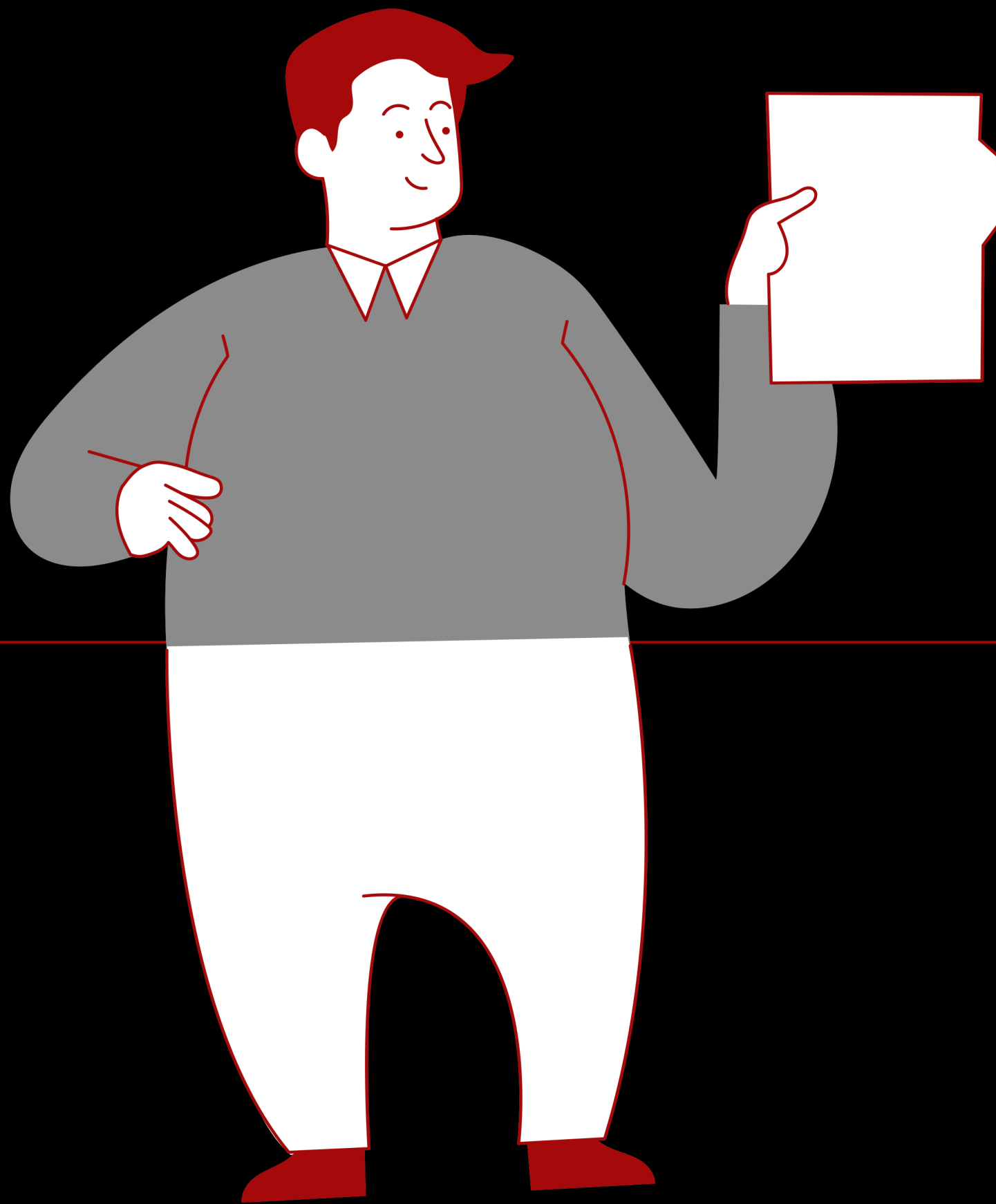


THE COMPLIANCE CLINIC

PROVISIONAL TAX 101



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AGENDA

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3. REGISTERING AS A PROVISIONAL
TAXPAYER
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- Provisional tax is a tax payment system used in South Africa to ensure that individuals and businesses pay their taxes in a timely manner. It is a payment made in advance of the final tax assessment and is based on an estimate of the taxpayer's taxable income for the current tax year.
- Provisional tax is applicable to individuals (Individuals who earn income or have income accruing to them from sources other than remuneration are considered provisional taxpayers. This means that most salary earners are typically not classified as provisional taxpayers, provided they have no other sources of income.), companies, close corporations, trusts, and other entities that have a taxable income in excess of the tax threshold.



Introduction

EXEMPT TAXPAYERS



Any individual or organization falling under the following categories shall be excluded from being a provisional taxpayer as defined:

