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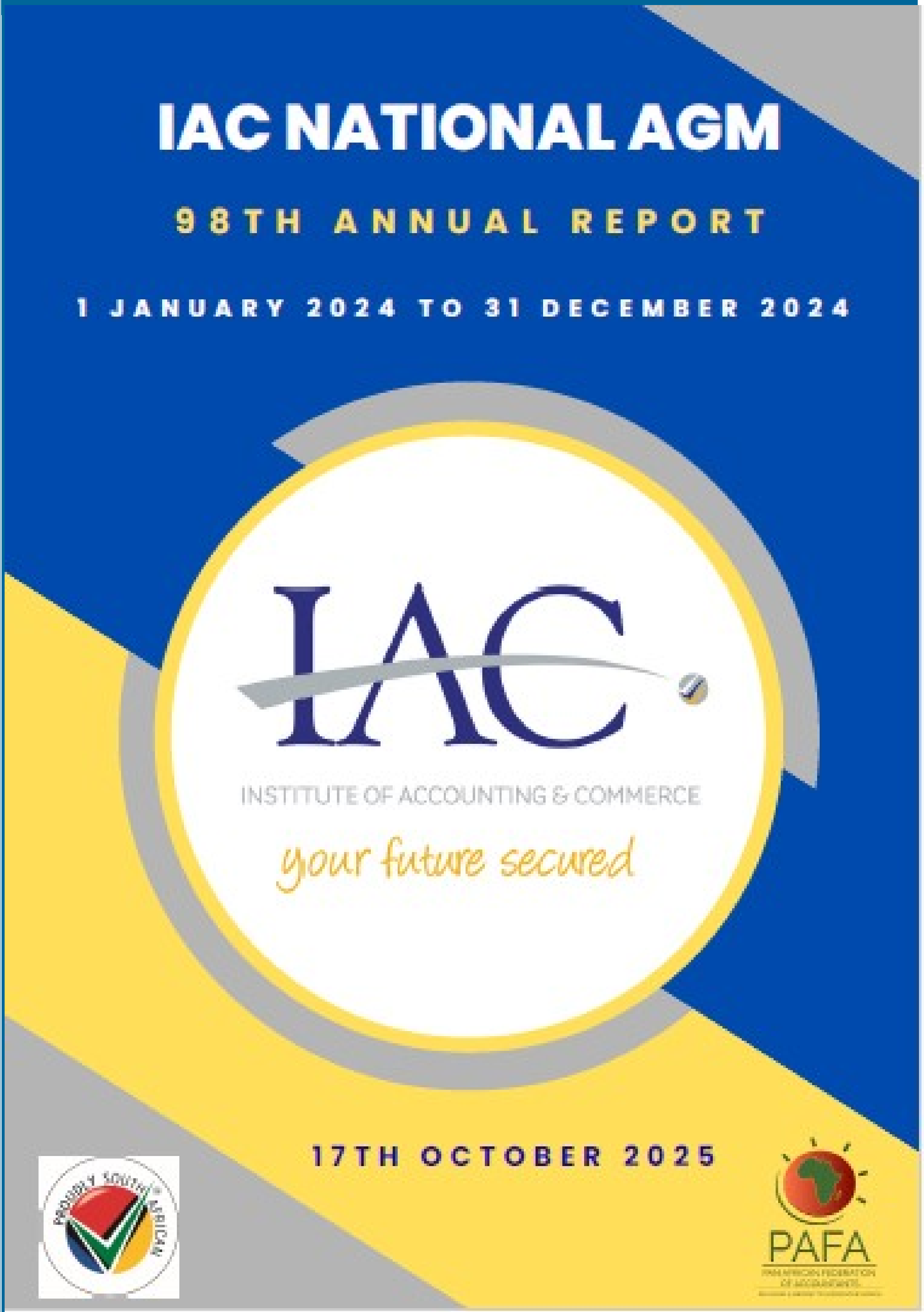


Special points of interest:

- Interest rate on outstanding taxes, duties and levies and interest rates payable in respect of refunds of tax on successful appeals will decrease from 10.75% to 10.5% from 1 November 2025.
- Interest rates payable on credit amounts will decrease from 6.75% to 6.5% from 1 November 2025.
- The "official interest rate" decreased from 8.25% to 8% from 1 September 2025.

Inside this issue:

VAT—Meaning of "enterprise"

A person can only register for VAT in South Africa if the person carries on an enterprise.

General definition

The term "enterprise" is defined to include any activity carried on continuously or regularly by any person in South Africa or partly in South Africa, resulting in income being earned from the supply of goods or services (that is supplied for a "consideration") to another person, whether for profit or not.

Specific inclusions

The following activities are specifically included in the definition of enterprise:

- Anything done in connection with the commencement or termination of an enterprise.
- The supply of goods or services by a public authority which the Minister is satisfied could be supplied by another person in carrying on a continuous business activity for purposes of earning income. In that case, the public authority is not considered to be carrying on an enterprise in respect of those supplies until it is notified by the Commissioner.
- The activities of a "welfare organisation" for VAT purposes.
- The activities of a share block company where such share block company has been registered on a voluntary basis.
- The activities of an implementing agency carried on in the course of implementing, operating, administering or managing a foreign donor funded project (FDFP).
- The supply of electronic services by a non-resident supplier if at least two of the following three circumstances apply:
  - The recipient of the services is a South African resident.
  - Payment for the electronic services originates from a South African Bank account.
  - The recipient of the services has an address (e.g. residential, business or postal) in South Africa.

