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- Call 0860 12 12 18
- Visit www.sars.gov.za or visit any SARS branch

South African Revenue Service

How to fill in your IT12S

COMPREHENSIVE GUIDE FOR THE IT12S RETURN IN RESPECT OF THE 2007 YEAR OF ASSESSMENT.

This guide has been provided as a supplement to the Completion guide distributed with the annual income tax returns. The purpose of this guide is to give detail of the various sections of the Income Tax Act that will be applied during the assessment process of the IT12S income tax returns.

The guide is structured in such a way that it will be possible to access and download a section thereof based on the particular subject being addressed. It is therefore divided into the following main categories based on the flow of the IT12S income tax return:

- General
- Personal details of the taxpayer
- Income received and/or accrued
- Income tax credits relating to IRP5/IT3(a) certificates
- Deductions
  - Medical
  - Retirement contributions
  - Other qualifying deductions
  - Travel claims against a travel allowance

GENERAL

WHO MUST COMPLETE A RETURN?

The registered taxpayer

Anyone who receives a Personal Income tax return MUST complete it and submit it to SARS. You must complete it even if you are no longer working or receiving an income or receive an income below R60 000 per annum.

If you received a return and you do not receive any income you must still complete and submit the return. In the "Income Received" section of the return you must indicate the amount received as a "0" and insert the source code 3601.

Anyone who is registered as a taxpayer must complete and submit a return. If you are registered and did not receive a return in the mail it is your responsibility to obtain a return from SARS.

If you did not receive a return in the mail you should either:

- Register on-line on www.sarsefiling.co.za to electronically access and submit your return; or
- Download a return from the SARS website www.sars.gov.za by completing the following mandatory information:
  - The year of assessment (this version of the return can also be used for the completion of returns relating to prior years of assessment);
  - Your tax reference number;
  - Your ID number (if you are a South African resident);
  - Your passport number (if you are not a South African resident);
  - Your date of birth. The date of birth must be completed in the following sequence "ccyymmdd";
  - Your surname and initials; or
- Phoning the SARS Call Centre at 0860 12 12 18;
- Approaching your local SARS office.

SITE taxpayers (not registered for tax but claiming a refund based on medical expenses, retirement annuity contributions or income protection contributions)

If your monthly salary income for the year of assessment did not exceed R5 000 per month, or your IRP5/IT3(a) certificate only indicates a SITE deduction (code 4101) no amount is recorded in respect of PAYE (Code 4102), you probably will not be registered for income tax purposes. If however you did incur medical expenses, make retirement annuity contributions or contributions to protect your income, and such contributions or expenses was not taken into account by your employer you could qualify for a refund.

A way to establish if the amounts were taken into account by your employer is to look at your IRP5. If the following amounts and source codes appear on your IRP5 then it probably was taken into account by the employer prior to calculating the amount of SITE to be withheld.

- Code 4006 – Retirement annuity contributions
- Code 4018 – Income protection contributions
- Codes 4025 and 4005 – providing that the amount indicated next to code 4005 does not exceed the amount indicated as code 4025.

If you are however not sure whether;

- The correct amounts were taken into account by your employer; or
- The amounts were not taken into account by your employer (the abovementioned codes do not appear on your certificate); or
- Your contributions or expenses incurred exceed the amounts reflected on the IRP5/IT3(a).

BY WHEN MUST YOU COMPLETE AND SUBMIT THE RETURN?

The completed form must be submitted to SARS on or before the due date published each year. SARS publishes the due date each year in the Government Gazette and embarks on a big publicity campaign to inform taxpayers of the deadline each year. In respect of the 2007 returns the individual returns must be submitted by the 31 October 2007.

As the electronic completion and submission of returns is the option preferred by SARS you will however have the opportunity of submitting your return electronically to SARS, either by using the e-Filing option or by submitting it electronically at one of the SARS branch offices, until 31 January 2008 without being penalised for the late submission of your return.

METHODS IN WHICH THE RETURN CAN BE SUBMITTED

Even though you received a return in the mail you do not have to complete and submit this return as SARS has made available various options that can be used for the completion and submitting of returns. These options are as follows:

- Register as an eFiler on the SARS **website www.sarsefling.co.za** and following the detailed registration process. Should you need assistance with the registration process you can contact the eFiling helpdesk at telephone number 0860 790790.
- Any of the SARS branch offices can assist you in completing and submitting the return electronically at the branch office without registering as eFiler.
- You can access and complete an electronic return on the eFiling website without registering as an eFiler. You will however not be able to submit this return electronically. After completing the return on-line you will be able to print it, sign it, and either mail it or hand it in at your local SARS office.
- You can access, complete the mandatory fields and print a return from the eFiling website to complete it manually without registering as an eFiler. You will however not be able to submit this return electronically. After completing the return manually you must sign it, and either mail it or hand it in at your local SARS office.
- You can manually complete the return mailed to you, sign it and either mail it or hand it in at your local SARS office.

COMPLETING THE RETURN

Use a black or a blue pen to complete the return and keep your writing within the spaces provided. Do NOT strike through the squares that do not apply.
Please do not use correcting fluid if you have made a mistake. We request that you do not fold your return as it will delay the process of assessing your return.

You must complete all relevant parts of the return. Any incomplete return will be sent back to you and will be marked as “not submitted” until you send it in fully completed. This could result in penalties for the late submission of your return.

YOUR SIGNATURE

A personal income tax return is a legal declaration by individual taxpayers to SARS stating all the income they received during a specific tax year (a tax year runs from 1 March of each year until the last day of February the next year).

It also declares all the tax they have paid by way of monthly SITE and PAYE deductions by their employers.

As such, it allows SARS to make a final assessment of whether the taxpayer has met all their income tax obligations for the year – or whether they have paid too much tax (in which case there will be a refund) or too little (in which case an additional payment will have to be made).

You are obliged to ensure that a full and accurate disclosure is made of all relevant information as required in the income tax return. Misrepresentation, neglect or omission to furnish such return, or furnishing false information, is liable to penalties and/or additional assessments (together with interest) and/or prosecution.

After you have completed the return you must read the declaration on the front page of the return and sign it. It is acceptable to have your return completed by someone else such as a bookkeeper, accountant, tax advisor or friend but you are responsible for the entries on the form and therefore you must always sign the return.

Please note that if the return is not signed by you it will be returned to you and regarded as not having been received. This could result in penalties for the late rendition of your return.

If you are registered as an e-Filer and submitting your return electronically, your password received during registration as an e-Filer, will serve as your digital signature.

WHO CAN USE THE IT12S RETURN?

The IT12S is a simplified tax return aimed at salaried individuals with basic allowances and deductions. You can only use the return received by you if you received an IRP5 / IT3(a) certificate and you:

- Were you are an employee and received salary or wages (it does not matter if you had more than one job in the year) providing that you did not receive:
  - More than three IRP5/ and/or IT3(a) certificates
  - An IRP5 in respect of foreign income
  - Commission income (code 3606),
  - Foreign subsistence allowance (codes 3715 and/or 3754),
  - Directors income (code 3615),
  - Independent contractors income (code 3616) and/or
  - Labour broker income (code 3617)
- Received allowances such as travel allowance (providing you did not use more than two vehicles during the year of assessment) or local subsistence allowance or any other work-related income or allowance
- Received a pension due to the fact that you were employed by a South African-based employer, or an annuity
- Received local interest income

DOCUMENTATION YOU WILL NEED FOR THE COMPLETION OF YOUR RETURN

To complete the return you will need the following documentation:

- Details of your banking particulars
- Your IRP5 and IT3(a) certificates
- The certificates you received for local interest income in respect of **yourself**, if you are **unmarried or married out of community of property**, or the certificates received by yourself and your spouse if you are married in community of property
- The documentation relating to medical expenditure such as the medical statement (if you belong to a medical fund) you received from your medical fund at the end of February and proof of other medical claims not submitted to the medical fund
- The certificate received from the financial institution to which you are making contributions for retirement annuities
- If you are in receipt of a travel allowance the details to calculate your travel claim i.e. your opening and closing kilometre reading and details of your business travel and/or costs
- Any other documentation relating to local income that must be declared or deductions that you want to claim.

Please note that although you will be using the documentation to complete your return NO documentation must be attached to your return when you submit it to SARS.

