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Tax Season 2023 Now Open – What's New and What's Not

"The submission of accurate personal income tax returns on time is important for a seamless filing season. Taxpayers must take control of their own tax affairs to ensure they are aware of their obligations and remain compliant." (SARS Commissioner Edward Kieswetter)

SARS recently announced the dates and changes for the 2023 Tax Season, which opened on 7 July 2023 for individuals (non-provisional taxpayers and provisional taxpayers), as well as for trusts.

The deadline dates are as follows:

- Non-provisional taxpayers who were auto assessed have until the normal filing season deadline, 23 October 2023, to file an amended return. Individuals who were auto assessed will receive an SMS or email from SARS.

- Non-provisional taxpayers who are required to file a return and did not receive a notification from SARS that they were auto assessed must submit a Personal Income Tax Return (ITR12) before 23 October 2023.
- Provisional taxpayers as well as trusts can file a return until 23 January 2024.

What's still the same?

Much stays the same as last year, including that SARS will again issue auto assessments to taxpayers whose tax affairs are less complicated, usually non-provisional taxpayers who are formally employed.

SARS will send an SMS and/or email to inform taxpayers of the auto assessment, which can be viewed on eFiling or the SARS MobiApp. The auto assessments are based on the data SARS collects from employers, financial institutions, medical schemes, retirement annuity fund administrators and other third-party data providers.

If you agree with your auto-assessment - and have confirmed with your accountant that everything is in order - you are not required to file a tax return and you do not need to do anything further. Where your assessment shows that you owe tax to SARS, payment must be made on or before the payment due date displayed on the "Notice of Assessment" (ITA34). If a refund is due, simply wait for the refund, which can be expected within approximately seventy-two (72) hours if your banking details with SARS are correct.

If you are not in agreement with the auto-assessment, you can edit the declaration by completing and filing a tax return, along with the necessary supporting documents, before 23 October 2023, to enable SARS to consider a revised assessment.

What's new this year?

- Extended auto assessment deadline - this year SARS will allow taxpayers, who did not agree with the auto assessment outcome, to file an amended return until the normal filing season deadline, 23 October 2023. This is a change from the 40 days allowed last year. Where an auto-assessment is issued after 23 October 2023, the 40 business days will start on the date of the notice of the assessment.
- **The payment due dates** for non-provisional eFilers will be adjusted to:
    - 30 days after a notice of assessment has been issued for taxpayers who have not been auto-assessment; or
    - 30 days post Filing Season 2023 closing date for auto-assessed taxpayers.
- **Spouses married in community of property assessment -** this filing season SARS has retrieved "Married in community of property" status from taxpayer's previous declaration and collaborated with the Department of Home Affairs to confirm marital status. Where the spouses are successfully matched and have interest investments, SARS will replicate the interest investment certificate on both spouses' return and they will each be taxed 50% upon assessment.
- **Automated Section 93 reduced assessment process - the new automated** process of requesting Reduced Assessment in terms of section 93 of the Tax Administration Act will use a form called RRA01, which can be completed on e-Filing to increase efficiency and reduce costs for taxpayers.
- **Statement of assets and liabilities -** provisional taxpayers with business interests are required to declare their assets and liabilities, based on cost, in their tax returns each year. Taxpayers who fall within this category, and with assets above R50 million, are now required to declare specified assets at market values on their 2023 tax returns.
- **Foreign income disclosure - new fields on the return and** appropriate source codes **have been created for** taxpayers who must declare worldwide foreign income from a foreign employer while working in South Africa and/or abroad.

How to ensure a successful 2023 Tax Season

SARS has warned taxpayers to not inflate their expenses and/or under-declare their income to obtain impermissible refunds, as this will make them potentially guilty of fraud. In addition, taxpayers who do not adhere to the deadlines of this year's Filing Season will face administrative non-compliance penalties.

So, even if you have been auto assessed, it is important to make sure that your return is 100% correct and truthful, and that payments, returns and supporting documents are submitted on time.

You need to make sure that you have received your latest IRP5/IT3(a) and other tax certificates like medical aid, retirement annuity fund, and any other third-party data relevant to determining your tax obligations, and that these are correctly reflected on your auto-assessment or return.

Failing to do so may result in paying more tax than necessary as you might lose on deducting amounts in the determination of your taxable income such as home-office expenses, donations to charities, trade travel expenses, medical expenses paid and contributions to retirement funds and medical schemes.

Given this responsibility, as well as the deadlines and changes that have been introduced this year, obtaining advice and assistance from your accountant is highly recommended for a successful 2023 Tax Season.

Provisional Taxpayers – your first Tax Season 2024 deadline

If you are a provisional taxpayer, your first provisional payment for 2023/4 is due by 31 August 2023.

