

Should I file a tax return for the 2020 tax year?

In response to COVID-19, the South African Revenue Service (SARS) has tried to simplify the tax filing process for individual taxpayers and remove the need to visit branches.

SARS has introduced a four-phased approach to filing season this year:

1. **Phase one:** Employers and other third-party data providers, like investment managers and medical aid schemes, were required to submit their data to SARS. This needed to be done by 31 May 2020.
2. **Phase two:** SARS validates the third-party data and follows up with those third parties who have not submitted the data on time.
3. **Phase three:** This is the "auto-assessment" process and it starts on 1 August 2020. A significant number of taxpayers will receive an SMS from SARS to confirm that SARS has used third-party data to prepare their tax returns on their behalf and that a draft assessment is available on eFiling or the SARS MobiApp for them to review. Some taxpayers may receive communication from SARS before 1 August 2020 explaining why they have not been auto-assessed, for example, if they have outstanding tax returns that need to be filed.
4. **Phase four:** Taxpayers who have not been auto-assessed, or who have not accepted an auto-assessment, can then start to file their tax returns via eFiling or the MobiApp from 1 September 2020. Taxpayers who cannot file through the digital platforms will be permitted to visit a SARS branch by appointment only.

What does it mean to be auto-assessed?

SARS is using data from third parties, such as medical aid schemes, retirement fund administrators, employers and financial institutions to pre-populate your tax return and essentially do the filing for you.

If you are selected to be auto-assessed, you will be directed via SMS to eFiling or the SARS MobiApp to view your return. If you accept the outcome, you do not have to complete a tax return because SARS would have done that for you. If you are due a refund, SARS will pay the refund to you as per normal, but you need to ensure that your bank details are up to date on SARS's records. If you owe SARS money, you can make payment as per normal on eFiling, via EFT or the SARS MobiApp.

If you want to edit your tax return, you should not accept your auto-assessment and will need to wait to file your return from 1 September 2020.

Why would I need to edit my auto-assessment?

You may have additional deductions to claim or income to report that has not been pre-populated on your return by SARS. For

example, you may have earned rental income or incurred excess medical expenses which were not on record with your medical aid.

It is important to check that all the third-party information that SARS has on record for you displays correctly on your tax return before you accept your auto-assessment. This means you need to carefully check your tax certificates from your employer, medical aid provider and investment managers and compare these to your auto-assessment.

If I do not get auto-assessed from 1 August or I want to edit my auto-assessment, by when should I file my tax return?

If you do not get auto-assessed or need to edit your auto-assessment, you need to comply with the following deadlines to file your tax return:

- **1 September – 16 November 2020:** Non-provisional taxpayers who file online via eFiling or the SARS MobiApp
- **1 September – 22 October 2020:** Taxpayers who cannot file electronically can file at selected SARS branches by appointment only
- **1 September 2020 – 29 January 2021:** Provisional taxpayers who file via eFiling

If I am not selected to be auto-assessed, does that mean I need to file a tax return?

You may not need to file a tax return at all, even though you may have earned income and paid tax on that income during the 2020 tax year.

As an individual, you are only liable to pay income tax if you received taxable income (income after exemptions and deductions have been applied) which is more than a specific amount (known as the "tax threshold" amount) for the tax year.

For the 2020 year of assessment, the tax threshold amount is:

- R79 000 for individuals younger than 65
- R122 300 for individuals 65 or older, but younger than 75
- R136 750 for individuals 75 or older

For the 2020 year of assessment, SARS states that an individual does not need to submit an income tax return if they have been notified by SARS that they are eligible to be auto-assessed and their gross income, exemptions, deductions and rebates are reflecting correctly on SARS's records.

If you are not selected to be auto-assessed, and you are an individual South African tax resident, you do not have to file a

tax return for the 2020 year of assessment if your gross income consisted only of one or more of the following categories of income:

- South African interest income (not from a tax-free investment) not greater than
 - R23 800 for individuals younger than 65
 - R34 500 for individuals 65 or older; and/or
- Amounts received from a tax-free investment
- Up to R500 000 of gross salary income from only one employer and the employer deducted tax

This means that if you are a South African tax resident and earned above the tax threshold amount, you will need to file a tax return if you had more than one employer or income source (for example: you changed jobs during the tax year or worked two jobs; you earned rental income; or you earned extra income from a side business). The same applies if you received a taxable allowance or advance from your employer (for example: a travel, subsistence, computer or cellular allowance; or if you had the right to use a motor vehicle supplied by your employer).

In some instances, as a South African tax resident, you may be required to file a tax return regardless of whether your taxable income exceeded or was less than the tax threshold amount. You will therefore need to file a tax return for the 2020 tax year if any of the following applies:

- You carried on a business (not as an employee) in or outside of South Africa.
- You sold assets and the capital gain or loss was more than R40 000 for the tax year.
- You owned foreign currency or foreign assets and the total value was more than R225 000 at any time during the tax year.
- You earned a foreign salary for work done as an employee outside of South Africa.

- You earned income or capital gains from foreign currency or assets outside of South Africa that were attributed to you (for example, as a result of making a donation, settlement or other disposition).
- SARS sent you a tax return and requested that you complete it.

If I am a non-South African tax resident, do I need to file a tax return?

If you are a non-South African tax resident, SARS states that you do not need to file a tax return if you only received dividends from a South African source and you were a non-tax resident for the duration of the 2020 tax year. However, you will need to file a return if any one of the following applies:

- You received interest from a South African source, and
 - You were physically present in South Africa for longer than 183 days in total during the 12 months before the interest was received or accrued; or
 - The debt from which the interest was earned is connected to your permanent establishment in South Africa.
- You carried on a business (not as an employee) in South Africa.
- You sold assets and made capital gains or losses from the disposal of
 - South African fixed property or a right in fixed property; or
 - Shares in a company or a vested interest in a trust if at least 80% of the value of the interest is in South African fixed property and you hold at least 20% of the shares or rights of the company or trust; or
 - Capital assets effectively connected with a South African permanent establishment.

Who should I contact for more information?

For more information regarding your tax submissions, please contact SARS directly on 0800 007 277 or visit www.sars.gov.za.

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