You will however be required to keep ALL the documentation for a period of five years after the date of submission of your return, as SARS could within a five-year period ask you to submit the documentation to verify the information declared by you.

PERSONAL DETAILS OF THE TAXPAYER

Year of assessment:

- **For electronic submission (eFiling)**: You will only be able to complete and submit a return via the eFiling website in respect of the 2006 and 2007 years of assessment.
- **Downloading the return from the web**: You will have to complete this field as it will not be printed on the return. Years of assessment 1999 to 2007 can be entered.
- **Completion of the return received via the mail**: If you are completing the return that was mailed to you, you will not be required to complete this field as SARS would have pre-printed the information.

Tax reference number:

- **For electronic submission (eFiling)**: This field will already be filled in and you therefore do not have to complete it.
- **Downloading the return from the web**: You will have to complete this field as it will not be printed on the return. If you do not have the information available to complete this field you will not be able to make use of this method of submission. You can contact the SARS Call Centre on 0860 12 12 18 for your tax reference number. Please have your ID number and other personal particulars on hand when you call.
- **Completion of the return received via the mail**: If you are completing the return that was mailed to you will not be required to complete this field as SARS would have pre-printed the information

Identity number:

- **For electronic submission**: If your identity number appears on the return you must still complete the number in the squares to the right for SARS to verify the number.
- **Online completion for the return on the web**: You must complete this field if you are a South African resident.
- **Completion of the return received via the mail**: If your identity number has been printed on the return you must still complete the number in the squares to the right for SARS to verify the number.

Passport number:

- This number must only be completed if an identity number is not available

Date of birth

- **For electronic submission**: If your date of birth has been printed on the return you must still complete the date in the squares to the right for SARS to verify the date. Fill in your date of birth starting with the year in which you were born followed by the month and then the day of the month i.e. 19990403.
- **Online completion for the return on the web**: This field must be completed. Fill in your date of birth starting with details of the year in which you were born followed by the month and then the day of the month i.e. 19990403.
- **Completion of the return received via the mail**: If your date of birth has been printed on the return you must still complete the date in the squares to the right for SARS to verify the date. Fill in your date of birth starting with the year in which you were born followed by the month and then the day of the month i.e. 19990403.

Personal details

- For electronic submission: Verify the correctness of the printed details and if they are incorrect update with the correct details. If no details are printed in this section you need to complete all the applicable fields with the relevant details
- Online completion for the return on the web: Verify the correctness of the printed details and if they are incorrect update with the correct details. If no details are printed in this section you need to complete all the applicable fields with the relevant details
- Completion of the return received via the mail: Verify the correctness of the printed details and if they are incorrect use the white blocks to the right of the printed details to fill in the correct information. If no details are printed in this section you need to complete all the applicable fields with the relevant details

Marital status:

Mark the applicable “y” or “n” block with an “X” and if married indicate whether you are married in community of property or out of community of property by also marking the applicable box with an “X”. It is imperative that the information relating to your marital status as at 28 February 2007 is indicated correctly as it could impact on the result of your assessment.

Address information

- Verify the correctness of the printed details and if they are incorrect use the white blocks to the right of the printed details to fill in the correct information.
- If no details are printed in this section you need to complete all the applicable fields with the relevant details
- Work address
  - o Complete the work address details of your current employer
  - o If you had more than one job for the period 1 March 2006 to 28 February 2007, fill in the address details of your main employer - that could be where you worked the most hours. If you are no longer employed leave this field blank.

Bank account information

SARS has adopted a policy of issuing all refunds by way of electronic transferring of funds. It is therefore imperative that you make sure that the banking details reflected are correct or if no details are printed that you complete the details in full.

- Verify the correctness of the printed details and if they are incorrect use the white blocks to the right of the printed details to fill in the correct information.
- If no details are printed in this section you need to complete all the applicable fields with the relevant details

Electronic transfers of refunds are effected using the branch number and not the name of the bank. You are therefore not required to fill in the name of the branch at which you transact.

Note: No refund will be paid into the bank account of a third party or agent.

Preferred means of contact

Indicate your preferred means of contact by marking the applicable block by using the numbers 1 to 5. The number 1 indicates the most preferred option whilst 5 indicates the least preferred option. Please ensure that the information relating to the option you chose is correctly reflected on this return, i.e. if you selected to be contacted by e-mail that the e-mail address is correctly reflected in the "Personal Detail" section on page one of this return.

Depending on the circumstances, SARS might not make use of your selection as the preferred means of contact.

Tax practitioner information

If you make use of the services of a tax practitioner to complete your return this information should be completed by the tax practitioner. If you do not use a tax practitioner this section must be left blank.

Tax practitioners should note that the contact details not requested in this section of the return would be obtained by SARS through the SARS Tax Practitioners registration database.

INCOME RECEIVED

The income that must be declared in this section refers to income that will be reflected on an IRP5 or IT3(a) certificate. If you received a return and you do not receive any income you must still complete and submit the return. In the "Income Received" section of the return you must indicate the amount received as a "0" and insert the source code 3601.

An IRP 5 certificate will be issued by an employer or an institution from which income was received and will be issued where tax (SITE and/or PAYE) was withheld. An IT3(a) certificate will also be issued by an employer or an institution from which income was distributed but it will be issued where no tax (SITE and/or PAYE) was withheld. The IT3(a) will indicate a reason for non deduction of tax.

Examples of income/benefits, which must be included in your return:

- Wages and salaries
- Service and fringe benefits
- Allowances
- Overtime
- Options/Rights to purchase shares, etc.

- Pensions
- Gratuities / Lump sum payments
- Bonuses
- Restraint of trade payments
- Annuities

Wages and salaries

Wages and salaries are usually reflected as code 3601 on an IRP5 or IT3(a) certificate received from your employer.

Service and fringe benefits

Fringe benefits usually refers to payments made to employees and do not necessarily constitute cash payments made. For example an employee may be offered the use of a company car in lieu of a portion of his cash salary. These fringe benefits will be reflected on the IRP5 or IT3(a) by source codes starting with the numbers 38 followed by two more numbers. For example, the use of motor vehicle fringe benefit will be identified by source code 3802.

Allowances

Allowances will be reflected on the IRP5 or IT3(a) by source codes starting with the numbers 37 followed by two numbers. Some reimbursive allowances will not be included in the gross income of the taxpayer as they are non-taxable allowances. An example of such an allowance is the reimbursive subsistence allowance, which will be reflected as code 3705 on the IRP5 or IT3(a) certificate. Because the allowance is not included in the gross income of the taxpayer an amount cannot be claimed as a deduction against such an allowance.

Overtime

Overtime will be reflected as code 3607 on the IRP5 or IT3(a) certificate.

Options/Rights to acquire marketable securities/Broad-based employee share plan

Gains made by a director or employee in respect of the exercise, cession or release of a right to acquire marketable securities, i.e. securities, stock, debentures, shares, options or other interests capable of being sold on a stock exchange or otherwise (this also includes shares, etc. in private companies), must be declared as income if that right was awarded either in the capacity as a director or former director or in respect of services which have been rendered or are still to be rendered by him/her as an employee to an employer.

When the taxpayer exercise his/her right the employer will apply for a tax directive to the applicable SARS office to ascertain the amount of tax to be withheld. The amount to be included in the gross income of the taxpayer will be reflected as source code 3707 or 3718 on the IRP5/IT3(a) certificate.

In section 8B of the Income Tax Act provision is made for the issuing of shares in terms of a broad based employee share plan. To promote long-term, broad-based employee empowerment special tax rules have been introduced to allow for the tax-free treatment of "qualifying" shares acquired by employees, even though the shares may be acquired without cost or at a discount. In order for a share to qualify it must satisfy two requirements, namely:

- It must be acquired in terms of a broad-based employee share plan, and
- The market value of the total shares received under the plan by the employee may not exceed R9 000 during any three-year period.

When these shares are disposed of special rules will apply. If the employee sells the shares within five years from the date the shares were granted the employer will include the proceeds as income on the IRP5 issued to the employee. This amount will be indicated as source code 3717 on the IRP5/IT3(a) certificate.

If however the employee sells the shares after a period of five years the employees gain will be of a capital nature and such employee will have to declare the disposal as a capital gain transaction.