Exclusions

The following are not regarded as carrying on an enterprise:

- A person only making exempt supplies.
- An employee earning a salary of wage from his/her employer.
- Hobbies or any private recreational pursuits not conducted in the form of business.
- Private occasional transactions (e.g. the sale of domestic/household goods and personal effects).
- Supplying commercial accommodation where the total value of the supplies made (or reasonably expected to be made) does not exceed R 120,000 in any 12 consecutive months.
- A non-resident entity that is not registered for VAT in South Africa that takes ownership of goods in a flash title basis and immediately on-sells the goods to another non-resident, non-registered vendor.

"Life doesn't get easier or more forgiving, we get stronger and more resilient." — Steve Maraboli,

Electronic services

Electronic services is defines to mean any services supplied by means of an electronic agent, electronic communication or the internet for consideration, excluding the following:

- educational services supplied from a place outside South Africa and regulated by an educational authority in that country.
- telecommunications services
- services supplied from a place outside South Africa by a non-resident company to a resident company if:
  - both those companies form part of the same group of companies; and l
  - the non-resident company itself supplies electronic services it exclusively discovered, devised, developed, created or produced for the purposes of consumption of those services by the resident company.
- services supplied from outside South Africa by a non-resident where such services are supplied solely to registered vendors.

The compulsory registration threshold for non-resident suppliers of electronic services is R1 million. Non-resident suppliers of electronic services can now also register voluntarily if they exceed the R50,000 threshold.

Electronic services

However, an allows a foreign electronic services provider is not to register as a vendor if the total value of taxable supplies of R1 million in any consecutive 12-month period has been exceeded solely as a consequence of abnormal circumstances of a temporary nature.

The definition of "enterprise" includes the activities of an "intermediary" if that person facilitates a supply of "electronic services" by a non-resident. "Facilitates" in this context means, for example, that the electronic services are advertised, sold or otherwise made available via an online marketplace or "platform" operated by the intermediary. This rule applies in circumstances where the invoicing and collection of the payment for the supply is done by the intermediary.

In certain instances, the intermediary is deemed to be the supplier, i.e. the intermediary facilitating supplies of electronic services will be liable to charge and account to SARS for the VAT on the supply of electronic services if the non-resident principal is not registered for VAT in South Africa.

An intermediary (whether resident or non-resident) is, therefore, required to register and account for VAT if the value of their taxable supplies (including any deemed supplies) exceeds the compulsory threshold of R1 million.

Commercial accommodation

There has been a significant increase in persons entering the commercial accommodation market by either direct short term rentals or rentals through agents or platforms such as Airbnb, Booking.com, Lekkerslaap and others. It is, therefore, important to be aware of the specific VAT rules relating to the supply of such accommodation.

Commercial accommodation includes lodging or board and lodging which is systematically supplied, together with domestic goods or services. However, a dwelling supplied in terms of an agreement for the letting and hiring thereof is specifically excluded from qualifying as the supply of "commercial accommodation".

The term "dwelling" means any building, structure, premises or any other place which is mainly used as a residence of a natural person. Typically, commercial accommodation establishments are those which supply short-term business and leisure type accommodation as their core business activity.

"Domestic goods or services" includes cleaning, maintenance, electricity, gas, air conditioning, heating, furniture, meals, laundry, nursing services and water.

The total annual receipts from the activity of supplying commercial accommodation must exceed R120,000 (or be reasonably expected to exceed that amount) in a period of 12 months, for the activity to be regarded as an enterprise.

Lodging or board and lodging supplied in, for example, a hospice or home for the aged, also constitutes "commercial accommodation". The R120,000 threshold, however, does not apply to these kinds of commercial accommodation, but instead the normal R50 000 threshold for voluntary registration applies.

The supply of commercial accommodation is a taxable supply.

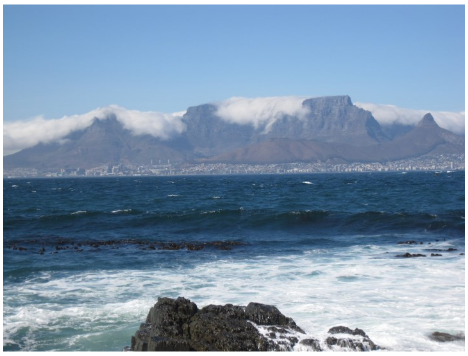
Should a person stay in an establishment which provides commercial accommodation for an unbroken period of more than 28 days, only 60% of the all-inclusive charge for the accommodation and the domestic goods and services is subject to VAT at the standard rate.

The full amount charged is subject to VAT at the standard rate when a person stays for a period less than 28 days.

Any domestic goods and services which are charged separately and are not included in the all-inclusive tariff for the accommodation, are also taxed in full at the standard rate.

See the VAT 411 – Guide for Entertainment Accommodation and Catering for more information.

"Enthusiasm is common. Endurance is rare." — Angela Duckworth



"Person"

- ***Individuals***
- ***Partnerships and bodies of persons***
- ***Private and public companies, share block companies and close corporations (CCs)***
- ***Public authorities and municipalities***
- ***Associations not for gain such as clubs and welfare organisations***
- ***Insolvent and deceased estates***
- ***Trust funds***

VAT registration

Compulsory registration

A person is required to register for VAT if the person carries on an enterprise and makes taxable supplies of R 1 million in any consecutive 12 months, or will exceed that amount in terms of a written contractual obligation. The R1 million compulsory VAT registration threshold applies to the total value of taxable supplies and not the net income (profit) the business made for the period.

A person who is registered, or who is obliged to register, is referred to as a "vendor". A person is referred to as a "vendor" from the date that person first became liable to register, subject to confirmation of such date by the SARS.

