



## What Is Tax?

There's an old cliché that life's only two certainties are death and taxes. You can't avoid either - no matter how you try! But there are ways to make tax less intimidating (scary). Understanding how it works is Step One.

Tax is money that people of a democratic country pay to their government. In South Africa, money is needed for social services like transport, education, international security, national security, healthcare and welfare. To fill Government's coffers, you have to pay some of your money to keep the country running. If you're still wondering why you should pay tax, keep in mind that:

### NOTE

**Bottom line: Your income tax contribution helps to build a better South Africa!  
And the more people pay their fair share, the less each individual  
has to contribute.**

## But Do I Really Have to Pay Tax?

Well, if you don't earn money – if you're unemployed - you don't pay tax. Ditto if you do earn money and your annual income is less than R32 219. Only once you're employed and your annual earning is more than R32 219 per year, do you pay tax. This threshold is determined each year by the Minister of Finance in his Budget Speech to Parliament. And the more you earn, the more you pay! The South African tax system has been designed so that people only pay taxes in proportion to their income.

## Who Do I Pay?

You pay your income tax to the South African Revenue Service (SARS), which is responsible for collecting taxpayers' money on behalf of Government. SARS functions as a collection agency for Government.

First-time taxpayers must register for income tax at their local SARS office. To find yours, log onto [www.sars.gov.za](http://www.sars.gov.za). SARS will then post you your annual income tax return forms. Complete your forms and submit them before the due date, which will be spelled out clearly on the SARS website and at the top of the forms.

## What Happens If I Don't Pay?

It's a criminal offence not to pay income tax and if you're caught you may be heavily fined or sent to jail. Also, you can't cheat SARS. It's like Big Brother; always watching! So if you don't make a full and honest disclosure of your annual income (in other words, if you don't declare all your earnings), this is considered fraud or tax evasion and it's punishable by fines or jail time.

And because you have to make a full disclosure, your tax return forms must be properly filled in. Luckily, SARS provides assistance to taxpayers in this regard, so don't hesitate to contact your local SARS office if you need to!

### © JumpStart 2007

The publication of JumpStart involves extensive research and substantial costs. No part of this book may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording, or by any information storage and retrieval system, without permission in writing from the Publishers. Any person who carries out any unauthorised act in relation to this publication may be liable to criminal prosecution and civil claims.

### Disclaimer

Whilst every care has been taken in creating this book, the Publishers do not give any warranty as to the completeness or accuracy of its contents nor of any supplementary information, explanation or opinion. Furthermore, the views expressed in JumpStart are not necessarily those of Deloitte. All advertisements and advertorials have been paid for and therefore do not carry any endorsement by the Publishers or Deloitte.



**the income tax payable by individuals can be reduced if everyone pays their fair share...It is therefore important that all individuals meet their income tax obligations ...**  
- Minister of Finance

## Filling in the Forms

The forms are complex and require careful thought. Here are some tips:

- You are required by law to complete a tax return every year, if your annual income is above R60 000.
- You must disclose all incomes and expenses! Any additional income, like freelance work or casual labour, must be declared.
- You'll also need to fill in details of businessrelated expenses, medical aid expenses you've paid out personally, donations, retirement annuities, provident funds, pension funds and any subsistence income.
- Should you have a travel allowance and depending on the value of your vehicle, you can claim a certain amount for each kilometre driven in terms of a) petrol costs and b) maintenance and repairs. You can claim for business use of your car.
- SARS needs your bank account details in case of a refund (where they owe you money). You must provide your branch code as SARS pays via electronic transfer and uses the branch code, not the branch name, to make the transfer.
- Don't forget to sign the forms – without your signature, they're invalid!

## The different types of taxable income are:

- Income from employment (salaries, wages, bonuses, commissions, overtime, benefits and certain lump sums;
- Income from letting (renting) of property or assets;
- Income from a business or trade;
- Investment income like interest or foreign dividends;
- Annuities;
- Pensions;
- Capital gains, etc.

## How Much Do I Pay?

SARS works out the tax on your total income over a tax year. A tax year or year of assessment runs from 1 March to the end of February the following year, even if you were employed after March. The table below is used to calculate your tax liability.

### © JumpStart 2007

The publication of JumpStart involves extensive research and substantial costs. No part of this book may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording, or by any information storage and retrieval system, without permission in writing from the Publishers. Any person who carries out any unauthorised act in relation to this publication may be liable to criminal prosecution and civil claims.

