

A close-up photograph of a desk during tax season. On the left, a white printer is shown with a roll of paper. In the center, a white taxi receipt is partially visible, with the word 'TAXI' printed in blue. To the right, a calendar is open, showing the month of May with the 15th circled in red. A gold pen lies on the desk in the foreground. The background is softly blurred, showing a desk lamp and other office supplies.

Tax Season 2008

Quick overview Guide for Practitioners

May 2008

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Background

For our young democracy to function effectively, we need to continuously strengthen the institutional capacity of the state.

Looking back at 2007

In 2007 SARS introduced changes to the Personal Income Tax process aimed at making it easier for honest taxpayers to meet their obligations – and harder for dishonest taxpayers to hide.

- We introduced a shorter, simpler income tax return
- We did away with the need to submit supporting documents and relied instead on information supplied by employers and other third parties
- We introduce an automated assessment process using a sophisticated risk tool to flag suspect activities
- We gave eFilers more time to file their returns – and a host of other benefits

3,8 million individual tax returns were processed automatically, with nearly 2 million taxpayers receiving their assessments dramatically faster than before.

	2006	2007
Average turn-around times	45 – 55 days	20 – 30 days
Time taken to assess returns	1% within 48 hours 3% within 10 days	32% within 48 hours 40% within 10 days
Request for correction and notice of objection	Not applicable	67% in 10 days 92% in 20 days

Our eFiling submissions increased from 35 000 to over 1 million in one year.

But for many taxpayers and practitioners – especially those who struggled to complete the return or whose information did not match what SARS had – the system caused frustration both for you and for SARS. The high proportion of tax returns sent back to taxpayers for rework was a particularly resource-intensive process for practitioners serving multiple clients. A number of returns that were submitted to SARS have not been finalised, for a number of reasons:

Returns submitted but not finalised: reasons	Number of returns affected
Returns incomplete or incorrect	600,000
Mismatch between information declared and that provided by third parties	400,000
Returns flagged for further investigation	150,000
Refunds not paid out as banking details could not be verified	150,000

This reaffirms the need to again focus on the quality of information submitted to SARS by taxpayers and the practitioners who represent them.

This year we are building on the successes of 2007 – and improving those things which caused frustration like the quality of the third party information and the difficulty of filling in a tax return. We intend accelerating our programme towards an automated PIT process which is easy for compliant taxpayers and difficult for non-compliant to hide, improving our collection and verification of third party data and enhancing our capability to provide first-time resolution for taxpayers at points of contact.

Overview of major changes we will be introducing in 2008

The reform of the entire PAYE dispensation - legislation, system and processes all designed to improve the effectiveness of the interaction between employers and SARS. We will be introducing new forms and a more streamlined reconciliation process, backed up by the provision of customised software to employers.

A key requirement will be that employers reconcile their PAYE payments to SARS upfront. This will improve the quality of the data we receive and, in a major departure from the past, allow us to pre-populate the verified information into tax returns before they are sent to taxpayers.

This is in line with international best practice and will have many benefits for both SARS and taxpayers. Taxpayers will no longer have the hassle of transposing their IRP5 information onto the tax returns, thereby avoiding errors. This will cut down on rework for SARS and will enhance the speed of assessment and service, whilst also allowing our practitioners to provide an enhanced service to their clients.

The improvements to the annual management of PAYE are also an essential building block for the roll-out of government's social security system which SARS will most probably have to administer.

Raising the threshold for taxpayers who do not need to submit a return. Taxpayers earning up to R120 000 per annum who have a single employer and no additional income or deductions to declare will not be required to submit an income tax return. This will substantially reduce the processing volumes for SARS as well as reduce the compliance costs for the affected taxpayers.

Simpler forms The two new income tax returns (IT12S and IT12C) introduced last year will be merged into a single income tax return for individuals – the Personal Income Tax Return. This return will be dynamic, meaning that it can grow or shrink depending on the complexity of a taxpayer's income tax affairs. The first two pages of the Personal Income Tax Return will cater for the needs of most standard individual taxpayers who only have a single IRP5. For those taxpayers whose tax affairs are a bit more complex the form will be automatically customised to their needs. This will greatly reduce errors on returns during 2007 where taxpayers completed fields not required or not applicable.

SARS will be in a position this year to provide taxpayers with returns that are not only pre-completed with their personal information but which also are pre-populated with their tax contributions and tax deductions for the year of assessment based on the information provided by their employer/s. Taxpayers will then simply have to complete the remaining relevant portions of the form (additional income and deductions), sign it and submit it to SARS.

Another key change for taxpayers this year will be that we will not be mailing their tax returns to them in bulk. Taxpayers will be required to contact SARS to request a return via a toll free number, eFiling or by visiting any SARS office. We also aim to provide tax returns in all of our 11 official languages over time.

Enhancing our service to taxpayers In order to meet taxpayer expectations of first time resolution it is necessary to integrate the call centres into a broader entity called contact centres. The first step toward this entails extensive training of staff – drawn from various business units. This will empower them to deal with taxpayer queries more effectively.