In certain cases, the SARS may determine that a person will be regarded as a vendor from a date which is later than the date that the person first became liable to register, as may be considered equitable, after careful consideration of the circumstances of that person.

Voluntary registration

A person may register on a voluntary basis if the value of its taxable supplies is less than R 1 million if that person is:

- a "municipality" or is carrying on the activities of a "welfare organisation" or a "share block company"
- is carrying on an enterprise and the value of taxable supplies made has exceeded the minimum threshold of R50,000 in the past 12 months.
- supplying commercial accommodation, provided the minimum threshold of R120,000 is met.
- is carrying on an enterprise and the value of taxable supplies has not exceeded the R50 000 minimum threshold but can reasonably be expected to exceed that threshold within 12 months from the date of registration.
- continuously and regularly carrying on specified activities* set out in GN 446 in GG 38836 of 29 May 2015, in respect of which it will only be possible to make taxable supplies after a period of time due to the nature of the business.
- intending to carry on an enterprise acquired as a going concern, provided that the value of taxable supplies made by the supplier of the going concern exceeded R50 000 in the past 12 months.

SARS will determine the effective date of registration after the completed registration application was submitted and reviewed.

The person should carefully consider whether to register for VAT on a voluntary basis . In the following instances, it may not be as beneficial to register:

- Where there are very few taxable expenses on which input tax can be deducted for example, when the main enterprise expense is salaries and wages.
- Where most of the supplies are made to final consumers who are not registered for VAT as VAT will become an additional cost to such customers.

Once registered, the vendor will have to carry out all the duties of a vendor, including charging VAT, submitting returns, making VAT payments on time and keeping proper records for at least five years.

Specified activities*

The specified activities are

- Agriculture, farming, forestry and fisheries.
- Mining of minerals, metal, oil, gas or natural gas resources (for example, both exploration and extraction).
- The building of ships, yachts, other floating vessels, and aircrafts.
- The manufacture or assembly of plant, machinery, motor vehicles and locomotives.
- The construction of residential or commercial buildings for the taxable supply thereof.
- Infrastructure development for purposes of carrying on an enterprise whereby the value of such development in terms of a contractual obligation exceeds R1 million and such development will take more than 12 months to complete
- The treatment of mining products to improve the properties thereof (that is beneficiation)

Furthermore, the person must be in possession of the relevant permit, licence or similar document required to conduct relevant activity from the relevant regulatory authority (if required or must have proof that the person applied for such permit, licence or similar document.

Micro businesses

A qualifying micro business that is registered for turnover tax may also choose to register for VAT provided that all the conditions for voluntarily registration are met. For more information, see the Tax Guide for Micro Businesses.

Calculation of the value of taxable supplies

The value of taxable supplies (turnover) made in carrying on all the person's enterprises is taken into account to determine whether the person is liable to register.

A person who operates several enterprises, or who operates an enterprise via branches or divisions cannot avoid the liability to register for VAT by splitting the turnover of each enterprise, branch or division individually, subject to certain exceptions.

The value of taxable supplies must be determined every month to determine when the compulsory registration threshold is exceeded (retrospective test). Should running total exceed R1 million in any particular month, the person become liable to register from the first day of the next month.

The person must also consider the next 12 months (prospective test) if the person has a contractual obligation in writing to make taxable supplies in excess of R 1 million within that 12 month period.

A person must apply for registration within 21 business days of becoming liable to register. other suppliers are not registered for VAT in South Africa at the time of supply.

The calculation should include deemed supplies as well as exports.

How to register

The application for registration must be made through one of the following channels:

- eFiling; or
- at a SARS branch, via virtual, audio or walk in appointment made via the SARS website.

Alternatively, an authorised registered tax practitioner (e.g. a certified IAC tax practitioner) may make the application on behalf of the applicant.

In such cases, the application must be accompanied by the power of attorney. A vendor that has several enterprises/branches/divisions which will operate under one VAT registration number should register in the area where the main enterprise/branch/division is located.

It is very important to submit the correct documents with the application to register; otherwise there may be a delay in obtaining a VAT registration number. S

ee the VAT-REG-02-G01 – Guide for Completion of VAT Registration Application Forms – External Guide and VAT-REG-02-G02 – VAT Registration Guide for Foreign Suppliers of Electronic Services for a comprehensive list of documents that must be submitted. SARS will not accept any faxed or photocopied applications for registration.

The requirement for a "recent" document refers to a document that is not more than three months old from the date of application for registration.

All interactions with SARS in this regard, including the submission of documents, should be done on the eFiling platform or via specific channels or email addresses provided for that purpose on the SARS website.

Once the registration is completed, SARS will send a Notice of Registration. The Notice of Registration can be requested and obtained on e-Filing by registered e-Filers.

A person can also confirm if the registration has been processed by entering its details under "VAT vendor search" on the SARS website. [Go to www.sars.gov.za/eFiling. Select "VAT Vendor Search" in the drop-down box on the left hand side of the screen.]

Allow at least 21 business days for the application to be processed. Where no risk is identified, SARS will issue the VAT number immediately.

The Notice of Registration is issued on eFiling where the person is a registered eFiler. Otherwise it will be sent to the person's email address, or posted to the postal address reflected on the registration application.

Refusal

SARS must be satisfied that the person applying for voluntary registration meets the following requirements:

- Has a fixed place of residence or business.
- Keeps proper accounting records.
- Has opened a South African bank account.
- Has not previously been registered as a vendor under VAT or General Sales Tax (GST) and failed to perform the duties of a vendor.

If any of the above requirements are not met, SARS may refuse the registration.