- Approved public benefit organisations or recreational clubs that have received approval from the Commissioner as per s30 or s30A;
- Body corporates, share block companies, or certain associations of persons that are exempt from tax;
- Non-resident owner or charterer of ships or aircraft;
- Natural person who does not earn any income from carrying on any business, provided their taxable income does not exceed the tax threshold. For the 2024 tax year, this threshold is R95 750 for taxpayers below the age of 65, R148 217 for those aged 65 to below 75, and R165 689 for those aged 75 and over. Alternatively, if the taxable income of that person (earned from interest, foreign dividends, rental from letting of fixed property, and remuneration from unregistered employer) does not exceed R30 000;
- Small business funding entity;
- Deceased estate; or
- Any association that has been approved by the Commissioner under section 30B(2)

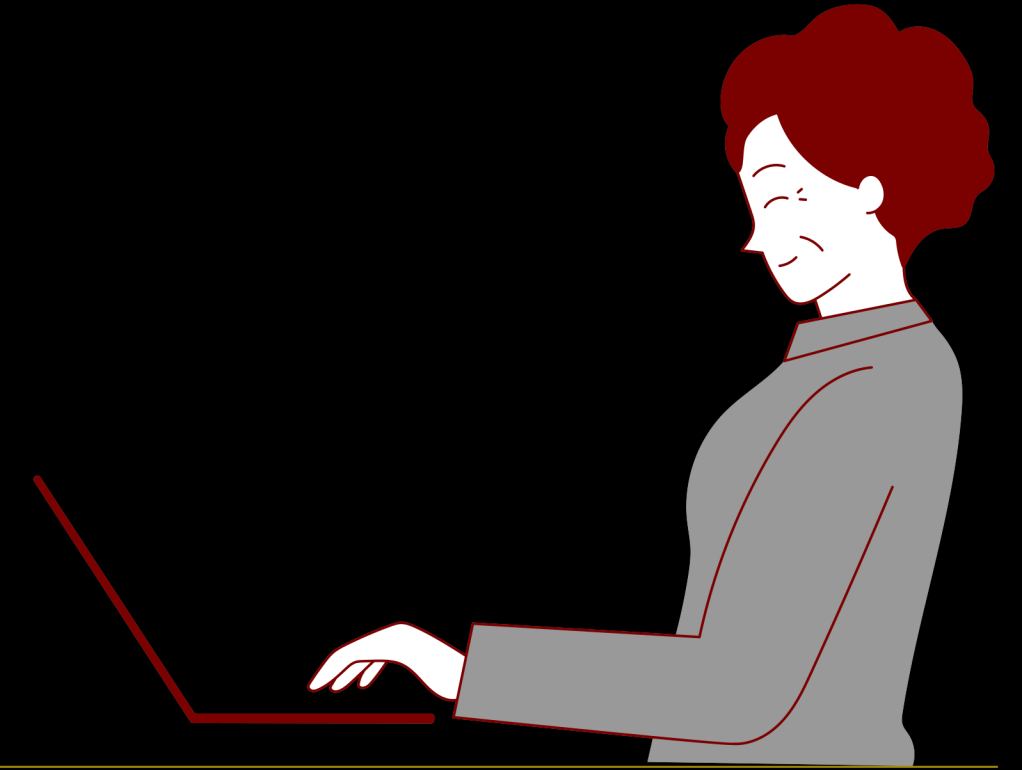
REGISTERING AS A PROVISIONAL TAXPAYER



You can follow the next few step to register for provisional tax:

