Generated during June 2023 for comment. The draft guide explains the net-billing framework, as well as the income tax and VAT treatment thereof.

Net-billing framework

Many persons install equipment to generate electricity from renewable energy sources.

In some cases, there is an excess of electricity that is generated, which may be exported under the net-billing tariff system.

The excess power that is exported is temporarily “banked” or stored in the grid. The customer does not sell the excess power and is, at all times, the owner of the energy that is generated and exported through the grid. No payment is, therefore, received by the customer for the exported power.

While the customer is still charged the full tariff for the amount of energy consumed and capacity provided, such person receives credit in the form of export credits for electricity exported to the distribution power system, which is calculated using an export tariff approved by

NERSA. All exported electricity is credited on the customer’s electricity bill and used to offset any current or future electricity purchases.

In order to benefit from this arrangement, the person must:

- Enter into a connection agreement with the distributor;
- Install a renewable energy system that meets the regulations and standards set by NERSA;
- Have a bi-directional meter installed by a licensed service provider; and
- Comply with all the technical requirements of the net-billing system.

The eligible renewable energy sources are wind power, solar energy, hydropower and biomass (including biogas and biofuel), geothermal energy and renewable fuel vests resources.

Eligible persons

Both natural and juristic persons are eligible to participate in the net-billing tariff. This includes persons that do not conduct any trade as well as persons that do conduct a trade.

Individuals that install the renewable energy generation

technologies to residential properties or commercial properties may therefore equally participate in the net-billing tariff system.

Net-billing basis

The person generating the excess power is referred to as a “prosumer”.

A prosumer will not be paid in cash for exported electricity and the person’s electricity bill will be credited for exported electricity and set off against current and future electricity purchases equal to the financial value of kWh units from the distributor using export credits.

If a prosumer’s electricity bill exceeds the available export credits in a billing period, such excess will be rolled over on a month-to-month basis.

The prosumer must be billed the applicable charges, but only the charges relating to the kWh units relating to the energy part of the bill can be offset with export credits.

Export credits can only be offset against the charge for electricity usage and cannot be set off against the fixed charge and non-energy portion of the bill.



*Smart people
learn from
everything and
everyone,
average people
from their
experiences,
stupid people
already have all
the answers.
Socrates*

Estates—Communicating with SARS

A representative taxpayer or authorised agent that engages with SARS on an estate should adhere to the following guidelines when corresponding with SARS to prevent any unnecessary delays in finalising a query:

Always include the deceased’s ID number, tax reference number or the estate number when corresponding with SARS.

When an estate is reported to SARS (via the online channels or email) a case number is provided. This case number will also be reflected on the engagement letter that is issued to the representative taxpayer once the estate is coded at SARS.

Any future correspondence with SARS (via the online channel or email) should include the initial case number

to ensure all queries on a case are linked.

When uploading documents, the initial case number must be used and each document must be named correctly, for example, Death certificate, ID of the deceased, ID of the executor, etc.





Tax impact of energy export credits

Income Tax

Under the net-billing framework, taxpayers that generate electricity through renewable energy sources may export any excess power via the grid. The taxpayer does not sell the excess power and is at all times the owner of the energy that is generated and exported through the grid.

Gross income

Since no payment is received by the taxpayer for the exported power, no amount is received by, or accrues to the taxpayer under the definition of "gross income" for the exported power.

The credits are not a form of payment since it is the taxpayer's own electricity that is being returned in the form of a credit. The credit is akin to a discount on the use of electricity.

Furthermore, the credit can only be used by the taxpayer that generated the electricity and whose excess power was exported. This means that the credit cannot be transferred or sold to another person and used to reduce that other person's bill. Consequently, the credit should not be included in the person's gross income.'

Deduction of expenditure

A capital allowance may be claimed on the equipment installed to generate energy if the qualifying requirements are met, for example under section 11(e) or 12B. Each case need to be considered based on the specific facts.

VAT

Prosumer

The prosumer does not supply the excess electricity to the distributor or any other person but merely "banks" the value of the excess electricity for future use. Since the exported electricity is credited to the prosumer's electricity bill to offset against current or future electricity purchases, the "banking" of excess electricity by the prosumer does not constitute a "supply" for the purposes of the VAT Act and will therefore have no VAT implications.

The prosumer does not conduct an enterprise or make taxable supplies in the course of banking the excess electricity. The prosumer would therefore not be required to register for VAT for this activity and as such would not be entitled to an input tax deduction on the acquisition of the renewable source.

However, if the prosumer is a vendor that acquired the re-

newable source to further activities of another enterprise activity conducted by the prosumer, the prosumer may deduct the input tax on the acquisition of the renewable source to the extent it is applied to the making of taxable supplies.

Distributor

The net-billing framework does not affect the normal supply of electricity by the distributor to the prosumer from a VAT perspective.

The "credit" created by the prosumer exporting excess electricity to the grid does not change the nature of the supply of electricity by the distributor or the consideration for that supply of electricity.