"The oak fought the wind and was broken, the willow bent when it must and survived." — Robert Jordan

Separate registration

The liability to register is, generally, determined by considering all the enterprises carried on by a person, irrespective of whether the enterprises are carried on in separate branches, divisions or enterprises operated by that person. SARS registers all the enterprises of a person under a single VAT registration number.

However, in certain circumstances, the separate branches or divisions or enterprises of a person may be registered under separate VAT registration numbers or treated as separate persons.

A separate form VAT102e must be completed for each enterprise/division/branch for which a separate registration is required.

There are two conditions under which separate registration can be granted for any separate enterprise, division or branch, i.e.

- an independent system of accounting for each business must be maintained; and
- the entity must be capable of being separately identified (that is, either by the nature of the activities or the geographic location).

The implication of separate registration is that each separately registered enterprise/division/branch is treated as a vendor in its own right and any transfers of taxable goods or services between the separately registered enterprises, divisions or branches must be charged with VAT and accounted for on the relevant VAT201 return covering that period.

"Hold yourself responsible for a higher standard than anybody else expects of you. Never excuse yourself. Never pity yourself. Be a hard master to yourself-and be lenient to everybody else."

— Henry Ward Beecher

Cancellation of registration

A vendor may apply for cancellation of registration if the value of taxable supplies is less than the compulsory registration threshold of R1 million in any consecutive period of 12 months.

SARS will also deregister a vendor if

- the enterprise closes down and will not commence again within the next 12 months; or
- the enterprise never actually commenced or will not commence within the next 12 months; or
- the vendor no longer complies with the requirements for voluntary registration.

The SARS office where the vendor is registered should be informed promptly in writing if the vendor intends to voluntarily deregister and where the vendor is no longer liable for registration, or you are no longer eligible to be registered as a vendor.

Cancellation of registration normally takes effect from the last day of the tax period in which a vendor ceases trading. However, in the case of a voluntary deregistration, SARS decides on the date of deregistration and the final tax period. The vendor must continue to charge and account for VAT up to the last day of the final tax period as determined by SARS.

Accounting for VAT

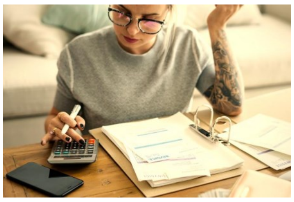
The South African VAT system generally requires vendors to account for VAT on the invoice basis ("accrual basis"). However, certain vendors may qualify to use a different method referred to as the "payments basis" or "cash basis" of accounting.

Payment basis

The payment basis may only be applied where SARS approved an application to apply this method. It is only available to:

- Natural persons (or partnerships consisting only of natural persons) whose total taxable supplies at the end of a tax period have not exceeded R2,5 million in the previous 12 months, and are not likely to exceed R2,5 million in the next 12 months.
- Public authorities, water boards, certain municipal entities, municipalities, associations not for gain and welfare organisations – regardless of the value of taxable supplies.
- Vendors who are non-resident suppliers of certain electronic services or intermediaries through which such supplies are made.
- Certain vendors that have been allowed to register voluntarily must account for VAT on the payments basis until the R50 000 threshold is met.

Accounting for VAT



- The South African Broadcasting Corporation.

The effect of the payments basis of accounting is that the date to account for VAT is delayed until payment has been made.

As an exception to the above, where the consideration is more than R 100,000 for a supply, is has to be accounted for on the invoice basis unless the supplies is a municipality or public authority.

Invoice basis

Under this default method of accounting, vendors must, generally, account for the full amount of VAT included in the price of the goods or services supplied in the tax period in which the time of supply has occurred. This applies to the output tax liability on cash and credit sales as well as the input tax that may be deducted on cash and credit purchases.

According to the general time of supply rule, a supply occurs at the earlier of the following events:

- At the time that an invoice is issued; or
- At the time any payment is received by the supplier.

All vendors must account for VAT on the invoice basis unless the person submitted an application and received permission from SARS to use the payments basis of accounting.

Special time of supply rules

The accounting basis will determine how much output tax must be paid or input tax may be deducted on a particular supply. In the following cases, the supplies are treated differently, regardless of the accounting basis used:

Instalment credit agreements

Suppliers of taxable goods under an Instalment Credit Agreement (ICA) must account for the full amount of output tax in the tax period in which the goods are delivered or any payment of the consideration is received, whichever is the earlier, irrespective of the accounting basis on which they are registered.

Similarly, the recipient will be able to deduct the full input tax if the goods were acquired for making taxable supplies unless specifically denied.

Fixed property

Vendors making taxable supplies (sales) of fixed property must account for output tax to the extent the consideration for the supply has been received, irrespective of the accounting basis on which they are registered.

Similarly, the recipient may only deduct input tax to the extent that payment of the consideration has been made (that is, these supplies are treated as if on the payments basis), provided the time of supply has been triggered.

Second-hand goods

Vendors may only deduct the notional input tax to the extent that payment of the consideration for the supply has been made by the vendor, regardless of whether that vendor is registered on the invoice or the payments basis.

"If your heart is broken, make art with the pieces." — Shane Koyczan

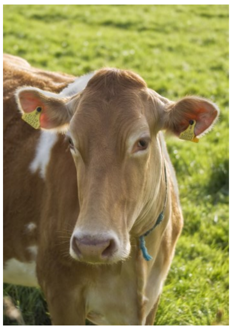
Time of supply—connected persons

Where the supplier and the recipient are connected persons, a supply of goods or services , is deemed to take place as follows:

- If the goods supplied are to be removed – the time of supply occurs at the time the goods are removed.
- If the goods supplied are not removed – the time of supply occurs at the time the goods are made available to the recipient.
- If services are supplied – the time of supply occurs at the time the services are performed.

