WHO IS LIABLE FOR PROVISIONAL TAXES?
Any person, who receives income other than a salary, is a provisional taxpayer. A provisional taxpayer is any
→ Company/trust
→ Persons (other than a company) who derives income, other than remuneration or an allowance or advance
  as contemplated in section 8(1)
→ Person who is notified by the Commissioner that he is a provisional taxpayer

Excluded from being a provisional taxpayer are:
→ Approved public benefit organisations or recreational clubs;
→ Body corporate, share block companies or certain associations of persons; and
→ Persons who are exempt from paying provisional tax, namely
  • Non-resident owners or charterers of ships or aircrafts
  • Any natural person who is under the age of 65 and who does not earn any income from carrying on a
    business, provided that person’s taxable income will not be more than the threshold or the taxable
    income of that person (earned from interest, foreign dividends and rental) will not be more than
    R20 000
  • Any natural person who is 65 years or older, provided that person’s taxable income will not be
    derived in any way from carrying on any business, will not be more than R120 000 and will not be
    derived otherwise than from remuneration

WHAT IS PROVISIONAL TAX
Provisional tax, like employees tax, is a method employed by SARS for the collection of tax.

Provisional tax is not additional tax being levied, it is a method of paying tax due, and to ensure the taxpayer does
not pay large amounts on assessment, as the tax load is spread over the relevant year of assessment. It requires the
taxpayers to pay at least two amounts in advance, during the year of assessment, which are based on estimated
taxable income. Final liability, however, is worked out upon assessment and the payments will be off-set against the
liability for normal tax for the applicable year of assessment.

The aim is to help taxpayers meet their liabilities in the form of two payments, instead of in the form of a single,
large sum on assessment. A third payment is optional after the end of the tax year, but before the issuing of the
assessment.

HOW PROVISIONAL TAX IS CALCULATED (First payment)
Provisional tax is calculated:
→ using your basic amount; or
  The basic amount is the taxable income of the latest assessment, not older than 18 months. If older than 18
  months, the basic amount is increased by 8% per annum.
→ Your determined taxable income.

• STEP 1: Determine the taxable income to be used
• STEP 2: Calculate the tax for the full year, according to the tax tables, less rebates
• STEP 3: Calculate the tax for the first provisional payment, that is, tax for the full year divided by two
• STEP 4: Deduct employees tax paid for the first six months
• STEP 5: Calculate the amount due for the first provisional tax payment, namely the tax due for the
  period (STEP 3) less employees tax paid (STEP 4) less any foreign tax paid
**EXAMPLE:** Taxpayer X’s taxable income for 2015 as determined was R220000. He is under the age of 65 years. His employer deducted employee’s tax amounting to R10000.00 from his salary for the first six months of the year.

- **STEP 1** Taxable income amount: R220000
- **STEP 2** Total tax for the full year: 30055.25
- **STEP 3** Tax for the period: 15027.63
- **STEP 4** Employees tax paid for the first six months: -10000
- **STEP 5** Provisional tax payable for the period: 5027.625

**ADDITIONAL TAX, INTEREST AND PENALTIES**
A penalty of 10% of the amount not paid will be levied (for late payment/late submission), plus interest charged daily from due date of payment. Over and above this, additional tax of 20% will be levied for underestimation, where certain requirements are met.

**FURTHER**
For more information, please contact BVDM Financial Service CC.