Pensions

In general pensions are taxable in full.

A pension from the private sector must be declared if the services in respect thereof were rendered in the Republic of SA for at least two years out of the ten years immediately preceding the date on which the pension became payable for the first time.

If the pension was awarded for services rendered within and outside the Republic of SA only that portion of your pension in respect of services rendered in the Republic will be deemed to be from a source in and subject to tax in the RSA.

Pensions awarded by the Government, Transnet, Provincial administrations and local authorities are taxable in full.

Pensions will be reflected as code 3603 on the IRP5/IT3(a) certificate.

Exempt pensions

The following pensions are exempt from tax:

- War veteran's pensions;
- Compensation paid under any law in respect of diseases contracted by persons employed in the mining industry
- Disability pensions paid under Section 2 of the Social Assistance Act;
- Any compensation paid in terms of the Compensation for Occupational Injuries and Diseases Act;
- Amounts received under the social system of another country; and
- Pensions from a source outside the Republic which are not deemed to be from a RSA source as described under pensions above.

Gratuities/Lump sum payments

A payment received in respect of a gratuity or a lump sum will be reflected as a code starting with the number 39 and followed by two more numbers. A lump sum payment received from a pension fund on resignation or retirement will be reflected as code 3901 on the IRP5/IT3(a) certificate.

Bonuses

This will be reflected as code 3605 on the IRP5/IT3(a) certificate.

Restraint of trade payments

Any payment received on or after 23 February 2000 in respect of restraint of trade will constitute income of the person to whom it is paid. This would apply to any person who -

- Is a natural person; or
- Is or was a labour broker, other than a labour broker in respect of which a certificate of exemption has been issued.

This amount will be reflected as code 3613 on the IRP5/IT3(a) certificate

Annuities

It is necessary to distinguish between purchased annuities and retirement annuities.

A purchased annuity consists of a taxable and a non-taxable amount. The taxable portion will be reflected as code 3611 on the IRP5/IT3(a) certificate whilst the non-taxable portion will be reflected as code 3612. The pension received in respect of a retirement annuity will be reflected as code 3610 on the IRP5/IT3(a) certificate.

Completion of the "Income Received" section of the return

An IRP5/IT3(a) certificate consists of various sections one of them relating to Income. The information relating to this section of the IRP5/IT3(a) is the information required to complete this section of the return. The type of income source such as salary or overtime will be indicated by the source code as reflected in the first column of the certificate. The amount relating to the particular source code will be reflected in the last column of the IRP5/IT3(a). The information in these two columns must be used to complete the return. The return makes provision to first fill in the amount and then the corresponding source code. If the taxpayer is in receipt of more than one IRP5/IT3(a) the amounts of the corresponding source codes must be added together to be reflected as one amount on the return. Please make sure that all codes are filled in the return whether it refers to a taxable or non-taxable code as the SARS systems are programmed to deal with all codes correctly.

Example:

A taxpayer receives two IRP5 certificates. On the one certificate an amount of R100 000 in respect of code 3601 is reflected. The second IRP5 certificate reflects an amount of R75 000 next to the code 3601. On the income tax return only one entry will appear as code 3601 and the amount reflected will be R175 000 (R100 000 certificate one + R75 000 certificate two).

The same procedure must be applied in respect of all the codes reflected on the IRP5/IT3(a) certificates received by the taxpayer. It must be noted that if the taxpayer received more than three certificates the IT12S return may not be completed but the taxpayer must request an IT12C return for completion.

The "Income Received" section of the return makes provision to record eight different source codes. Should your IRP5/IT3(a) certificates reflect more than eight different source codes you will need to phone the SARS Call Centre on 0860 12 12 18 or contact your local SARS office to assist you in the completion of this section. Please have all the certificates relating to the various sources at hand when contacting the Call Centre or the local SARS office.

Gross retirement funding income

It is important that this amount is completed correctly as it could impact the amount that will be allowed as a pension deduction. The amount can be found on the IRP5/IT3(a) certificates received from your employer. It can be found in the gross remuneration section of the certificate next tot the code 3697. Where more than one certificate were received the total amount of all the amounts reflected next to code 3697 on the certificates must be used to complete the return.

If no amount appears on the certificate for code 3697 or no such source code appears on the certificate you need to use the "Income section" of the certificate to determine the amount. In the "Income section" of the certificate there is a column with the heading RF IND. This column indicates whether a certain amount was retirement funding when a "Y" is inserted in this column. By adding all the "Y" indicated amounts together you can determine the amount that should be filled in next to code 3697 on your return. Please note that if you received more than one certificate you need to follow this procedure in respect of all certificates received.

In determining the amount you must:

- Either make use of the 3697 amount reflected on the certificates; **OR**
- Calculate the amount on a particular certificate by looking at the indicator in the RF IND column.

Under no circumstances must you use both to calculate the amount, because overstating the 3697 code it could impact the amount that could be allowed as a deduction in respect of retirement annuity contributions.

Investment income

The IT12S return makes provision for the declaration of local interest income only. Should you be in receipt of any foreign interest income you must acquire an IT12C return.

If you are married OUT OF community of property or UNMARRIED, the total income from local interest received must be reflected next to the code 4201 in the "Income Received" section of the return. All investment income received by or accrued to you or your minor children must be declared (including investment income which has not been paid to you but has been utilised, accumulated or re-invested for you or your minor children's benefit). Where interest is claimed as a deduction against investment income received, full particulars (i.e. amounts invested/borrowed, interest rates, date of each loan and investment) must be retained for a period of five years after submission of the return.

If you are married IN community of property all local interest income must be declared in this section. This will include the income in respect of yourself, your spouse and your minor children. The gross amounts received must be reflected as the exemptions as well as the 50% split will be applied programmatically by SARS.

The exemption applicable to the 2007 year of assessment is R16 500 if you are under the age of 65 years and R24 500 if you are 65 years of age and older. The exemption will however be applied programmatically by SARS and the gross amounts must therefore be declared by you.

Income of Minor children

You are liable for the payment of tax on any income which has been received by or accrued to or in favour of any of your minor children if such income arises from a donation, settlement, or other disposition by - (i) you; or (ii) any other person, if you made a donation, settlement or gave some consideration directly or indirectly in favour of the other person or his family.

Your minor child will, however, be liable for tax on income which is received or accrues to him/her independently of yourself; in his own right, for example, bona fide salary and investment income derived from his/her own funds i.e. from money inherited by him/her or received as a gift from any person other than the person mentioned in (i) and (ii) above or from any other source. Should your minor child's taxable income be sufficient to render him/her liable for tax, you, as the legal guardian, must register him/her for income tax purposes and obtain and submit a return on his/her behalf.

Main source of income

Use the table below (which is arranged alphabetically for ease of reference) to complete this field.

Examples:

- Should the taxpayer receive income from an employer in the retail trade the source code should be 3522
- Should the taxpayer receive pension income the source code should be reflected as 3525
- Should the taxpayer receive income from an employer such as any government department the source code should be reflected as 3526

Source code table for the determination of the Main source of income

Source code	Description
3534	Agencies and other services
3501	Agriculture, forestry and fishing
3511	Bricks, ceramics, glass cement and similar products
3523	Catering and accommodation
3509	Chemicals and chemical, rubber and plastic products
3505	Clothing and footwear
3510	Coal and petroleum goods
3520	Construction
3527	Educational services
3519	Electricity, gas and water
3525	Financing, insurance, real estate and business services
3503	Food drink and tobacco
3506	Leather, leather goods and fur (excluding footwear and clothing)
3514	Machinery and related items
3529	Medical, dental other health and veterinary services
3535	Members of CC/Director of company
3512	Metal
3513	Metal products (except machinery and equipment)
3502	Mining, stone and quarrying work
3518	Other manufacturing industries
3508	Paper, printing and publishing
3532	Personal and household services
3526	Public administration
3531	Recreational and cultural services
3528	Research and scientific institutes
3522	Retail trade
3517	Scientific, optical and similar equipment
3530	Social and related community services
3533	Specialised repair services
3504	Textiles
3516	Transport equipment (except vehicle, part and accessories)
3524	Transport storage and communication
3515	Vehicle, parts and accessories
3521	Wholesale trade
3507	Wood, wood products and furniture

INCOME TAX CREDITS RELATING TO IRP/IT3(a) CERTIFICATES

This is the only section in the return were provision is made for reflecting amounts in RANDS and CENTS.