The general time of supply rules will apply when –

- an invoice is issued or payment is received on or before the date that a return was submitted, or the last day for submitting a return for that tax period; or
- the consideration cannot be determined at the time the supply is deemed to be made to a connected person who is entitled to deduct input tax in full.



"No matter how much falls on us, we keep plowing ahead. That's the only way to keep the roads clear."

— Greg Kincaid

Farmers—Stock

The First Schedule to the Income Tax Act contains various special provisions for farmers. To qualify for these provisions, the person must carry on a farming activity or farming operations, and earn farming income. The First Schedule deals mainly with livestock, produce and farming capital development expenditure.

Where a farmer has consumable stores or other non-livestock or non-produce items on hand at his year end he does not have to account for them for income tax purposes.

Certain capital expenditure may be deducted in full subject only to the proviso that the deduction is limited to taxable income from farming. Consequently, a farmer (who has farming taxable income) may, for example, deduct the cost of farm buildings, roads, dams, fences and irrigation schemes.

Livestock and Produce

Livestock means the animals a farmer farms with whereas produce refers to what the farmer grows or what is produced by the livestock (e.g. milk).

The term produce does not include farming products which have not been harvested. For example, standing crops and wool on the sheep are not included in closing stock at the end of the year.

However, where the crops have been harvested or the sheep have been sheared before the year end and the produce is still on hand at the year end it has to be included in closing stock as produce.

Livestock and produce are the only forms of stock that a farmer is required to consider under the First Schedule. This means that consumable stores, such as seed, fertilizer and fuel are not considered for a farmer's closing stock.

A farmer is required to include opening and closing stock of livestock and produce in his income tax return.

Opening stock is deducted from income and closing stock is added to income.

Opening stock

The value of stock in the first year a person starts (or restarts) farming is:

- the value of livestock and produce held by him on the day before he started farming; and
- the market value of livestock or produce acquired by inheritance, donation or as an in specie dividend or otherwise than by purchase, natural increase or in the ordinary course of farming operations

The value of stock at the beginning of any other tax year is equal to the sum of:

- the value of the closing stock at the end of the previous tax year,
- the market value of livestock or produce acquired during the year otherwise than by purchase, natural increase or in the ordinary course of farming operations, and
- the market value of livestock or produce held otherwise than for farming.

Closing stock

All closing stock of livestock is valued at standard values. Standard values are much lower than market values and are fixed by regulation.

The standard value of a farmer's livestock on hand is included in his taxable income as closing stock at the end of the tax year.

The value of produce included in any return shall be a fair and reasonable value and is normally the farmer's cost, if this can be established.

If livestock or produce has been applied by a farmer for domestic or private use, the value thereof has to be included in his income for that year of assessment as an amount equal to the cost price to the farmer of such livestock or produce. If the cost price cannot be readily determined the market value is added to income.

Acquisition of livestock

Expenditure in respect of the acquisition of livestock is limited to the farmer's income for the year. Any amount which is disallowed as a deduction under this rule shall be carried forward and be deemed to be expenditure incurred by the farmer in respect of the acquisition of livestock during the next year of assessment.

Non-trade disposals

The farmer is require to include the market value of livestock or produce his income where the farmer has:

- donated livestock or produce
- disposed of livestock or produce other than in the ordinary course of farming operations for a consideration less than market value
- distributed livestock or produce as an in specie dividend (in the case of a farming company or close corporation)
- applied livestock or produce in any other manner, other than the disposal thereof in the ordinary course of farming activities (or for domestic consumption).

Farmers—Capital expenditure

Paragraph 12(1) of the First Schedule allows the deduction of the following expenses incurred during a year of assessment:

- the eradication of noxious plants and alien invasive vegetation;
- the prevention of soil erosion;
- dipping tanks;
- dams, irrigation schemes, boreholes and pumping plants;
- fences;
- the erection of, or extensions, additions or improvements (not repairs) to, buildings used in connection with farming operations other than those used for domestic purposes. This deduction only applies if the farmer erects or improves farm buildings and does not apply to farm buildings purchased by the farmer.
- the planting of trees, shrubs or perennial plants for the production of grapes or other fruit, nuts,
- tea, coffee, hops, sugar, vegetable oils or fibres, and the establishment of any area used for the planting of such trees, shrubs or plants;
- the building of roads and bridges used in connection with farming operations; and
- the carrying of electric power from the main transmission lines to the farm apparatus and any amounts paid by the farmer under an Eskom agreement to supply electric power for farming purposes.

A deduction is not allowed in respect of buildings used for domestic purposes or for accommodating persons who are employed by the farmer.

Expenditure limit

Paragraph 12(1A) of the First Schedule deals with expenditure to conserve and maintain land owned by the farmer (i.e. the first two items of the list) if it is carried out in terms of a biodiversity management agreement that has a duration of at least 5 years. If the agreement is entered into in terms of section 44 of the National Environmental Management: Biodiversity Act, 2004, the expense is deemed to be a farming expense. If the agreement is breached, all the expenditure under this provision for the previous 5 years is added back. If the conditions are met, the full amounts may be deducted even if it creates an assessed loss.

In the other instances, where the deductions exceed the farmer's taxable income from farming before these deductions, the excess must be added back to farming income and deducted in the following year of assessment (i.e. carried forward). This excess is known as unredeemed capital

development expenditure.

Recoupments on moveable assets in the year must first be set off against the amount brought forward from the previous year which would have been deducted and the difference must then either be added to or deducted from

the farmer's income.