The True Cost of an Employee

"The value of a business is a function of how well the financial capital and intellectual capital are managed by human capital." (Dave Bookbinder, author)

There are a lot of factors that go into working out the true cost of an employee. According to the US Small Business Administration, employees really cost between 1.25 and 1.4 times their monthly wages. Understanding why this is, is critical to working out whether the company can really afford to bring someone onto the team. Determining the true cost of an employee helps a company to draw up better budgets, cost products more accurately and ultimately, make more profit. Here are all the things you need to consider before choosing to onboard a new hire.

- **Salary:** The monthly wage paid to an employee is usually the base for deciding whether a company can afford to bring them on board. Obviously, the full "Cost to company" monthly wage needs to be taken into account including taxes, UIF and any other built-in components such as equity schemes or medical aid. The salary also includes the cost of leave. All employees are by law allowed to take holidays and days off when they are ill. These are days that you are paying your employee, but not gaining any benefit.

- **Additional employees:** When you hire new employees, you may also need to consider hiring other people to manage those people, conduct the hiring process, administer employee disputes and complaints and ensure they are paid timeously each month. While new business owners may find it possible to do this themselves for one or two new employees, this can quickly start taking over in terms of hours, meaning the company owner is no longer doing their own vital job. It is advised that the costs of HR, finance and middle management are therefore looked at separately as this will give you a clearer idea of the ongoing costs for each employee.

- **Onboarding and training:** From the minute you start writing the advert for a job posting, the cost of hiring an employee starts to add up. How much time is lost sifting through CVs, conducting interviews and running background checks? Once they are onboard, they will need to be trained on the company systems and rules and will take time to get used to their role. How much time do other employees need to do this rather than their own jobs? Employers should also not expect peak performance right from the beginning and this loss of productivity also has a cost.
- **Equipment:** Any employee you hire will need to be given equipment, the cost of which will be determined by your industry. Everything from overalls to laptops and company cell phones as well as desks, chairs and meeting rooms need to be considered. What software do they need installed and how much is the annual subscription? How much office space does each employee take up? What does that space cost you to rent each month? On top of this comes costs like toilet paper, lighting, stationary and even coffee and tea, mugs and cutlery.

- **Overtime, bonuses and promotions:** While generally optional, there are some industries where overtime cannot be avoided. As time passes business owners may also want to look at paying bonuses or giving their employees a promotion to ensure they remain happy and productive. These costs also add up and should never be forgotten.

If all of this seems too much to consider, don't hesitate to contact your accountant who will be able to advise on whether bringing a new employee onboard is right for your business.

Tips for Getting out of Business Debt

"Borrowing isn't inherently bad; it depends a lot on what the debt is financing" (Stephen Moore, writer and economic commentator)

Taking on debt can be a good thing for a company. It can fund expansions, help you seize market share or diversify offerings. Handled incorrectly it can, however, lead to severe problems that could ultimately result in bankruptcy. Managing company debt is, therefore, something that should always be done alongside your company accountant, who can advise on whether taking on new debts is possible, whether the debt will pay itself off and how best to keep the payments down. Understanding just how debt works is, however, essential for any business owner and knowing how to pay it off before it becomes trouble is a skill that needs to be nurtured. These are our tips for paying off business debt.

1. **Analyse and prioritise**

   The first step to breaking free from debt is understanding it. By knowing exactly how much you owe and to whom, and the different interest rates and payments involved, you get to take control of that debt. Look at the debts that are the most crippling and which cost you the most in interest each month and target paying these off first. Pay any extra money you have there and in the long run your bank balance will thank you.

2. **Cut expenses**

   No matter how closely you monitor your expenses on a day-to-day basis, there are always items that can be cut to finance debt repayments. Your accountant can help you to analyse your monthly expenses and find areas for improvement. Whether you are making multiple small savings, such as trading to less expensive office coffee, and buying energy saving light bulbs or selling vehicles that aren't currently utilised, each cent found will make a difference.

3. **Shorten your payment cycle**

   Many businesses operate on an invoicing system which gives clients a certain amount of time to pay for a product or service. The standard amounts are generally 30, 60 or 90 days. While it may be beneficial to clients, having long payment cycles can unnecessarily hurt the supplier. By getting paid sooner, a business is able to maximise the interest it receives on the income, or, in the case of companies with debt, decrease the interest they pay on any loan.

4. **Negotiate better debt repayment terms**

   If your business goes under, your creditors will lose the vast majority of their money. To prevent this from happening, don't be afraid to approach the banks, or other lenders to renegotiate your payment limits, or interest rates. It is in your creditor's best interests to ensure you pay (and to keep your business for the future!) so you might be surprised by what they are willing to do when you say you are struggling.

5. **Consolidate debt**

   Depending on how your debt is currently structured and the different interest rates, it may be advantageous to consolidate that debt. Consolidating debt means taking out one large loan with a lower interest rate to cover all the other debts. Doing this can also help pay off your debt faster, as having only one monthly debt payment can feel more achievable than paying off numerous others.