The distributor is therefore not required to issue a credit note under section 21(1) of the VAT Act since none of the requirements of section 21(1) will be met.

The prosumer is not supplying the excess electricity to the distributor and the distributor is not paying the prosumer for the supply of this excess electricity. Therefore, the distributor will not be entitled to deduct input tax for VAT purposes since it is not acquiring the electricity for the purpose of making taxable supplies.

**Do one thing
every day that
scares you.**

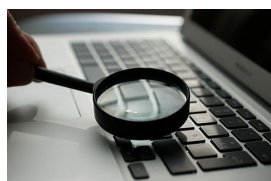
**Eleanor
Roosevelt**

Statutory audits v tax audits

The aim of a statutory audit is to express an opinion on the financial statements as a whole. The opinion only provides reasonable assurance and is issued for the use of all interested parties, including SARS.

The aim of a tax audit is to determine if the taxpayer has complied with the relevant legislation administered by SARS. The tax auditor does not express an opinion, but rather makes a determination on the correctness of a declaration. These tax audits are normally based on risk(s) identified in a specific declaration made by a taxpayer. The financial statements are an important source of supporting evidence for declarations made by taxpayers.

Despite the different objectives of statutory auditors and tax auditors, both audits should be of a high standard and be conducted effectively and efficiently. In both audits sufficient and appropriate audit evidence must be gathered to support the opinion/determination of the auditor.



Revision of retirement system

National Treasury published a media statement on 9 June 2023 which summarises the main reform measures with regards to the proposed amendments contained in the recently published amendment bills, including the following.

Effective date

The “two pot” retirement system is proposed to take effect on 1 March 2024.

Seed capital

The proposed amendments allows a member of the retirement fund to access a portion of the available balance in the retirement fund on implementation date of the “two-pot” retirement system, i.e., 1 March 2024.

In order to limit the adverse effect on liquidity, it is proposed that seed capital should be calculated as ten percent of the benefit accumulated in the “vested component” as at 29 February 2024, limited to R25 000, whichever is the lesser.

It is important to note that when the member of the retirement fund withdraws the seed capital, it will be subject to the normal tax rates in the hands of the member.

Defined benefit funds

Defined benefit funds do not refer to contributions made by a member to the defined benefit fund to determine benefits, but rather uses a defined formula to calculate benefits due to a member on retirement.

To treat defined benefit funds equitably, it is proposed that changes be made in the revised draft bill to allow defined benefit funds to calculate the one third contributions to the “savings component” based on one-third of the member’s pensionable service increase, and two-thirds contributions to the “retirement component” based on two-thirds of the member’s pensionable service increase with effect from 1 March 2024.

Legacy retirement annuity funds

It was proposed that changes be made in the revised draft bill to make provision for the exemption of legacy retirement annuity fund policies from the provisions of the “two-pot” retirement system, as the inclusion of the legacy retirement annuity fund policies in the “two-pot” retirement system would require a

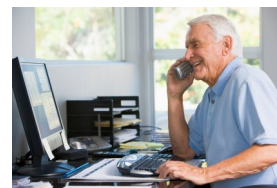
re-design of these historically acquired legacy retirement annuity fund policies.

Withdrawals

Chapter 4 of the 2023 Budget review indicated that legislative amendments that deal with withdrawals from the retirement component where a member of the retirement fund is retrenched and has no alternative source of income will be considered in the second phase of the implementation of the “two-pot” retirement system.

Further complementary measures may also be considered in the second phase, to ensure that the primary objectives for saving for retirement is not compromised, and to protect the liquidity of such funds at all stages.

National Treasury advised that members of funds should be encouraged to only exercise the withdrawal option as a last resort, and to try and preserve their savings for retirement for when they retire.



*Impossible is
just an opinion.*

Paulo Coelho

SARS’ right to request audit/review files

In terms of section 46 of the Tax Administration Act, SARS may require the taxpayer or another person to submit relevant material within a reasonable period.

Relevant material includes information, documents or things that in the opinion of SARS are foreseeably relevant for the administration of a tax Act. Access to the audit/review file of the statutory auditor or accountant would only be requested where it is

considered necessary for purposes of administration of a tax Act.

There is no general restriction on SARS requiring information contained in a review file. However SARS respects the unique relationship between the taxpayer and its accountants and statutory auditors; and therefore undertakes not to call for files as a matter of routine or without obtaining approval from a senior official. Policies and procedures have

been put in place within SARS to govern such requests.

It is a criminal offence to refuse or neglect to supply relevant material requested by SARS without just cause.

Legal professional privilege does not apply to statutory auditors and third party accountants.

The requested records can be provided in original paper form, hard copies or in electronic format.