Capital Gains

When the farm is sold, any unredeemed capital development expenditure may be added to the base cost for the purposes of calculating the capital gain. The unredeemed CDE may not create a capital loss.

"Persistence and resilience only come from having been given the chance to work through difficult problems."

— Gever Tulley

Machinery, implements, utensils and articles

Any machinery, implements, utensils or articles (other than livestock) acquired by a farmer and brought into use by him for the first time, are subject to a special depreciation allowance on the cash cost of the asset. T

he allowance is only granted if the asset is owned by the farmer (including acquired under an instalment credit agreement), and is used by the farmer in the carrying on of his farming operations.

The allowance is as follows:

- First year of use: 50% of cost
- Second year: 30% of cost
- Third year: 20% of cost.

The cost is deemed to be the lesser of the actual cost to the farmer or the cost which a person would, if he or she had acquired the asset under a cash transaction concluded at arm's length on the date which the transaction for the acquisition of the asset was in fact concluded, have incurred in respect of the direct cost of acquisition of the asset, including the direct cost of the installation or erection thereof.

This allowance is not apportioned if the asset is used for only a part of the year and is not limited to taxable income from farming.

For more information, refer to Section 12B of the Income Tax Act.

Farmers—Forced sales and drought relief

Forced sales

Paragraph 13 of the First Schedule provides relief for a farmer who has been forced to sell livestock due to drought, disease, plague or fire by allowing the farmer to deduct the cost of replacement livestock in the year of the forced sale.

If the farmer had to sell livestock due to drought, stock disease, damage to grazing by fire or plague, and that the sold livestock has been replaced within 4 years after the end of the year of assessment in which the livestock was sold, the farmer has the option of:

- deducting the cost of the replacement livestock from his income in the year of assessment, in which the forced sale took place, or
- deducting it from the income, in the year in which the replacement livestock is purchased.

The farmer must notify the Commissioner of the forced sale when he renders his return of income for the year in which the livestock is first sold, i.e. the year in which the forced sale takes place.

This deduction must be made within 5 years after the close of the year of assessment during which the livestock was sold.

If the farmer purchases livestock to replace stock that he sold in terms of a Government livestock reduction scheme, then the same provisions apply, except that:

- he has 9 years after the close of the current year to replace the stock, and
- he may not elect to use this paragraph if he is taxed in terms of paragraph 19 of the First Schedule in the year that the livestock is sold.

In this case, the deduction must be claimed within 10 years after the close of the year of assessment during which the livestock was sold.

Initially SARS will tax the farmer as if this paragraph was not applicable, and then, when proof is submitted that the new livestock was purchased, SARS will revise the original assessment and refund or credit any tax overpaid, to the farmer.

"You may have to fight a battle more than once to win it." — Margaret Thatcher

Drought relief

Where a farmer receives proceeds from the sale of his livestock because of drought and has deposited the proceeds or a portion of the proceeds with the Land and Agricultural Bank of South Africa within 3 months of receiving the proceeds, the proceeds so deposited, will not be included in his gross income.

However, to qualify for this concession, the farmer must notify SARS accordingly. If, at any time within 6 months after the end of the year of the sale, the farmer withdraws the money from the Land Bank, he will be taxed as if the concession in this paragraph did not apply.

If he withdraws the money after the end of the 6-month period, but before 6 years have passed from the end of the tax year of sale, he will be taxed on the withdrawal.

If he leaves the money on deposit for 6 years or more, it will be deemed to be his gross income on the last day of the 6-year period. If he dies or goes insolvent within the 6-year period, the money still on deposit will be deemed to be his gross income on the day before his death or insolvency.

Rating formula for farmers

Paragraph 19 of the First Schedule sets out the rating formula for farmers that are natural persons. The farmer must elect to be taxed under paragraph 19 within 3 months of the end of any year or period of assessment. If this option was elected, the following formula would apply:

Y = [A/(B+D-C)] x B, where:

Y= Normal tax to be determined before the rebates are deducted.

A= Normal tax (before the deduction of any rebate) calculated for taxable income of "B + D - C".

B= Taxable income for the year (excluding any lump sum benefit or severance benefit).

C= The amount by which the taxpayer's taxable income from farming exceeds the average taxable income from farming.

D= Retirement fund current contributions as is allowable as a section 11F deduction, solely by reason of the inclusion in the farmer's income of the excess calculated under 'C' above. (The retirement fund contributions include pension, provident, and retirement annuity fund contributions.)

Farmers—Average taxable income

The farmer's average taxable income from farming is calculated as follows:

- Divide the total of the current year's taxable income from farming, plus the previous 4 years' taxable income from farming, by 5 to arrive at an average.
- If the farmer has only farmed for part of a year, such year is treated as a full year.
- If the farmer has farmed for less than 4 years prior to the current year, the average is taken over as many years as he has farmed.
- If the farmer had not carried on farming operations prior to deciding to be taxed on the average method (and neither had his spouse, either before or after their marriage) then his taxable income from farming will be 2/3rds of such taxable income.
- Where there have been farming losses in any of the previous 4 years, such losses must be taken into account when calculating the average farming income, but an assessed loss brought forward must not be taken into account, because it does not relate to the farming income or loss for the year.
- The average annual income is limited to a minimum of nil.

The farmer effectively pays tax on his actual income at a rate based on his average income.

For more information, refer to Interpretation Note No. 29.

Farm worker accommodation

Section 13*sex* of the Income Tax Act provides for a deduction where a farmer acquires a residential unit or an improvement to a residential unit, or commences the erection of a residential unit provided the following requirements are met:

- The residential unit must be new and unused,
- If the allowance is to be claimed only on an improvement, then only the improvement needs to be new and unused.
- The farmer must own the unit. Therefore, the allowance cannot be claimed on improvements made to property that the taxpayer occupies as a tenant.
- The unit or improvement must be used by the farmer solely for the purposes of a trade which he carries on
- The unit must be situated in South Africa.