The IT12S return makes provision for the declaration of information in respect of three certificates. I you are in receipt of more than three certificates you will have to acquire an IT12C return for completion.

To complete this section you again need your IRP5/IT3(a) certificates. This form allows for three certificates and is therefore divided into three sections.

The following information is required to fill in this section of the return.

- If you only received one IRP5 or IT3(a) certificate you will only have to complete the first section. You will be required to fill in the IRP5 / IT3(a) certificate number which is located in the top left hand corner of the certificate. If you were issued with a duplicate certificate you will find that the certificate carries two certificate numbers. The number that you must fill in is the one listed next to the original certificate number.
- The PAYE reference number is located directly below the certificate number. In the case of an IRP5 the number will always start with a "7".
- The gross income is located in the section of the certificate that deals with gross remuneration as illustrated below.

Gross Remuneration

CODE / KODE	DESCRIPTION / BESKRYWING	AMOUNT / BEDRAG	
3695	GROSS TAXABLE ANNUAL PAYMENTS		•
3696	GROSS NON-TAXABLE INCOME		•
3697	GROSS RETIREMENT FUNDING INCOME		•
3698	GROSS NON-RETIREMENT FUNDING INCOME		•
3699	GROSS REMUNERATION	xxxxxxxxx	• This is the amount that must be completed in the Gross Income - Code 3699 line of your return

- The tax calculation information section on the certificate reflects the "periods in year" as well as "periods worked". This is the information that you must use to fill in the return.
- If you received an IT3(a) it will not necessarily indicate the "periods in year" and the "periods worked". If the information is not available the fields must be left blank on the return.
- At the bottom of your certificate you will find two lines indicating Standard Income Tax on Employees (SITE) next to code 4101 and Pay As You Earn (PAYE) next to code 4102. The amounts next to these codes must be filled in separately in the boxes provided for SITE –code 4101 and PAYE – code 4102 on the return. Remember in this section you need to fill in the rands as well as the cents.

If you received an IT3(a) certificate there will be no deduction for SITE or PAYE on the certificate. In this case the applicable fields on the return must be left blank.

DEDUCTIONS

MEDICAL

This section deals with the amount allowable in terms of medical expenditure. Every person belonging to a registered medical fund approved in terms of the Medical Schemes Act 131 of 1998 or if outside RSA, a fund that is registered in terms of similar legislation will be subject to the provisions of section 18. Taxpayers will qualify for a medical deduction based on the number of dependants for whom he/she subscribes (contribute) to a medical fund. This deduction is referred to as the capped amount. The capped amount is calculated on a monthly basis as follows:

- R500 for each month in the year of assessment in respect of which the contributions were made for benefits for yourself;
- R1 000 for each month in the year of assessment in respect of which the contributions were made for benefits for yourself and one dependant:
- Where those contributions are made with respect to yourself and more than one dependant, R1 000 in respect and yourself and one dependant plus R300 for every additional dependant for each month in the year of assessment in respect of which those contributions were made.

The capped amount will be reduced by any contributions paid by the employer not included in the remuneration of such employee.

A further calculation will be made based on the other medical expenditure incurred and the balance of the contributions not considered in the calculation of the capped amount.

The amount that can be allowed on assessment will be calculated programmatically by SARS.

No limitation will be placed on the medical expenditure actually incurred by you if:
- You are 65 years of age or older; or
- Where you, your spouse, child is a handicapped person as defined.

If you are under the age of 65 years you will be granted a deduction based on;
- The number of persons (dependants) for whom you make contributions to a medical fund, plus;
- So much of the contributions that have not been allowed under the capped regime as well as other medical expenditure not recoverable from the medical fund that in aggregate does not exceed 7.5% of your taxable income prior to the calculation of the medical deduction.

NON-RECOVERABLE MEDICAL EXPENSES

Claim the following amounts ACTUALLY PAID BY YOURSELF and not recovered from your medical aid in respect of yourself, your spouse and your qualifying children or stepchildren:
- Services rendered and medicines supplied by a registered medical practitioner, dentist, optometrist, homeopath, naturopath, osteopath, herbalist, physiotherapist, chiropractor or orthopedist;
- Hospitalisation in a registered hospital or nursing clinic;
- Home nursing by a registered nurse;
- Medicines prescribed by a registered physician and acquired from a registered pharmacist; and
- Medical expenses incurred and paid outside the Republic which is similar to these listed above.

PHYSICAL DISABILITY

Claim the amount of expenses incurred and not recovered from your medical aid and supply details of how the amount was calculated. Please specify the nature of the disability suffered by yourself, your spouse or qualifying children (e.g. glasses, diabetes, etc.).

HANDICAPPED PERSON

A “HANDICAPPED PERSON” is a blind person, a deaf person, a person who as a result of a permanent disability requires a wheelchair, calliper or crutch to assist him / her to move from one place to another or a person who requires an artificial limb. It also includes a person who suffers from a mental illness as defined in the Mental Health Act, 1973 (Act No. 18 of 1973).

In order for the medical expenses to be classified as expenses in respect of “handicapped person” the following documentation must be retained for a period of five years after submission of the return to substantiate your claim should SARS request it.

- **Blind person** - A letter on a letterhead confirming the diagnosis and classification of the taxpayer signed by a professional person trained to use a Snellen chart.

- **Deaf person** - Four categories are statistically kept by DEAFSA (Deaf Federation of South Africa), namely persons who are profoundly deaf, persons who are severely hard of hearing, persons who are moderately hard of hearing and persons who have a mild hearing loss. For purposes of the Income Tax Act a person who is profoundly deaf or a person who is severely hard of hearing, as tested without a hearing aid, will be a person whose hearing is impaired to such an extent that hearing cannot be used as primary means of communication. Confirmation of the severity of deafness from DEAFSA or a similar institution must be retained.

- **Mental illness** - Confirmation must be retained, by way of a medical report, from either a psychiatrist or a registered psychologist, clearly stating that such person is mentally ill as defined by the Mental Health Act. This confirmation must be done on a yearly basis and retained for a period of five years after submission of the return.

THE FOLLOWING EXAMPLES WILL ILLUSTRATE HOW THE CALCULATION WILL BE APPLIED BY SARS DURING THE ASSESSMENT PROCESS:

Example 1: Employer contributes in excess of capped amount

Mr Taxpayer makes contributions in respect of himself and 3 dependants for 12 months of the year of assessment and incurred medical expenses not covered by the fund to the amount of R9 500. The capped amount will be R1 000 plus R300 in respect of the 3rd and 4th dependant = R1 600 per month. The capped amount in respect of the full year of assessment will therefore equal R19 200.

The total contributions payable by Mr Taxpayer for the year of assessment is R36 000 of which R24 000 is paid by his employer. The amount of R24 000 paid by the employer will be reflected as code 4474 on Mr Taxpayers' IRP5 certificate. The employer paid more than the capped amount of R19 200 thus resulting in a taxable fringe benefit to the amount of R4 800. This amount of R4 800 will be reflected as code 3810 in the income section of the IRP5 certificate. This amount of R4 800 will be considered deemed contributions made by the employee.

On assessment a recalculation of the medical expenses will take place taking into account the fact that the employers' contributions exceeded the calculated capped amount and no unlimited deduction in respect of contributions will thus be considered. The other medical expenditure amounting to R9 500 plus the deemed contributions of R4 800 will, however, be subjected to the 7.5% limitation calculation to determine whether any additional amount can be considered as a deduction.

If the taxpayer earned a salary of R150 000 per year and made contributions to a pension fund to the amount of R11 250 his IRP5 should reflect the following income and deduction codes:

3601	Salary	R150 000	
3810	Medical fringe benefit	4 800	
4005*	Employees medical contributions	16 800	(12 000 + 4 800)
4474	Employers medical contributions	24 000	
4001	Pension contributions	11 250	

- The amount reflected next tot the code 4005 will constitute the contributions actually paid by the taxpayer plus the amount deemed to have been made by the taxpayer. The deemed amount equals the amount in excess of the capping amount which in this example is R4 800 (see second paragraph of example).