1. Log in to your eFiling profile.
2. Click on "Home" from the top menu.
3. Select "User" from the left-hand menu and then choose "Tax Types".
4. Check the box next to "Provisional Tax (IRP6)" and enter your income tax number next to it.
5. Click on "Register" to complete the registration process.

REQUESTING AND SUBMITTING RETURNS



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1. Access your eFiling profile by logging in.
 2. Click on the "Returns" option from the top menu.
 3. Select "Provisional Tax (IRP6)" from the "Returns Issued" menu on the left-hand side.
 4. From the "Select Period" drop-down list, choose the appropriate tax period and click on "Request Return". If you have already created the return for the selected tax period, it will be listed, and you only need to click "Open".
 5. Click on "IRP6" under "Return Type" to open the return.
 6. Provide the required information to complete the return, then click "File Return" to submit it.

CALCULATING RETURNS (IRP6)

Provisional tax is paid in two installments, with the first installment due six months into the tax year and the second installment due 12 months into the tax year. Taxpayers can estimate their provisional tax liability using a formula provided by the South African Revenue Service (SARS).



First Period

1. Half of the total estimated tax for the full year
2. Subtract the employees' tax for this period (6 months)
3. Subtract any allowable foreign tax credits for this period (6 months)
4. Subtract any applicable rebates or medical tax credits

Second Period

1. The total estimated tax for the full year
2. Subtract the employees' tax paid for the full year
3. Subtract any allowable foreign tax credits for the full year
4. Subtract any applicable rebates or medical tax credits
5. Subtract the amount paid for the first provisional period.

PENALTIES

Taxable income of R1 million or less:

If your taxable income for the year is R 1 million or less, and your second provisional tax estimate is less than 90% of your actual annual taxable income on your ITR12 and less than your "basic" amount, you may be subject to an under-estimation penalty. Your "basic" amount is your taxable income on your most recent assessment.

The penalty for under-estimation will be calculated as 20% of the difference between the normal tax payable on your estimate and the lesser of:

- Tax on 90% of your actual taxable income
- Tax on your "basic" amount.



PENALTIES

Taxable income of more than R1 million:

If your taxable income is greater than R 1 million, it's important to ensure that your estimated taxable income on your second provisional tax return is at least 80% of your actual taxable income. When a taxpayer's taxable income exceeds R1 million, SARS does not take the "basic" amount into consideration.

The penalty for under-estimation will be calculated as 20% of the difference between the normal tax payable on your estimate and the tax calculated on 80% of your actual taxable income.





Conclusion



Provisional tax can be a complex and confusing topic, but it is an important part of the tax system in South Africa. By understanding how provisional tax works and accurately estimating and paying your provisional tax liability, you can avoid penalties and ensure that you are in compliance with South African tax laws.

It is important to note that provisional tax is not a separate tax, but rather a payment towards the taxpayer's final tax liability. If the provisional tax payments are not made on time, the taxpayer may be liable for interest and penalties.

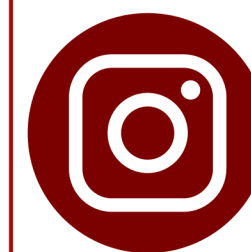
In conclusion, provisional tax is a payment system used in South Africa to ensure that individuals and businesses pay their taxes in a timely manner. It is important for taxpayers to make their provisional tax payments on time to avoid interest and penalties.



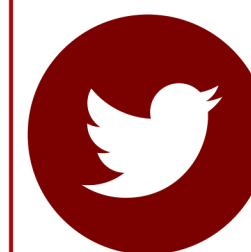
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