The farmer must own at least 5 residential units in South Africa (they need not be all in the same place) which must be used for the purposes of a trade carried on by the farmer.

The annual allowance is 5% of the cost of the unit until the full cost is written off or the unit is sold.

"It's your reaction to adversity, not adversity itself that determines how your life's story will develop."

— Dieter F. Uchtdorf

Farmers—VAT

The VAT Act contains special provisions for vendors that carry on agricultural, pastoral or other farming activities as an enterprise.

The first dispensation allows a vendor that carries on a farming enterprise to acquire certain goods at the zero rate or import certain goods that are exempt from VAT. These goods must be used or consumed in the course of conducting a farming enterprise.

Some of the goods that may be acquired under this dispensation are –

- Animal feed;
- Animal remedy;
- Fertilizer;
- Pesticide; and
- Plants and seeds used for cultivation.

Part A of Schedule 2 to the VAT Act sets out a complete list of the goods.

In order to qualify for zero-rating,

- SARS must be satisfied that the vendor carries on a farming enterprise and issued an authorisation on the vendor's Notice of Registration, indicating that the goods may be supplied to the vendor at the zero rate.
- A valid tax invoice must be issued for the supply of such goods that are listed in Part A or Schedule 2.

Outstanding tax amounts

There are five ways to find out how much tax debt a person owes:

- Log on to eFiling and request a statement of account.
- Log on to the SARS MobiApp and request a statement of account.
- Request a balance statement and/or statement of account for Personal Income Tax by sending an SMS to SARS on 47277. (This service can be accessed with or without data/airtime.)
- SARS USSD Channel by typing on a mobile device, a string of characters which comprises of an asterisk (*), followed by a few digits and ending with a hashtag (#) and dialing. Balance (Space) ID number/Passport number/ Asylum Seeker number Steps on how to request tax services via the SARS USSD Channel:

  Step 1: Initiate USSD by dialing *134*7277#

  Step 2: Select the service you require

  Step 3: Taxpayer Verification – SARS will request you to complete either your ID/Passport/Asylum Number

  Step 4: Tax Resolution – Upon successful verification by SARS, a response will be displayed
- Call the SARS Contact Centre and provide the person's tax reference number.

"Do not judge me by my success, judge me by how many times I fell down and got back up again."

— Nelson Mandela

Paying tax debt

There are various options available to service debt, including:

- Pay full balance outstanding within seven days
- Request with reasons and proof to pay in instalments in terms of section 167 of TAA. Follow the link to the required form – Collection Information Statement (CIS).
- Request with reasons and proof to compromise the debt in terms of s200/201/202 of the TAA. Follow the link to the required form – Collection Information Statement (CIS).
- Where debt is disputed/ there is an intention to dispute apply for the suspension of debt in terms of s164 of the TAA..

If a person is not able to pay the full amount, they should contact SARS without delay. SARS may can reach an agreement to defer tax debt for later payment or for payment by instalments.

Making payments

Currently there are a number of options available to make a payment to SARS:

Payments via eFiling

When making a payment to SARS, eFiling will send a payment request to the taxpayer's bank which will reflect the amount that needs to be paid on the relevant bank product. The taxpayer then authorises this request on the relevant bank product. This forms an instruction to the bank to make the payment to SARS. Credit Push payments are considered to be irrevocable and can only be made if the account holder has the necessary funds. A Credit Push transaction can be cancelled only before it is approved.

Electronic Funds Transfer (EFT)

Payment may be made via the internet banking facilities by simply using the standard drop-down listing of pre-loaded beneficiary IDs provided by the bank. All SARS beneficiary IDs are prefixed with the naming convention "SARS- ". All internet payments must be correctly referenced to ensure that SARS is able to identify the payment and allocate it to the correct account.

SARS MobiApp

Payment is made via the Statement of Account or Notice of Assessment (ITA34). The principle of making a payment to SARS is the same on both accounts however note the following:

When making a payment from the Statement of Account (SOA) the person has an option to pay the full amount or any other amount determined by the person.

When making a payment from your Notice of Assessment (ITA34) the full amount must be paid.

Foreign Payments

This payment method should only be used by foreign taxpayers who does not have a South African Bank account. Payments can be made electronically into SARS' bank account using the standard SWIFT 103 message and the Beneficiary ID/Account Number "SARS-FOR-999". Only FNB supports this method.

Making payment arrangements

SARS provides for a deferment of payment arrangement, or instalment payment arrangement for outstanding tax debt.

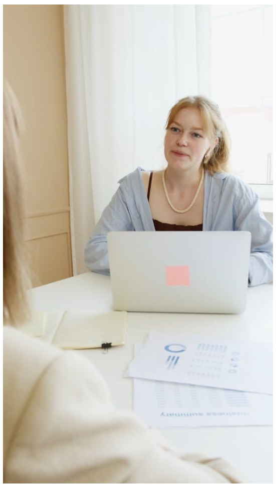
A person may request and enter into an instalment payment arrangement with SARS. It allows the person to pay the outstanding debt in one sum or in instalments over time until the entire debt including applicable interest is paid.

This agreement however would be subject to certain qualifying criteria.

A payment arrangement may be requested through SARS eFiling: the SARS Contact Centre on 0800 00 7277 between 09:00 to 16:30 or via email (contactus@sars.gov.za.)