### Disclaimer

Whilst every care has been taken in creating this book, the Publishers do not give any warranty as to the completeness or accuracy of its contents nor of any supplementary information, explanation or opinion. Furthermore, the views expressed in JumpStart are not necessarily those of Deloitte. All advertisements and advertorials have been paid for and therefore do not carry any endorsement by the Publishers or Deloitte.

If you're a provisional tax payer (someone who doesn't earn a set salary but earns money from other sources), your annual taxable income scale appears below.

R0 – R 32 222	No tax
R 32 222 – R 80 000	18% of each R1 is taxable
R 80 001 – R130 000	R14 400 plus 25% of the amount above R 80 000
R130 001 – R180 000	R26 900 plus 30% of the amount above R130 000
R180 001 – R230 000	R41 900 plus 35% of the amount above R180 000
R230 001 – R300 000	R59 400 plus 38% of the amount above R230 000
R300 001 – and above	R86 000 plus 40% of the amount above R300 000

### That Seems Like A Lot Of Money To Fork Out At Once!

Yes, it does. It's because the final income tax (or normal tax) payable by a taxpayer can only be calculated once the total taxable income over the full year has been determined. This is done only once a taxpayer's tax return has been processed and an assessment is issued, at the end of the year.

### What Happens In The Meantime?

Employees' tax consists of two parts: Standard Income Tax on Employees (SITE) and Pay As You Earn (PAYE). If you a) receive only an basic salary with no allowances and b) this amount is less than R60 000 per year, you pay SITE. SARS takes this to be your full and final tax distribution and you don't have to fill in tax returns. But if you earn over R60 000 per year, you pay both SITE and PAYE – and have to fill in tax returns!

### **Employees' tax is tax that employers have to deduct (subtract) from the remuneration (salaries) of employees on a monthly basis.**

SITE and PAYE are collected automatically on a monthly basis. The amounts should be reflected on your payslip, because your employers are required by law to pay them every month. If they don't, both you (and they) will owe SARS a pile of money come the end of the tax year. We're talking thousands of Rands here!

Your company has 7 working days from monthend to pay over your AYE contributions. Make sure that, at the end of each year of assessment, your employers provide you with a form called an IRP5. It reflects the breakdowns of SITE and PAYE and must be included in your annual tax return.

#### © JumpStart 2007

The publication of JumpStart involves extensive research and substantial costs. No part of this book may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording, or by any information storage and retrieval system, without permission in writing from the Publishers. Any person who carries out any unauthorised act in relation to this publication may be liable to criminal prosecution and civil claims.

#### Disclaimer

Whilst every care has been taken in creating this book, the Publishers do not give any warranty as to the completeness or accuracy of its contents nor of any supplementary information, explanation or opinion. Furthermore, the views expressed in JumpStart are not necessarily those of Deloitte. All advertisements and advertorials have been paid for and therefore do not carry any endorsement by the Publishers or Deloitte.



## What Is VAT?

Value Added Tax (VAT) is another way you pay tax, without even being aware of it! It's basically a standard, built-in percentage of most goods and services you buy.

VAT currently stands at 14%. In other words, if a chocolate bar costs R4.50, 14% of what you paid for it (63 cents) goes to Government. The VAT vendor (in this case, the supermarket or corner café owner) must advertise and display the VAT-inclusive price.

**If a chocolate bar costs R4.50, 14% of what you paid for it (63 cents) goes to Government.**

**The VAT vendor (in this case, the supermarket or corner café owner) must advertise and display the VAT-inclusive price.**

**Many people resent the fact that they have to pay tax. But instead of seeing tax as an enemy, try to remember all the important things Government does with your money. Without money from income tax, there'd be no funds available to fix our roads, provide public transport or supply anti-retroviral drugs to those who need them. Makes you think, doesn't it?**

### © JumpStart 2007

The publication of JumpStart involves extensive research and substantial costs. No part of this book may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording, or by any information storage and retrieval system, without permission in writing from the Publishers. Any person who carries out any unauthorised act in relation to this publication may be liable to criminal prosecution and civil claims.

### Disclaimer

Whilst every care has been taken in creating this book, the Publishers do not give any warranty as to the completeness or accuracy of its contents nor of any supplementary information, explanation or opinion. Furthermore, the views expressed in JumpStart are not necessarily those of Deloitte. All advertisements and advertorials have been paid for and therefore do not carry any endorsement by the Publishers or Deloitte.