Our service programme

The Service Programme for 2008 has as its purpose to fundamentally improve the service delivery capability of SARS to taxpayers. It was recognised in 2007 that for SARS to have a profoundly positive effect on taxpayer service delivery, a number of drastic and important initiatives needed to be concluded within the 2008 calendar year. Improvements of both a physical and logical nature are planned with the explicit outcome of improved taxpayer service the eventual result.

1. Better case management

Far reaching changes relating to technology within the contact centre environment are planned as a major part of the Service Programme implementation. Existing software and infrastructure will be replaced (where necessary) and more suitable and cost-effective solutions will be introduced to SARS.

The introduction of the Service Manager system (which will also be linked to digitised assessment files) will enhance our call centre agents' capability to better manage taxpayer cases and respond to their queries effectively. For example, call centre agents will now be able to classify, trace and resolve taxpayers' queries using Service Manager alone.

The Interactive Voice Response (IVR) will handle taxpayer queries which are generic enough to be automated. The direct effect of the IVR on call centre agents is that they will now be able to handle calls from taxpayers which will require more technical attention. In the short term, the IVR will only be released in English, but in the long term, it will be made available in all 11 official languages.

2. Improved access to core systems

Agents will now have access to the following core systems: Income Tax System (ITS), Pay-as-you-earn (PAYE), eFiling, ATP and CAPE. In this way, agents will be able to offer more informed service to taxpayers.

3. Digitised assessment files

This process was piloted in the 2007 Assessment Programme at the Alberton scanning facility. The scanning facility will now be extended to other assessment centres in the Western Cape and KwaZulu Natal.

4. Introduction of the integrated database of taxpayers

The introduction of the integrated database of taxpayers is another breakthrough for SARS with the following intended benefits:

- Agents/consultants will be able to verify and update taxpayers' details
- It will consolidate taxpayer data across SARS systems
- System to allow cross-referencing of details using 3rd party data

5. Establishment of a Contact Centre

One of the biggest and most significant changes planned is the migration from a Call Centre to a Contact Centre. The establishment of the Contact Centre is a means to streamline work flow processes and make effective use of the existing service channels.

The objective is to achieve a high First Call Resolution (FCR) rate. Good contact centres achieve in excess of 80% FCR rate. Even though the current Call Centre offers a high answer rate, this is not matched by its ability to offer first call resolution. The introduction of contact centres will contribute to our business objective of ensuring a better taxpayer experience.

They will contribute to a more meaningful interaction with SARS because our Contact Centre agents will be empowered and have access to data at their finger tips to better respond to taxpayer queries. The objective is to resolve all queries on first contact - if the agent is unable to resolve the query they have the back-up of a pool of experts and specialists to whom the query can be referred.

This will significantly cut down on taxpayers having to contact SARS repeatedly and waiting for protracted periods of time and it will alleviate a substantial amount of unnecessary frustration before a query is resolved.

Changes to the Income Tax Assessment Process

1. A new single dynamic income tax return for individuals

The IT12S and IT12C introduced last year will be merged into a single income tax return for individuals – the Personal Income Tax Return. The first two pages of the Personal Income Tax Return will essentially be the equivalent of a taxpayer's IRP5 and will cater for the needs of most standard individual taxpayers who only have a single IRP5 with no medical or retirement annuity deductions. For those taxpayers whose tax affairs are a bit more complex the form can be automatically customised for their needs.

SARS has developed an electronic “wizard” that will pose a series of logical questions to taxpayers who request a form and depending on their answers the system will produce the tax return that best meets their requirements. The wizard can be accessed electronically, via the phone or if taxpayers come into our offices, via the branch front end.

So, for example, if taxpayers indicate that they have CGT, foreign dividends and business income, they will receive a return including those fields.

This user-friendly interface will make for a less intimidating experience for taxpayers. It will also greatly reduce errors on forms where during 2007 taxpayers completed fields not required or not applicable to them.

2. A customised return pre-populated with verified IRP5/IT3A information:

Not only will individual taxpayers this year receive a return that is customised for them, SARS will for the first time pre-populate the returns with their personal information and with the verified IRP5 data that has been submitted by their employers.

To taxpayers the benefit is far less effort to fill in returns. To both SARS, taxpayers and practitioners there is the benefit of reducing errors, as well as enhancing the speed of assessment and service.

3. Tax returns on request only:

A fundamental change this year is that SARS will not bulk mail income tax returns to taxpayers. Taxpayers will be required to contact SARS to request a return via a tollfree number, from any SARS office or downloaded via eFiling.

4. Staggered submission dates:

Following the success of our staggered submission deadlines last year, taxpayers and their practitioners will again have the choice of when and how to submit their return starting from 1 September 2008. Those who choose electronic methods of submission will have additional time to meet their obligations.