Eligibility criteria

- The taxpayer suffers from a lack of assets or liquidity which is reasonably certain to be remedied in the future;
- The taxpayer anticipates income or other receipts which can be used to satisfy the tax debt;
- Prospects of immediate collection activity are poor or uneconomical but are likely to improve in the future;
- Collection activity would be harsh in the particular case and the deferral or instalment agreement is unlikely to prejudice tax collection;
- The taxpayer provides the security as may be required;
- All outstanding returns and/or recons are submitted.



Objections

Any person that is aggrieved by an assessment or certain decisions made by SARS, have the right to object to such an assessment or decision. An objection must be submitted within 80 business days after the date of the assessment or SARS decision.

Where the objection is submitted after the prescribed due date, the taxpayer must provide reasons for the late submission. The merits of the objections will only be considered if a senior SARS official is of the view that reasonable or exceptional grounds existed for the late submission of the objection.

Where reasonable grounds exist for the late submission SARS can extend the period of submission of the objection by 30 business days.

Where a senior SARS official is satisfied that exceptional circumstances exists, SARS can further extend the period of lodging a notice of objection.

No objection can or will be allowed to be submitted more than 3 years after the date of the assessment or the SARS decision taken or if the grounds for the objection is based wholly or mainly on a change in a practice generally prevailing which applied on the date of the assessment or decision taken.

"I can be changed by what happens to me. But I refuse to be reduced by it." — Maya Angelou

What is new at SARS?

- Interpretation Note No. 119 (Issue 2) - Deductions in respect of improvements to land or buildings not owned by a taxpayer. (29 September 2025)
- Comprehensive Guide to the Income Tax Return for Trusts (19 September 2025)
- Updated guides for employer interim declarations (19 September 2025)
- New video on how to claim a medical deduction (19 September 2025)
- New video on provisional tax (17 September 2025)
- Table of interest rates updated (16 September 2025)
- Draft regulations on Crypto-Asset Reporting Framework (CARF) and the Revised Common Reporting Standard (CRS).
- New video on managing outstanding tax debt

Welcome to our new members

FINANCIAL ACCOUNTANT IN PRACTICE/CERTIFIED TAX PRACTITIONER		
MEMBERSHIP NUMBER	**SURNAME**	**NAME**
1887487 (FAP/CTP)	Arrow	Kerry-Lee
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9497669 (FAP/CTP)	Emmanuel	Louis
1899667 (FAP/CTP)	Govender	Peroosha
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4326318 (FAP/CTP)	Ntetshe	Thandiwe
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STUDENT		
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4281321	Mbokane	Zamaswazi
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1648256	Gouwe	Tshogoratso
7933299	Olivier -Bergh	Michelle
7061383	Simoes	Sarah
8510303	Cornelissen	Zachary
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Welcome to our new members

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7833005(TA/CTP)	Gezernik	Rowen
282600 (TA/CTP)	Hanekom	Mandy
5091623 (TA/CTP)	Hirst	Craig
1483137 (TA/CTP)	Laattoe	Thaakirah
3068290 (TA/CTP)	Labuschagne	Nicolien
5276386 (TA/CTP)	Mogajane	Maibele
9600770 (TA/CTP)	Mongelo	Yolanda
5342527 (TA/CTP)	Moonsamy	Leevashnee
4101378 (TA/CTP)	Mosgrove	Francis
4400962 (TA/CTP)	Mpanza	Welcome
421731 (TA/CTP)	Mthembu	Sithenbiso
7807365 (TA/CTP)	Ngoveni	Blessing
9960500 (TA/CTP)	Skosana	Mkosinathi
5974242 (TA/CTP)	Steyn	Cynthia
1751897 (TA&CTP)	Theron	Nico
1745327 (TA/CTP)	Van Niekerk	Michiel

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TECHNICAL ACCOUNTANT		
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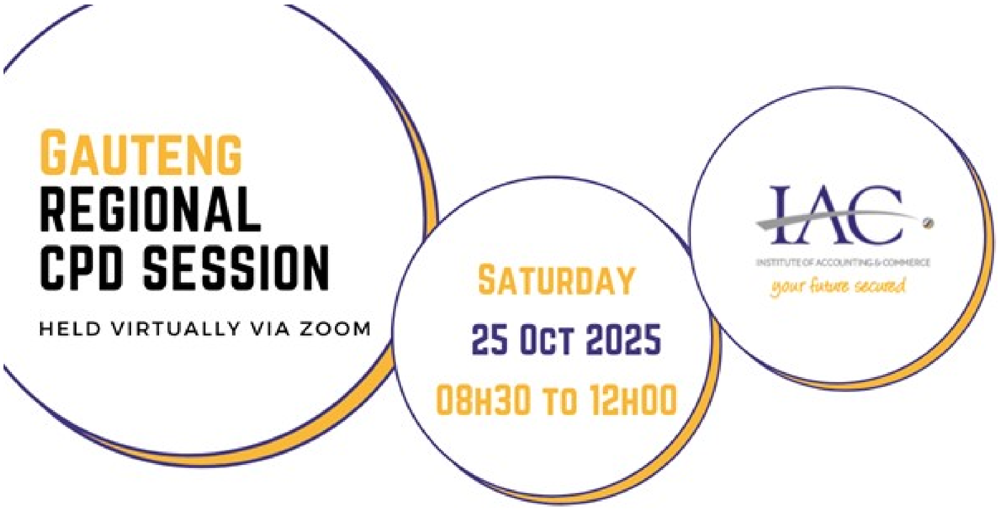
Vision

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.



The Institute of Accounting and Commerce is saddened by the passing of Mr.Esau Moruneng Mobu who passed away in July 2025.

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