

2008

Launching the 2008 Tax Season

JOHANNESBURG, 15 MAY 2008 -- The South African Revenue Service (SARS) today announces details for the 2008 Tax Season that, for the first time, place specific emphasis on the central role of employers in the Personal Income Tax (PIT) system.

SARS has made a commitment to continually improve service to taxpayers whilst strengthening the overall integrity of the tax system. In 2007, significant enhancements were made that sought to provide better service to honest taxpayers and improve SARS's ability to detect non-compliant behavior earlier.

For 2008 further changes will be introduced that will focus on the legal obligation of employers who administer payroll taxes – PAYE, SITE, UIF and SDL. These changes will affect the way in which employers submit their annual PAYE declarations to SARS which must reflect deductions made from the salary of employees and whether these have been paid to SARS on behalf of employees.

It will also affect the way companies issue IRP5 certificates to employees for a particular tax year and the traditional way in which individuals receive, complete and submit their annual tax returns to SARS.

These changes will be introduced to make filing a tax return easier for individuals and to provide companies with free, convenient software for automated payroll reconciliations as well as technical assistance.

How the Personal Income Tax (PIT) works

The PIT system comprises three primary elements:

- The PAYE process: employers deduct this tax from the salary of employees and pay the deduction over to SARS as the employee's tax contribution. After the company's financial year end these deductions and transfers to SARS must be reconciled and verified, both individually and cumulatively.
- The provisional tax process: taxpayers with additional income other than a salary from an employer are required to declare such income and pay provisional tax to SARS three times during the tax year.
- The annual income tax return process: individuals earning more than R60 000 during the tax year complete and submit an income tax return to SARS. SARS then conducts an assessment that determines the final personal income tax liability for the individual for a particular tax year.

SARS implemented the first phase of the PIT reform programme in 2007 with changes to the income tax return process:

- the tax return was redesigned, simplified and reduced to 2 pages;
- taxpayers did not have to submit supporting documents to the return
- SARS applied electronic 3rd party data verification of information the taxpayer provided;
- returns were scanned and assessed through an automated process for faster turnaround times
- a sophisticated risk engine was developed to detect non-compliance

The rewards were a better, more efficient and easier service for compliant taxpayers and a more rigorous risk management capability for SARS against non-compliance.

The changes for 2008 and the focus on employers are the second phase of SARS's PIT reform programme.

It also contributes to the important policy objective of Government to expand social assistance through the introduction of a wage subsidy and social security to all working South Africans.

The ultimate for SARS remains to present the majority of individual taxpayers with a pre-populated tax return by transforming the PIT process:

- From the current system: where individual taxpayers provide SARS with a return completed by them with data obtained from 3rd parties, including employers;
- To a pre-populated return: for individuals with complex tax matters, that must be verified by the taxpayer, corrected where required and filed with SARS; and
- Eventually, to a return-free system: for the majority of salaried individual taxpayers in which their tax liability is calculated using electronic data supplied directly to SARS by 3rd parties and is reflected in a tax account sent to the taxpayer.

What do these changes mean?

For Employers—

- You have time from today until 30 June 2008 to start preparing for these changes
- Companies then have a 60 day window period – 1 July 2008 to 29 August 2008 - to submit employer PAYE deductions to SARS
- Employees cannot receive or submit their tax returns to SARS until employers complete their PAYE declarations to SARS
- SARS will provide ALL employers or companies with computer software that can reconcile the deductions they made from employees' and what companies paid to SARS, FREE of charge
- The payroll information from employers to SARS will allow SARS to issue the majority of taxpayers with a pre-populated return that already contains the income they have earned
- Employers who do not comply by 29 August 2008 will face strong penalties

For Individuals—

- The filing period for returns opens on 1 September 2008
- Individuals must REQUEST a return from SARS and can do so from 1 September 2008
- The deadline for the manual submission of returns is 21 November 2008
- The deadline for electronic submission of returns is 23 January 2009
- Certain individuals with income below R120 000 per year year; who have a single employer and source of income; and who meet certain criteria WILL NOT have to complete and submit a tax return to SARS
- Their details and income stream will be automatically captured by the new process

How to obtain a tax return

- SARS WILL NOT issue or mail any returns to taxpayers this year
- SARS will send letters to all registered taxpayers to explain why – it is important that taxpayers notify SARS of changes to their addresses
- Taxpayers will have to request a return from SARS from 1 September 2008:
 - by calling the calling centre
 - or visiting a SARS branch office
 - via SARS eFiling
 - Sending SARS a request for a return – a form for this purpose will be attached to the letter to taxpayers.

ENDS.