In this case the medical calculation on assessment will be as follows:

As Mr Taxpayer made contributions in respect of himself / herself and 3 dependants for all 12 months of the year of assessment the capping amount will be R1 000 plus R300 in respect of the 3rd and 4th dependant = R1 600 per month. The capped amount in respect of the full year of assessment will therefore equal R19 200.

As the employer contributes in excess of the capped amount of R19 200 and the R19 200 is not included in the gross remuneration reflected on the IRP5, the taxpayer would therefore in this case not qualify for the deduction of the capped amount. The balance of the employer's contribution of R4 800 was, however, included in the gross remuneration of the taxpayer and will now together with the other expenditure qualify as a deduction after the application of the limitation of 7.5% of taxable income prior to the deduction of medical expenditure.

Medical contributions	R36 000
Minus: The employers contributions	24 000
	12 000
Plus: Employers contribution included in gross	4 800
Other expenditure	9 500
Amount subject to the limitation	R26 300

Taxpayers' gross remuneration	R154 800	(R150 000 + R4 800)
Minus: Pension contributions	11 250	
Income prior to the medical deduction	R143 550	
Thus 7.5% of income (calculated limitation)	R10 766	
Amount subject to limitation	R26 300	
Calculated limitation	R10 766	
Amount allowable as deduction	R15 534	

Please note that the calculations illustrated above will be performed programmatically by SARS. In the completion of the deduction section of the return you must ensure that you complete the amount next to the code 4005 using the information reflected on the IRP5 certificate. Should no amount appear on the IRP5 certificate next to the code 4005 although your medical fund contributions are paid over via your employer it probably means that the employers contribution are equal to the capped amount as calculated by the employer.

Example 2: Employer contributes less than capped amount

As in the scenario above Mr Taxpayer made contributions in respect of himself and 3 dependants for all 12 months of the year of assessment. The capped amount will be
R1 600 per month [R1 000 plus R600 (300 x 2) in respect of the 3rd and 4th dependant]. The capped amount in respect of the full year of assessment will therefore equal R19 200.

The employer contributes R12 000 which is less than the capped amount of R19 200 and the R12 000 is not included in the gross remuneration reflected on the IRP5. Mr Taxpayer will therefore qualify for a deduction of R7 200 in respect of the capped amount, being the difference between the capped amount of R19 200 and the R12 000 paid by the employer. The other expenditure of R9 500 plus the balance of the contributions that was not allowed as a deduction in terms of the capped amount, will qualify as a deduction after the application of the limitation of 7.5% of taxable income prior to the deduction of medical expenditure.

The calculation will be as follows:

Medical contributions	R36 000
Minus: The employers contributions	12 000
	24 000
Minus: Deduction in respect of capped amount	7 200
Medical contribution subject to limitation	R16 800
Plus: Other expenditure	9 500
Amount subject to the limitation	R26 300
Taxpayers' gross remuneration	R150 000
Minus: Pension contributions	11 250
Income prior to the medical deduction	R138 750
Thus 7.5% of income (calculated limitation)	R10 406
Amount subject to limitation	R26 300
Calculated limitation	R10 406
Amount allowable as deduction (after limitation)	R15 894
Plus: Deduction in respect of capped amount	7 200
Total deduction for medical	R23 094

Example 3: Employer makes NO contributions

The contributions and amounts are the same as for example 1 except for the fact that no contributions are made by the employer.

The calculation will be as follows:

Medical contributions	R36 000
Minus: The employers contributions	0
	36 000
Minus: Deduction in respect of capped amount	19 200
Medical contribution subject to limitation	R16 800
Plus: Other expenditure	9 500
Amount subject to the limitation	R26 300
Taxpayers' gross remuneration	R150 000
Minus: Pension contributions	11 250
Income prior to the medical deduction	R138 750
Thus 7.5% of income (calculated limitation)	R10 406
Amount subject to limitation	R26 300
Calculated limitation	R10 406
Amount allowable as deduction (after limitation)	R15 894
Plus: Deduction in respect of capped amount	19 200
Total deduction for medical	R35 094

All the examples above refer to the capped amount being based on the same number of beneficiaries belonging to the medical fund in respect of all 12 months within the year of assessment. Should the number of beneficiaries vary it will impact the calculation of the capped amount as this calculation is based on a month-to-month basis as illustrated in the example below:

A taxpayer contributes to a medical fund in respect of the following beneficiaries:

Month	Taxpayer and first dependant	Taxpayer and more than one dependant	Capping amount
March	1 + 1 = 1 000	1 = 300	R1 300
April	1 + 1 = 1 000	2 = 600	R1 600
May	1 + 1 = 1 000	2 = 600	R1 600
June	1 + 1 = 1 000	2 = 600	R1 600
July	1 + 1 = 1 000	2 = 600	R1 600
August	1 + 1 = 1 000	2 = 600	R1 600
September	1 + 1 = 1 000	4 = 1 200	R2 200
October	1 + 1 = 1 000	4 = 1 200	R2 200
November	1 + 1 = 1 000	4 = 1 200	R2 200
December	1 + 1 = 1 000	4 = 1 200	R2 200
January	1 + 1 = 1 000	4 = 1 200	R2 200
February	1 + 1 = 1 000	4 = 1 200	R2 200
Totals	**R12 000**	**R10 500**	**R22 500**

In this case the capping amount that needs to be applied in respect of the calculations above would be R22 500.

To enable SARS to calculate your allowable deduction it is important that you complete this section correctly and in full.

Get the statement you received from your medical fund and your IRP5 / IT3(a) certificates as this will assist you in filling in this section.

State the number of members and dependants for whom contributions were made

The information required refers to the contributions that you paid to the medical fund that you belong to for the period 1 March 2006 to 28 February 2007, in respect of yourself and the other persons (dependants) that are covered by the fund. This information is usually reflected on the medical statement that you received from your medical fund at the end of February.

Did the number of person (beneficiaries) change during the year of assessment?

The next block needs to be completed by inserting an X in either "yes" or "no" where you are asked whether the number of persons changed during the year of assessment, which is from 1 March 2006 to 28 February 2007.

If yes, state the total number of members and dependants per month

If the number of persons for whom you made contributions did not change and you have ticked the "no" box you do not need to fill in the number of members and dependants for the year. If however it did change and you have ticked the "yes" box you must fill in the number of members and dependants per month.

Provision has been made for all twelve months of the year of assessment starting with "M" for March as the year of assessment starts on 1 March 2006. You must then indicate the number of persons for whom you made contributions for each month of the year. If for example you made contributions in respect of yourself, your spouse and two children you will have to enter the number 4 in the block representing March. If it remained the same for April you will again fill in the number 4 in the block marked with "A" that represents April. If however in May you now make contributions in respect of yourself, your spouse and 3 children you will fill in the number 5 in the block representing May. This is the process you need to follow in respect of all the months up to and including February 2007.

State your medical fund contributions

- Contributions paid by your employer on your behalf
  - If contributions on your behalf were paid to the medical fund by your employer you will find the information on your IRP5 /IT3(a) certificate. You will find the information in the section of the certificate dealing with "deductions". It will be recorded next to the code 4005 on the IRP5.

- Contributions paid by yourself i.e. via your cheque account or debit order
  - If you pay your contributions yourself you will find this amount on the medical statement you received from the medical fund at the end of February.

State your qualifying medical expenses not recovered from the medical fund

If you belong to a medical fund you will find the amount for the medical expenses that you have not recovered from the medical fund on the medical statement you received from your medical fund at the end of February. The statement may reflect two amounts that were not covered by the fund. However, the statement will clearly indicate the amount that will qualify for income tax purposes. This is the amount to be used together with the amount of the claims that you did not submit to the Medical fund due to the fact that you have exceeded the limits in respect of certain procedures.

The Income Tax Act makes provision for consideration of any contributions made by a taxpayer in respect of him/herself, spouse and any dependant as defined in the Medical Schemes Act. With regard to any other medical expenditure the Income Tax Act however excludes such amounts unless it was incurred in respect of the taxpayer, spouse and qualifying children as defined by the Income Tax Act. Medical funds distinguish between expenditure relating to the taxpayer, spouse and qualifying children and other dependants by referring to the expenditure relating to other dependants as expenditure in respect of "special dependants". The amounts in respect of such "special dependants" do not qualify as a deduction and must not be filled in on your return.