6. **Look closely at your pricing**

   Many people make the mistake of pricing a product based on their costs, plus what profit they hope to make. Accurately pricing a product is about so much more than that though. When pricing your products, you need to take into account the prices being charged by competitors, your true expenses in making that product and what your product brings to the market that is different from your competitors. It is distinctly possible you could be charging more per item, or conversely perhaps you could sell vastly more product if you simply lowered your costs slightly.

7. **Diversify**

   Take a close look at your product offering. Are there things you could add that would be beneficial to existing clients? Getting a new product onto the market that you can upsell as an add-on to already successful products is a great way to generate extra income, which has thus far not been tapped. Diversification is, however, not necessarily just about adding new products to your catalogue.

   Take a look at your current clients and your marketing. Are there other markets that might benefit from your product? Using your advertising budget to tap into groups of people who you may not have sold to before, is an excellent way to improve income and pay off that debt.

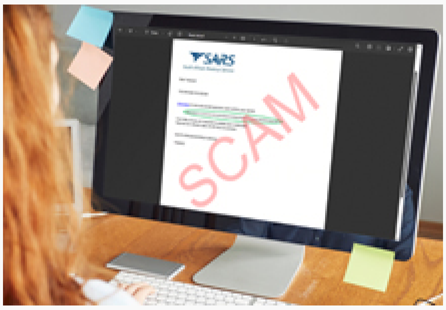
8. **Inventory management**

   Incorrect inventory management can lead to your company buying too much product, clogging up your storerooms and having things expire on your shelves. Buying too little product can also be a problem as it means you don't have it on hand when clients come calling and might miss out on sales. Both of these are expensive drains on a company's accounts and streamlining your inventory and ordering could ultimately save you a significant amount of money.

9. **Don't lose sight of success**

   In difficult times, companies often make the mistake of cutting back on advertising, or downgrading the business in other ways, by retrenching key staff or not maintaining or upgrading equipment. This thinking will hurt the business in the long run as you lose market share or aren't able to take advantage of new opportunities. Remember if your profits grow, it will be easier to pay old debts.

SARS Warning: Beware Scam Emails!



"The backbone of any successful phishing attack is a well-designed spoofed email or spoofed website, which is why it pays to have a healthy level of scepticism when it comes to opening emails and visiting websites." (Phishing.org)

With Tax Season 2023 upon us, expect an upsurge in scam emails, seemingly from SARS but actually clever attempts by online criminals to swindle you.

"Phishing" is a cyberattack that uses fraudulent emails made to look as if they come from a reputable source – such as SARS - to trick people into disclosing sensitive personal information or taking an action such as clicking on a link that installs malware on their systems.

While fraudulent SMSs "smishing" and phone calls or "vishing" are also used, email "phishing" is the preferred method.

Examples from SARS include emails that appear to be from returns@sars.co.za or refunds@sars.co.za, notifying taxpayers that they are eligible to receive tax refunds or owe SARS money.

One of the most recent scams involves an email titled 'eFiling Credit Request' that asks the email recipient to click on a link to view the amount. Another scam email titled 'Debt Management – Final Demand' guides the email recipient to download a 'statement of account'. New scams are popping up all the time – for examples see SARS' Scams and Phishing webpage.

These emails contain attachments, icons or links to false forms and fake websites made to look like the SARS website, to fool people into entering personal information or sharing one-time pins (OTPs).

Those caught by phishing often suffer financial loss as well as psychological trauma, while some may be unaware that they are victims of crime. It may also result in a breach of a company's data security, as employees often use their work email addresses to sign up to websites and email lists.

SARS' advice to safeguard yourself

- Do not open or respond to emails from unknown sources. Beware of false SMSs.
- Beware of emails that ask for personal, tax, banking or eFiling details such as login credentials, passwords, pins, and credit or debit card information.
- SARS will not send you any hyperlinks to other websites – not even those of banks.
- SARS will never request your banking details in any communication that you receive via post, email, or SMS. However, for the purpose of telephonic engagement and authentication purposes, SARS will verify your personal details.

- SARS does not send *.htm or *.html attachments.

- SARS will never ask for your credit card details.

Remember never to click on links in a suspicious email from SARS. You can email suspicious SARS correspondence to **phishing@sars.gov.za**. You can also check **here** to see all current legitimate SARS surveys, emails and SMSs.

Check with your accountant

While protecting yourself against scammers, it remains crucial to ensure that all legitimate SARS correspondence to you is still promptly attended to. If you are in any doubt, it is best to check with your accountant, who will be able to verify if the request is from SARS or report fraudulent emails to the relevant authorities. That way, you are certain you are complying with your tax responsibilities, without ever falling prey to scams and fraudsters.

Your Tax Deadlines for August 2023

- 7 August - Monthly Pay-As-You-Earn (PAYE) submissions and payments

- 30 August - Excise Duty payments

- 31 August - Value-Added Tax (VAT) electronic submissions and payments, CIT Provisional payments where applicable, first provisional tax payment for the 2024 tax year (individuals).

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