

Operations Support



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Reference
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Date
02 December 2008

Mr M Hassan
South African Institute of Chartered Accountants
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South African Revenue Service

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299 Bronkhorst Street, del
Nieuw Muckleneuk, 0181
Private Bag X923, Pretoria, 0001
SARS online: www.sars.gov.za
Telephone (012) 422 4000

Dear Mr Hassan

PROVISIONAL TAX: 2ND PERIOD 2009

I write with reference to our discussions held on 11 November 2008 regarding the implementation of an amendment to the requirements for the second provisional tax payment.

As you are aware, currently the second provisional tax payment is due on the last day of the year of assessment and is based on an estimate of taxable income for the year. Up to now additional tax has been imposed if the estimate is not equal to at least:

- 90% of the taxable income for the year; or
- the basic amount (essentially the taxable income for the last year assessed).

The Revenue Laws Second Amendment Bill, 2008, provides that additional tax will be imposed if the estimate is not equal to at least 80% of the taxable income for the year. In other words, the first alternative above has been relaxed and the second has been done away with. The Bill has been approved by Parliament and is likely to be promulgated in January 2009.

In terms of an existing provision that SARS may waive the additional tax if the estimate is seriously calculated and is not deliberately or negligently understated has been retained.

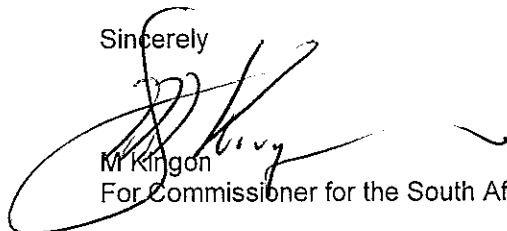
At the discussion you informed SARS of the practical challenges that your members would face in implementing the amended requirements. These are mainly:

- the limited time available for communicating the amendment to your member's clients;
- the need to prepare preliminary accounts for reasonably accurate estimates at year end; and
- the difficulties they would face in doing the above while simultaneously preparing for the close of the 2008 filing season for individuals on 23 January 2009.

SARS appreciates these challenges. Although the amended requirements cannot be altered, SARS is prepared to assist with a transitional arrangement for second provisional tax payments due on or before 28 February 2009.

It has therefore been decided that if these provisional tax payments are based on estimates that are equal to at least 90% of the taxable income for the year or the basic amount, SARS will accept that they have been seriously calculated and have not been negligently understated. The additional tax that would otherwise been imposed will, therefore, be waived.

Sincerely

A handwritten signature in black ink, appearing to read 'M. Kingon', is written over the word 'Sincerely' and the printed name 'M Kingon'.

M Kingon

For Commissioner for the South African Revenue Service