Physical disability expenditure

The Income Tax Act makes provision that you can claim any expenditure necessarily incurred and paid in consequence of any physical disability suffered by the taxpayer, his or her spouse or child. The amount incurred and not recovered from the medical fund should therefore be reflected next to code 4022 and not next to the code 4020. The necessary proof of payment of such expenditure must be retained for a period of five years.

Handicapped expenditure

If based on the definition of handicapped described in this brochure, you, your spouse or child are considered to be handicapped the amount of expenditure incurred in consequence of the handicap must be declared next to the code 4023 and not next to the code 4020. The necessary proof of payment of such expenditure must be retained for a period of five years.

Should you not have incurred any handicapped expenditure although you, your spouse or child are considered to be handicapped, you must fill in R1 expenditure next to the code 4023.

RETIREMENT CONTRIBUTIONS

Current pension contributions - section 11(k)(i)

Use the amount next to the code 4001 on your IRP5/IT3(a) certificate. If you received more than one certificate the amounts reflected next to the code 4001 on the various certificates must be added together and the aggregate amount completed on the return.

On assessment the amount claimed will programmatically be limited by SARS as follows:

Maximum deduction per taxpayer is, the greater of

R1 75O; or

7,5% of the remuneration received from "Retirement funding employment" during the year of assessment. (7,5% of the gross remuneration as shown on the IRP5/IT3(a) certificate, unless this includes income which, according to the rules of the relevant pension fund, does not constitute retirement funding remuneration.)

"Retirement-funding employment":
Is the holding of an office by someone who is a member of a pension or provident fund.
Only income that was taken into account in determining the member's contribution to the relevant fund counts for this purpose.

In most cases allowances, fringe benefits and bonuses paid by employers, are not regarded as income from retirement-funding employment and are not taken into account when calculating pension fund contributions.

Arrear pension fund contributions – section 11(k)(ii)

This amount will be reflected on your IRP5/IT3(a) certificate next to the code 4002.
The maximum deduction per person is R1 800 per year of assessment. Any excess will be carried forward to the subsequent year of assessment.

Arrear pension fund contributions for the former Non-Statutory forces – section 11(k)(ii)(aa)

In recognition of services rendered by the former non-statutory forces, the Rules of the Government Pension Fund make provision for the purchasing of backdated pension contributions. No limitation will during the assessment process be placed on these contributions. This amount will be reflected next to the code 4026 on the IRP5/IT3(a) certificate.

Current contributions to an approved retirement annuity fund

Use the certificate you received from the institution to which you made the contributions to complete the return. The maximum deduction permitted per year of assessment is limited to the greater of -

- 15% of taxable income, excluding income from retirement-funding

When determining taxable income, the following deductions must NOT be taken into account:

- Capital development expenditure (farming);
- Donations;
- Retirement annuity fund contributions;
- Medical and dental expenses;
- Expenditure in respect of soil erosion works; or
- R3 500 less allowable pension fund contributions; or
- R1 750.

Claim your actual contributions, as the amount allowable will be calculated by SARS.

Any excess will be carried forward to the succeeding year of assessment.

Only contributions made by you as a member of a retirement annuity fund will be considered as a deduction, i.e. you may not claim contributions made on behalf of a third party, e.g. your wife or child.

Arrear contributions to an approved retirement annuity fund

Claim your actual contributions (maximum amount allowed per year of assessment is R1 800). Any excess will be carried forward to the succeeding year of assessment.

Other qualifying deductions

In terms of the Income Tax Act only certain deductions are allowable if you earn a salary. Some of these deductions such as pension and retirement annuity contributions have already been addressed in this guide. The remaining deductions that qualify, providing expenses were incurred, are the following:

Subsistence allowance

Should your allowance be reflected as code 3704 (local) you need to determine the amount claimed based on the actual amounts expended or the amount deemed to be expended in terms of Section 8(1)(c)(ii) of the Income Tax Act.

Deemed amounts:

These deemed amounts are regulated and published annually on the SARS website www.sars.gov.za. In respect of the 2007 year of assessment these rates are as follows:

- Where the accommodation to which the allowance or advance relates is in the Republic and that allowance or advance is paid or granted to defray -
  - Incidental costs only, an amount equal to R60 per day; or
  - The cost of meals and incidental costs, an amount equal to R196 per day; OR
- Where the accommodation to which that allowance or advance relates is outside the Republic and that allowance or advance is paid or granted to defray costs of meals and incidental costs, an amount equal to US$190 per day.

Actual costs

A schedule detailing the following must be prepared and retained for a period of five years to substantiate your claim:

- The period in respect of which expenses are claimed;
- The destination where the money was spent;
- The total number of days in respect of which expenses are claimed; and
- Specify whether local or foreign expenditure.

Claim the amounts expended next to the code 4017 on page two of your return. Receipts for the amounts must be available to prove your claim, if requested by SARS.

Donations to an approved Section 18A Public Benefit Organisation

Use the amount reflected on the receipt you received. Remember the amount will only qualify as a deduction if the receipt states that it is issued in terms of Section 18A of the Income tax Act.

The deduction is limited to 5% of the taxable income of the taxpayer as calculated before allowing any deduction in respect of medical expenses and donations. This calculation will be done by SARS.

Income protection insurance contributions

If you made any contributions to protect your income you should receive a certificate from the institution to which the contributions were made. Deductions will be considered in respect of policies where it covers you against the loss of income as a result of illness, injury, disability or unemployment and the amount payable in terms of the policy constitutes or will constitute income as defined.

Enter the amount next to the code 4018 on your return.

Depreciation

If you own an asset such as a computer and you are obliged to use the asset regularly to perform tasks relating to your job you will be entitled to claim depreciation on the asset. The amount calculated must be filled in next to the code 4027 on your return.

Home office expenses

The deduction of any expenses relating to any residence or domestic premises is prohibited except in respect of such part as may be occupied for purposes of trade. Such part of the premises will only be regarded as being used for trade if:

- It is specifically equipped for purposes of your trade; and
- It is used regularly and exclusively for such purposes.

If the income against which the deduction is claimed flows from the holding of employment or an office no deduction is allowable unless:

- Your income from such employment or office is derived mainly from commission or other variable payments which are based on your work performance and your duties are mainly performed otherwise than in an office which is provided to you by your employer; or
- Your duties are mainly performed in the study at your private residence.

The following guidelines are given with regard to a claim for a home study. Full details in support of your claim must be retained for a period of five years after submission of your return. Documentation in substantiation of the claim is to be kept and only submitted on request.

- There must be a direct relationship between the incurring of the expenses on a study and the production of income.
- You must, in terms of the requirements of a service contract with your employer, be required to maintain a study at your private residence.
- The study may be used only for business purposes.
- A schedule detailing the following must be prepared and retained for a period of five years should SARS call for it.
  - What is the nature of your occupation and why is it necessary to maintain a study at your home?
  - A copy of your service contract, service regulations or personnel code.
  - Does your employer place an office at your disposal at your workplace? Full details of any restrictions in the use of this office are to be furnished, as well as a letter of confirmation from your employer.
  - Is your work of such a nature that you are expected to work at home after hours? Full details of how frequently you use the home study as well as a statement confirming the use thereof is required from your employer.
  - Are you required to use the home study to interview or supply information to clients or employees after hours?
  - Is your home study specifically equipped for purposes of your trade?
  - Is your study used regularly and exclusively for your work?
  - To what extent is the study indispensable to the proper carrying out of your tasks?
- Should you qualify for a deduction the amount will be calculated on the following basis:

A / B x Total costs, where

A = the area in m^2 of the area specifically equipped and used regularly and exclusively for trade;
B = the total area in m^2 of the residence
(including any outbuildings and the area used for trade the residence), and
Total costs = the costs incurred in the acquisition and upkeep of the property (excluding expenses of a capital nature).

Repairs specifically made to the study will not be apportioned, but allowed in full. Repairs to the building in general are not included in total costs.

Other expenses

Legal costs - section 11(c)

Legal cost directly related to your salary package that will result in receipt of an amount that is taxable can be claimed. All proof substantiating the claim must be available on request.

