



Tax Smart

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May 2008

Tax Smart News

Dear Client

The prevailing sense of the taxpaying nation at the moment seems to be one of exhaustion. We have seen through our contact with clients from the lower income brackets through to the highest, that South Africans as a society on the whole are experiencing a kind of group depression: interest rates climbing, the load shedding debacle, the Zimbabwean election fiasco, the petrol saga, the crime crisis and general global instability seem to be weighing heavily on our minds and pockets. From a tax perspective not much gave way in this year's Budget, though there was much talk of weathering the "financial storms" ahead and standing against the "tides and turbulence" together. Fiscal discipline is still the prevailing order of the day and this has been tightly reflected in our Budgets for many years now. So while there is nothing for us to get too happy about with the new Budget, we can deliver the good news that there is not much to get sad about either. It's pretty much business as usual with little change in the overall tax regime- with a few exceptions in the small business area.

SARS E-filing

In the theme of storms ahead, we again thank you for your patience with the SARS e-filing squall that we faced during the last tax year. For many of you and indeed for all of us here at Tax Smart we found the SARS e-filing launch one of the biggest calamities we have faced during our time in operation. We, along with several of the bigger accounting firms have urgently made our voices heard on the myriad of problems the initiative has created for us and our clients. Some of you are still awaiting the results of your tax returns and rest assured we are working around the clock to get these matters finalised. We have called for an apology from SARS to the stake holders of the e-filing system but none has been forthcoming, perhaps we like to think, in the spirit of their own brand of quiet diplomacy. However they are working very hard to ensure that the system works much better this year and have asked for our continued support and patience in getting the machinery working much more smoothly and efficiently. So in the interests of all of us, Tax Smart will keep championing the cause and are looking ahead to a much improved 2008 filing season (we hope!).

Closure of the Sandton Branch

It is with regret that we announce the closure of our Sandton branch. As a small business, we have found that we are far from immune to the constant escalating costs of running a going concern. While this branch has been a very popular option with many of our tax and accounting clients, we have concluded that the only way to keep costs down for our clients is to cut the costs of our trading operation. We will therefore all only be operating from our Bedfordview offices as of mid July. A newsletter and map will be sent out to the Sandton clients with further notice. We will endeavour where possible to come to your offices if it is not convenient to travel to Bedfordview. Luckily information handling has become so much easier with

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technology and the use of it should cut down the need for both client and consultant to sit in the heavy soup of traffic that we all face each day.

Tax Smart premium increases

For the past three years we have not incremented an increase on the cost of our services so we will unfortunately need to institute a price increase from May 2008. Straight forward salary cases will remain the same but travel and commission cases will see an increase of R10-00 in their premium. Our sole traders, freelancers and independent contractors will see between 10-30% increases in their fees depending on the bookkeeping requirements and will be informed separately of their premiums. Our accounting and bookkeeping fees have recently been revised so they will remain the same. Please contact us if you have any queries in this regard.

The 2008 filing season

We will set sail for the new filing season sometime during May or June. The word on the street is that there is a new process for employers to create their IRP5s and do their PAYE reconciliations so most of you will have noticed a delay in getting your new IRP5s. Please be patient- the new process is supposedly going to make it easier for us all in the long run in terms of the accuracy and submission of the IRP5s. Once you have your IRP5, please take the time to go through the schedule attached to this newsletter to see what else may be required for your tax return. The schedule may appear daunting- but much of it will not apply to you- please read the red prompt notes to see what you need to complete. Your consultant can not acquire this information without your input or assistance and given SARS issuing warnings that it will not treat tax offenders lightly, it is in your best interests to provide as much and as accurate information as you can. Gone are the 1990's when guestimates were tolerated by SARS. We are seeing a sharp increase in the amount of audits being conducted and with the refining of the e-filing process we are anticipating that audits will become the norm of the day given the amount of manpower it will free up at their offices. So please be warned: SARS are on the lookout for inaccuracies and chance takers so please provide us with the best information you can and we will use our knowledge and expertise to get the best possible outcome for you. And once again and as always: please keep your logbook while we can still make travel claims. We reckon that this is certainly one area that SARS are going to focus on.

Bookkeeping clients

Just a note to all our bookkeeping clients: meeting the VAT and financials' requirements is becoming increasingly pressurised. We would like to request that all clients endeavour to have all the correct and complete information to us by the 10th of each month after the end of your VAT period. This will help us to ensure that we can accurately capture and prepare your returns with maximum tax benefits. The onus is therefore on the client to provide us with this information and failure to do so will arise in penalties being levied by SARS which can not be reversed. So please do take care to get the information to us on time.

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Highlights of the 2009 Budget

As previously highlighted there is not much to write home about with the new budget though there were some fresh initiatives that came up this year. One of the more interesting ones is the presumptive turnover tax for "very small businesses". The gist of this proposal is that if you qualify as a very small business, you can elect to pay a turnover tax of between 0-7.5% depending on what your turnover is- with no strings attached. Apparently the taxpayer does not have to keep any expenditure records though presumably s/he will be required to keep proof of turnover. The downside of this system is that you pay the turnover tax even if it pans out that with expenditure you would have run at a loss- which makes the initiative quite unappealing.

Its also not very clear yet on what is entailed and how it is going to run- watch this space. Also another interesting proposal is a 40% tax rate for "Closely held passive investment companies". Many clients have companies that they are utilising to gain passive income e.g. rental income. Though its not yet abundantly clear exactly who will be seen as a passive investment company yet- it is definitely worth bearing this is mind giving the dire tax consequences it may create. The R1 million VAT registration threshold was backed up by this budget and should come into effect July 2008- though this is not yet set in stone.

A lot to ingest in this newsletter so we'll leave it there for now. Trevor's seas spell hard times ahead but lets all keep looking for the light on the horizon- at least with upcoming filing season. We are of the opinion that after last year, it can only get better! Until then, its all hands on deck and do contact us with any questions and queries.

**Best regards,
The Tax Smart Team**

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