Congratulations to our new members

CERTIFIED BUSINESS RECUE TAX PRACTITIONER

<u>MEMBERSHIP NUMBER</u>	<u>SURNAME</u>	<u>NAME</u>
2668776(CBRP)*	Chatindo	Philoxenia
655407(CBRP)*	Wittman	Richard Kyle

CLOSE CORPORATION AS AN ACCOUNTING OFFICER

<u>MEMBERSHIP NUMBER</u>	<u>SURNAME</u>	<u>NAME</u>
CC5341306		Omega Accountants Pty Ltd

INDEPENDENT ACCOUNTING PROFESSIONAL (REVIEWER) / TAX PRACTITIONER

<u>MEMBERSHIP NUMBER</u>	<u>SURNAME</u>	<u>NAME</u>
655622(IAP)*	Hughes	Ronwyn
655301(IAP)*	Prakash	Bupendra
651653(IAP)*	Ragunanan	Randhir Ramesar
650178(IAP)*	Ramaila	Segome Habakuku

FINANCIAL ACCOUNTANT IN PRACTICE/CERTIFIED TAX PRACTITIONER

<u>MEMBERSHIP NUMBER</u>	<u>SURNAME</u>	<u>NAME</u>
4602020(FAP/CTP)	Craven	Anna Maria
6186059(FAP/CTP)	De Wet	Jacobus Johannes
655707(FAP/CTP)*	Ismail	Ihsaan
5138632(FAP/CTP)	Jeeva	Bilal Ahmed
8866366(FAP/CTP)	Mazitshana	Nangamso
6730147(FAP/CTP)	Namath	Dane Callan
3063567(FAP/CTP)	Payne	Stuart

CERTIFIED TAX PRACTITIONER

<u>MEMBERSHIP NUMBER</u>	<u>SURNAME</u>	<u>NAME</u>
7132387(CTP)	Heeger	Peter John
1410990(CTP)	Kruger	Ruan

Congratulations to our new members



TECHNICAL ACCOUNTANT/CERTIFIED TAX PRACTITIONER

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8978331(TA/CTP)	Beukes	Benjamin Anthony
2853023(TA/CTP)	Mothiba	Neo Pogoti
5884694(TA/CTP)	Roodt	Larna Thesia
6921258(TA/CTP)	Sadie	Sunette
1268107(TA/CTP)	Uys	Lynette

TECHNICAL ACCOUNTANT

<u>MEMBERSHIP NUMBER</u>	<u>SURNAME</u>	<u>NAME</u>
5056787(TA)	Madlala	Sibongile Hellen
7381352(TA)	Mathebula	Mdungazi Andries
8236249(TA)	Mdalala	Nokukhanya
7735294(TA)	Naidoo	Thenesia

APPROVED TRAINING CENTRE

<u>MEMBERSHIP NUMBER</u>	<u>SURNAME</u>	<u>NAME</u>
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STUDENT ON LEARNERSHIP

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876402	Mabasa	Evidence Abram
9422981	Manabe	Tsakisa Jessica
9345870	Mmola	Dikeledi Refilwe Pertunia
9918759	Mogopa	Mmatsati Valencia
279431	Monyela	Shamy
4843521	Ntuvi	Mpho
9199146	Sebashe	Pretty

STUDENT

<u>MEMBERSHIP NUMBER</u>	<u>SURNAME</u>	<u>NAME</u>
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8662608	Roopnarain	Shalini

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A dynamic world-class professional accounting institute

Vision

To be a dynamic world class Professional Accounting Institute (incorporating related fields) at the forefront of technology and an integrated approach to the profession.

Mission

It is the aim of the Institute to be recognised as the pre-eminent Professional Body for Accountants and other related professionals by actively promoting the effective utilization and development of qualified professionals, through the achievement of excellence in standards of professional competence and socially acceptable ethical conduct amongst its members, through a dynamic integrated approach to the legislative and environmental arena.

Tribute to Mr. Derek Johnstone

It is with a heavy heart that we inform you of the passing of Mr. Derek Johnstone. In the early part of the 26th June 2023, Derek slipped peacefully to Heaven, to have direct communion with his Creator, the Lord Jesus Christ.

The IAC is saddened by his demise as he has contributed so much to the Institute since joining as a member in 2006. Derek served on the IAC Board as a Director from 2008 to 2022.

From 2009 to 2012 he served as Vice President to the IAC Board, and from 2013 to 2015 he served as the President of IAC. He continued to serve as the Immediate Past President from 2016 to 2022.

Besides holding these positions, which he administered admirably, he also served as a Committee Member on the WP Regional Committee.

Today, we look back at his life and the contribution he made to the IAC, and acknowledge him as a stalwart of the Institute, never to be forgotten in the history of the IAC.

We also acknowledge the immense passion that he had for the success and sustainability of the IAC throughout these years.

In the past 2 years Derek fell ill with many complications, and even then, he was always positive as that was his nature.

The IAC Board of Directors, Staff and Management pass our heartfelt sympathy and condolences to the loved ones he left behind, his wife, Dale, his children, grandchild, relatives, and friends.

May his Soul Rest in Peace, as we are comforted in that he no longer has pain and suffering and is Safe in the Arms of Jesus.

Goodnight Derek, and thank you for the passion and unwavering support to the IAC.