Bad and doubtful debt - sections 11(i) and 11(j)

These deductions will only be the exception and can only apply if your employer has issued you with an IRP5/IT3(a) where the amount is included as income received and you in fact have not received the applicable amount.

Reduction in value of benefit in respect of the private use of your employer's motor vehicle
The taxable benefit which arises from the private use of a motor vehicle supplied by an employer is based on the assumption that the distance covered for private use (including travel between home and work) amounts to 10 000 km for the year. If you have travelled less than 10 000 km and have kept accurate records in the form of a logbook, a copy of which must be retained, you may claim a deduction under "other ".

The reduction in the value of the benefit will not apply where more than one vehicle was made available to you at the same time and only the benefit of the more expensive vehicle has been taken into account as a fringe benefit, unless less than 10 000 km have been travelled with both vehicles individually.

Holders of a public office - section 8(1)(d)
Any allowance granted to the holder of a public office to enable him / her to defray expenditure incurred by him / her in connection with his / her office is deemed to have been expended to the extent that he / she has actually incurred expenses for the purpose of his / her office in respect of -

- Secretarial services, telephone, stationery, office accommodation, postage, travelling or hospitality extended at any official or civic function which the holder of such office is by reason of such office normally expected to arrange; and
- Subsistence and incidental costs while away from his / her usual place of residence.

TRAVEL CLAIM AGAINST ALLOWANCE - section 8(1)(b)

This section must only be completed if you are in receipt of a travel allowance. If you did not receive a travel allowance this section must be left blank. A travel allowance will be reflected on your IRP5/IT3(a) certificate next to the codes 3701 and/or 3702.

Did you use a log book in the determination of business kilometres traveled?

You need to indicate whether you made use of a logbook to determine the business kilometres traveled. This must be indicated in respect of each vehicle that you used for business purposes.

Should you calculate your travel claim based on actual kilometres travelled, such kilometres must be substantiated by way of a log book. The log book must be retained for a period of five years should SARS request it. The following minimum information relating to business kilometres travelled should be reflected:

- Date on which you travelled.
- The destination to and from.
- The kilometres travelled.
- The reason for the trip.

Expenses incurred by a taxpayer in travelling to and from his place of business from his residence are considered private expenses and are thus not deductible. If a taxpayer conducts his business from his/her home, his/her home should, with regard to his/her travels there from, be treated as the place of business. Thus kilometres travelled in travelling from his/her home to perform business would be considered as business kilometres travelled e.g. commercial travellers who work from home and who have to travel from job to job.

Did you not keep record of kilometres traveled?

Where no accurate records have been kept of the actual business kilometres travelled, deemed business kilometres (section 8(1)(b)(ii) of the Income Tax Act) will programmatically be calculated. The **deemed business kilometres** are calculated as follows:

Actual kilometres traveled (limited to 32 000km)
Less
The deemed kilometers of 18 000

Furthermore, the deemed business kilometres can never exceed 14 000 km.

If the vehicle was used for business purposes for a period of less than 12 months, the distance of 18 000 km, must be reduced pro rata in respect of the period the vehicle was used for business purposes.

Where the recipient of an allowance has, during the whole or any portion of the year of assessment, used more than one vehicle **interchangeably** for business purposes, and one or more of such vehicles was not used primarily for business purposes, the 18

000/32 000 km will be applied separately to each motor vehicle. Where travelling expenses are claimed for two vehicles that were used interchangeably during the year for business purposes, and a logbook was kept in respect of only one vehicle, the 18 000 km deemed private kilometres, must be applied in respect of the other vehicle.

Starting date and closing date

Indicate the period in respect of which the vehicle(s) was used during the period
1 March 2006 to 28 February 2007 by completing the starting and closing date for each vehicle individually.

Calculation of the travel claim

To enable SARS to calculate your travel claim it is imperative that you complete the following information:

- Starting and closing kilometres;
- The business kilometres travelled;
- The cost price or cash value of the vehicle; and
- The vehicle registration number.

Please note that without this information SARS will not be in a position to calculate the travel claim and will therefore not consider any travel claim.

Travelling expenses may be claimed based on one of the following methods:

(i) Where no records of actual expenditure have been kept:
  - In this case the kilometer rate provided for in the Income tax Act will programmatically be applied during the assessment process.

(ii) Where records of actual expenditure have been kept:
  - Use the receipts in respect of the actual expenditure incurred to complete the line items provided for in the return.

TRAVELLING EXPENSES BASED ON THE KILOMETRE RATE

During the assessment process the fixed cost scale will programmatically be applied in the calculation of the travel claim unless the information declared in the income Tax return indicates that actual cost must be applied.

The following Fixed Scale of Cost table will be applied:

Where the value of the vehicle -	Fixed cost R	Fuel cost c	Maintenance cost c
does not exceed R40 000	15 364	47,3	22,5
exceeds R40 000 but does not exceed R60 000	20 910	49,4	26,2
exceeds R60 000 but does not exceed R80 000	25 979	49,4	26,2
exceeds R80 000 but does not exceed R100 000	31 513	54,8	30,5
exceeds R100 000 but does not exceed R120 000	36 978	54,8	30,5
exceeds R120 000 but does not exceed R140 000	41 771	54,8	30,5
exceeds R140 000 but does not exceed R160 000	47512	57,2	39,8
exceeds R160 000 but does not exceed R180 000	52 629	57,2	39,8
exceeds R180 000 but does not exceed R200 000	58 334	65,9	43,8
exceeds R200 000 but does not exceed R220 000	64 591	65,9	43,8
exceeds R220 000 but does not exceed R240 000	69 072	65,9	43,8
exceeds R240 000 but does not exceed R260 000	74 777	65,9	43,8
exceeds R260 000 but does not exceed R280 000	79 918	69,3	52,5
exceeds R280 000 but does not exceed R300 000	85 440	69,3	52,5
exceeds R300 000 but does not exceed R320 000	88 793	69,3	52,5
exceeds R320 000 but does not exceed R340 000	95 218	69,3	52,5
exceeds R340 000 but does not exceed R360 000	100 011	77,1	68,0
exceeds R360 000	100 011	77,1	68,0

The scale per kilometre for the fixed cost must be divided by the total amount of kilometres travelled during the year of assessment. If the vehicle was used for business purposes for a period shorter than a year, the fixed cost component must be reduced, pro rata. Fuel and maintenance cost rates are read from the schedule.

As the scale per kilometre in the above mentioned schedule is based on the value of the vehicle, it is important that the taxpayer should determine the value of his/her vehicle in accordance with one of the following guidelines:

Value" in relation to a motor vehicle means –

- Where the vehicle was acquired by a taxpayer under a bona fide agreement of **sale** or exchange, **the original cost** thereof to him/her, ***including*** **any VAT** paid but ***excluding*** **any finance charges** or interest payable by him/her in respect of the acquisition thereof; or
- Where the vehicle is held under **a financial lease** by a taxpayer, as the recipient of an allowance, or was held by a taxpayer under a lease and he acquired ownership on termination of the lease, the **cash value** thereof as determined for VAT purposes, ***plus*** any VAT paid by the lessor; or
- In **any other case**, the **market value** of the motor vehicle at the time the taxpayer, as the recipient of an allowance, first obtained the vehicle or the right of use thereof, plus any value-added tax payable on that value.

Example 1 – One vehicle for the full year

You own a vehicle with a value of R52 000 and receive a travelling allowance of R3 000 per month for the full tax year. During the year of assessment, you travelled 45 000 kilometres and did not keep accurate records of the business or private kilometres.

The amount of the claim will be calculated programmatically as follows:

Total distance travelled	45 000 km
Deemed total kilometres (cannot exceed 32 000 km)	32 000 km
Deemed Private kilometres	-18 000 km
Deemed Business kilometres	14 000 km
Total allowance received for the year	R36 000
Fixed cost as per Fixed Cost Schedule	R20 910

Apply the formula:

$$\frac{\text{Fixed Cost as per schedule}}{\text{Total distance travelled}} \times \frac{\text{No. of days Used}}{365}$$

$$= \frac{R20\ 910}{45\ 000\ km} \times \frac{365}{365} \times 100$$

= 46.5c

$\therefore$ Fixed Cost Per Kilometre = 46,5c

Add Fuel cost element (per schedule)	=	49,4c
Add Maintenance cost (per schedule)	=	26,2c
Total cost per kilometre	=	122,1c

Multiply the total cost by the deemed business kilometres

(14 000 km x 122,1c)/100 = R17 094

This is the amount as programmatically calculate that will be considered as a travel claim. If however the calculated amount exceeds the allowance received, the claim will programmatically be limited to the amount of the allowance.

