

## CHARTERED ACCOUNTANTS

PHYSICAL 1st FLOOR, 67 FLORIDA ROAD, DURBAN, KWAZULU NATAL, SOUTH AFRICA

POSTAL PO BOX 48619, QUALBERT 4078

TEL + 27 31 303 6130 FAX + 27 31 303 4399

EMAIL [global@sjcasa.co.za](mailto:global@sjcasa.co.za) WEB [www.sjcasa.co.za](http://www.sjcasa.co.za)



# MoneyTalk

## Provisional Tax - Big Change / Penalty !!

### BUSINESS Times

Matthew Lester

October 26 2008

***It's the end of the provisional world as we know it !!***

Life for provisional taxpayers will change from February 2009. So, tax advisers, please send this article to all your clients tomorrow. Get this wrong and the penalties will hurt.

In the past, provisional taxpayers have been able to calculate their first provisional tax payment (due on August 31) and their second provisional tax payment (due at the end of February) based on the taxable income reflected in their most recent tax assessment. The whole process took about a minute to complete. Tax computations only had to be performed in time for payment of the third provisional tax payment (September 30 for individual taxpayers or six months after year end for taxpayers with year ends other than February).

But there is legislation before parliament that will change the rules for the second provisional tax payment. **The taxpayer must have settled 80% of the annual total tax liability by end- February.** If they don't comply, a **20% penalty** will be levied on the shortfall when the assessment arrives. And this comes into effect in the 2009 tax year.

This means all individual provisional taxpayers, and all companies and trusts, will have to estimate their taxable income before tax year-end. They can no

longer just wait to finalise figures between March and September.

There won't be much effect on salaried provisional taxpayers. Employees tax will have been deducted from remuneration and it will be a simple exercise to extrapolate the January pay slip into an annual tax computation.

Thereafter, complications will only arise in estimating interest income (without an IT3(a)), rental income and quantifying capital gains. Taxpayers who receive a car allowance will also need to estimate their distance travelled for the tax year to February.

The problem I predict is that individual taxpayers will leave it until February before gathering the information they need. So their advisers will not be able to help them in time. So, if your Christmas holidays have been cancelled due to the global credit crunch, at least you have something to do instead of fighting with the kids at an empty mall.

If I managed a financial institution I would instruct the computer nerds to generate a letter to all account holders, advising them of the change, and reflecting interest earned from March 1 to December 31 2008. Perhaps they could even extrapolate the interest for the year. That could help provisional taxpayers enormously and cut back on the queues for statements that will happen in February 2009.

For companies and trusts without management accounts the problem is more acute. I suggest that they run a "dummy year end" at December 31 to get a handle on the changes.

---

*Copied from a publication by Matthew Lester a the Business Times*

*This publication is subject to our standard Disclaimer to be found at our website [www.sjcasa.co.za](http://www.sjcasa.co.za).*

---

26 October 2008