Example 2 – Two vehicles for part of the year

All the details are the same as in example 1, except that you used the vehicle for 6 months (183 days), during which you travelled 18 000 km. Thereafter, you purchased a new vehicle for R105 000, and traveled 11 000km during the 6 months (182 days) following the purchase (i.e. the balance of the year).

The amount of the claim will be calculated programmatically as follows:

VEHICLE 1

Total distance travelled	18 000 km
Deemed total kilometres (cannot exceed 32 000 x 6/12 months)	16 000 km
Deemed Private kilometre (18 000 x 6/12 months)	-9 000 km
Deemed Business kilometres	7 000 km
Total allowance received for the year	R36 000
Fixed cost as per Fixed Cost Schedule	R20 910

Apply the Formula

$$= \frac{R20\ 910}{18\ 000\ km} \times \frac{183}{365} \times 100$$

= 58.2c

$\therefore$ Fixed Cost Per Kilometre = 58,2c

Add Fuel cost as per schedule	=	49,4c
Add Maintenance cost as per schedule	=	26,2c
Total cost per kilometre	=	133,8c

Multiply the total cost per kilometre by the deemed business kilometres

(7 000 km x 133,8c)/100 = R9 366

In other words, you are entitled to claim a deduction of R9 366 on your first vehicle. This claim will be added to the amount calculated in respect of vehicle 2. Only then can it be determine whether or not the total claim exceeds the allowance received for the particular year of assessment.

VEHICLE 2

Total distance travelled	11 000 km
Deemed total kilometres (cannot exceed 32 000 x 6/12 months)	11 000 km
Deemed Private kilometre (18 000 x 6/12 months)	-9 000 km
Deemed Business kilometres	2 000 km
Total allowance received for the year	R36 000
Fixed cost as per Fixed Cost Schedule	R36 978

Apply the Formula

$$= \frac{36\ 978}{11\ 000\ km} \times \frac{182}{365} \times 100$$

= 167.6c

∴ Fixed Cost Per Kilometre = 167.6c

Add Fuel cost as per schedule	=	54,8c
Add Maintenance cost as per schedule	=	30,5c
Total cost per kilometre	=	252,9c

Multiply the total cost per kilometre by the deemed business kilometres

(2 000 km x 252,9c)/100	=	R5 058

In other words you are entitled to claim a deduction of R5 058 for your second vehicle.
Total Deduction Claimed in respect of the full year:
R9 366 + R5 058 = R14 424

As the total amount of the claim does not exceed the allowance received the amount will be considered as a deduction.

TRAVELLING EXPENSES BASED ON ACTUAL EXPENDITURE

Complete the line items under the applicable heading on the return

- **Fuel and Oil**

Calculate the amount of fuel and oil expenses incurred for the period 1 March 2006 to 28 February 2007. Remember to retain proof of expenditure for a period of five years after the date of submission of the return.

- **Maintenance and repairs**

Calculate the amount of expenses incurred for the period 1 March 2006 to 28 February 2007. Remember to retain proof of expenditure for a period of five years after the date of submission of the return.

- **Insurance and licence**

Calculate the amount of expenses incurred for the period 1 March 2006 to 28 February 2007. Remember to retain proof of expenditure for a period of five years after the date of submission of the return.

- **Wear and tear**

Where a person claims actual expenses (and can furnish accurate data), there is now a limitation on the amount he may claim for lease payments, finance charges and wear and tear. **However, this limitation occurs only where the taxpayer is in receipt of an allowance.**
When a taxpayer claims actual expenses for travel purposes, he is also entitled to claim wear and tear on the vehicle. However, wear and tear can only be claimed where the taxpayer actually ***owns*** the vehicle (i.e. it is not leased). Where a vehicle was acquired during the year of assessment, wear and tear will only be allowed pro rata. The **value** of the vehicle when calculating wear and tear is usually the cost price, including VAT and excluding finance charges or interest.

The wear and tear allowance must be determined over a period of **7 years** from the date of original acquisition, and the cost must be **limited to R360 000** in terms of section 8(1)(b)(iiiA)(bb).

Example:

Mr. James purchased a motor vehicle on 1 March 2006 for R400 000. He is claiming actual costs incurred for business travel purposes. He is entitled to claim wear and tear on his vehicle. He receives an allowance from his employer.

The wear and tear, which the taxpayer is entitled to for the 2007 year of assessment must be calculated as follows:

The cost of the vehicle may not exceed R360 000. The R400 000 is thus limited to
R360 000, and wear and tear is calculated on this legislated limitation:

R360 000/7 years = R51 428 per annum

- **Wear and tear if vehicle was required prior to 2006**

If the car was acquired (and wear and tear claimed) prior to the 2006 year of assessment, the taxpayer needs to determine the remaining number of years (of wear and tear claimable) as well as the value of the vehicle at the start of the 2006 year of assessment.

Example:

Mr. Y purchased a car on 01/03/2002 with a value of R250 000, which he uses for business purposes. During the 2007 year of assessment, he received a travel allowance amounting to R25 000.

The value of the vehicle on 01/03/2005 would be the original value less wear and tear previously allowed. If the vehicle was purchased in the 2003 year of assessment, it would have been depreciated over 5 years*, as this was the original wear and tear rate as per practice note 19. In other words:

Original Value	R250 000
Less Wear & Tear: 2003 (R250 000/5 years*)	(R 50 000)
Value: 01/03/2003	R200 000
Less Wear & Tear: 2004 (R250 000/5 years*)	(R 50 000)
Value: 01/03/2004	R150 000
Less Wear & Tear: 2005 (R250 000/5 years*)	(R 50 000)
Value: 01/03/2005	R100 000

In other words, in the 2006 year of assessment, the value of the vehicle is R100 000, and 3 years of wear and tear have already been allowed. Therefore, in the 2006 to 2009 years of assessment, the wear and tear will now be calculated over the remaining 4 years (7 less 3 years already claimed), based on the Income Tax Value of R100 000. Wear and Tear: R100 000/4 years = R25 000.

- **Lease payments**

Where a person does not actually purchase the vehicle, but leases it, the lease payments for the period that the vehicle was used for business may also be allowed as a deduction. However, there is a ***limitation*** here too. Section 8(1)(b)(iiiA)(aa) provides that the lease payments may not in any year of assessment exceed an amount of the fixed cost for the category of vehicle used. You can therefore only claim either lease payments or wear and tear on the same vehicle.

- **Finance charges**

The vehicle's value excludes finance charges, but the taxpayer may claim the applicable amount separately. However, a limitation has now also been placed on the finance charges that may be claimed. The finance charges must be limited to an amount which would have been incurred had the original debt (cost of the vehicle) been R360 000.

- **Other expenses**

If you incurred any other expenses not specifically addressed these must be declared in this section and proof of such expenditure incurred retained for a period of five years.

STATUTORY RATES OF TAX APPLICABLE TO INDIVIDUALS IN RESPECT OF THE 2007 YEAR OF ASSESSMENT

Where the taxable income - Does not exceed R100 000	18 % of each R1 of taxable income
Exceeds R100 00 but does not exceed R160 000	R18 000 plus 25 % of the amount by which the taxable income exceeds R100 000
Exceeds R160 000 but does not exceed R220 000	R33 000 plus 30% of the amount by which the taxable income exceeds R160 000
Exceeds R220 000 but does not exceed R300 000	R51 000 plus 35% of the amount by which the taxable income exceeds R220 000
Exceeds R300 000 but does not exceed R400 000	R79 000 plus 38% of the amount by which the taxable income exceeds R300 000
Exceeds R400 000	R117 000 plus 40% of the amount by which the taxable income exceeds R400 000
Rebates: R7 200 - Secondary rebate taxpayers 65 years and older - R4 500	

CONCLUSION

Should you require any further information, not addressed in this brochure, access the information available on the SARS website or contact your local SARS office or the SARS Call Centre at 0860 12 12 18 for assistance.