5. Reducing the number of taxpayers required to submit a tax return:

Taxpayers earning up to R120 000 per annum who have a single employer and no additional income or deductions to declare will not be required to submit an income tax return. It is anticipated that approximately 800 000 taxpayers will be affected. (All taxpayers will still be required to register, although their filing obligations will be different).

This substantially reduces the processing volumes for SARS as well as reducing the compliance costs for the affected taxpayers.

6. A choice of language:

In line with government's objectives to promote multilingualism, the new Personal Income Tax Return and associated communication and correspondence will be available in multiple languages.

PAYE in 2008

The process of employers deducting and paying over tax on behalf of employees – most notably the annual PAYE reconciliation process – is the cornerstone of the Personal Income Tax process. This process has for a long time presented difficulties for both employers and SARS.

By fixing the PAYE reconciliation process this year we are able to both enhance the administration of this core element of the income tax system as well as address the challenges of accuracy of third party information encountered during last year's Filing Season – which will allow us to pre-populate returns for employees.

Why are we changing the PAYE process?

Under the old process it was very difficult to fully reconcile the annual PAYE account – in part because it was a combination of a manual and electronic process and a combination employer/SARS process. The

new process is fully electronic and gives employers the ability to finalise their own reconciliation without relying on input from SARS. So the new process is easier for employers – and allows us to pre-populate employees' tax returns with accurate tax certificate information.

A simplified PAYE reconciliation process

We have simplified the IRP501 reconciliation form to give employers the ability to perform their own reconciliation before they send it to SARS. This new form will be available for download from www.sarsefiling.co.za or from your nearest SARS branch from 1 July 2008. You can already see a draft version of it on www.sars.gov.za. The EMP501 allows employers to calculate any difference between the total value of the tax certificates issued, their total annual declared liability (as per their monthly EMP201s) and their total payments to SARS – which simply results in a credit amount to be refunded or debit amount to be settled with SARS. Employers simply submit this EMP501 with copies of all their tax certificates to SARS. They can submit this via eFiling or on disk as they have always done it – or manually via a branch.

Custom-built software to help employers with their reconciliation

SARS has developed custom-built software which allows employers to complete the entire reconciliation process easily and electronically. This SARS software will be compatible with all major payroll systems and will be available for download from www.sarsefiling.co.za or from any SARS branch from 1 July 2008. For those employers who prefer to work manually, we have also simplified the manual process including new IRP5 booklets which they will also be able to download or collect them from a SARS branch from 1 July 2008.

Filing season for employers

For the first time we will have a Filing Season for employers during which they need to complete their PAYE reconciliation process. This 60 day period will run from 1 July – 29 August 2008. It is important that employers meet this deadline because their employees cannot submit their income tax returns until they have completed the reconciliation process.

When can I get the new EMP501?

A draft of the new form is available on www.sars.gov.za. The actual version of the form in either electronic or manual format will be available for use from 1 July 2008.

When will the new software be available?

This will be available for download from www.sarsefiling.co.za or from your nearest SARS branch from 1 July 2008.

Is the new software compatible with existing payroll systems?

The new software is designed to form a link between an employer's existing payroll system and SARS and it is compatible with all major payroll systems. We have been working with the Payroll Authors Group to make sure this process works smoothly – the members of the PAG will also be hosting a series of workshops of their own to help their clients implement the new process and software.

Can employers use the software if they don't have a major payroll system?

Yes. The software can be used to meet PAYE reconciliation requirements without a major payroll software system. Employers can either use the SARS software on its own to capture all their tax certificates (if they are manual) or they can create a CSV file of all their electronic certificates using other programmes such as EXCEL.

What if employees' tax certificates have already been printed?

As long as these certificates are correct, they may be handed to employees so that they can compare them to the information which will be pre-populated in their tax returns.

What if a CD has already been made with certificates?

The new software will import the CSV files into the programme and then populate the EMP501 with this information. It also allows an employer to capture any manual tax certificates they may have. The software then allows an employer to either send all of this electronically to SARS via eFiling or burn this all onto an encrypted disk (for security) to hand to SARS

When is filing season for employers?

Filing Season for Employers starts on 1 July 2008 and ends on 29 August 2008. This is exactly 60 days – the same period as employers have always had in terms of legislation for the completion of reconciliation.

What happens if an employer can't submit in time for the deadline?

Most importantly, employees will not be able to receive a pre-populated income tax return until an employer has completed the reconciliation. There are also stiff new penalties for employers who fail to comply with the 60 day requirement. As always, SARS has the discretion to impose these penalties – so if an employer is trying to comply SARS will assist them but if they don't make an effort to comply SARS is less likely to be sympathetic.

What employers can do to help their employees

Employers need to make sure they complete their PAYE reconciliation as quickly as possible – the sooner they do it the quicker their employees will get their income tax returns (and refunds where applicable). Employers can also provide access to their employees to SARS eFiling so they can file their returns electronically which saves time and money.

What employers can do to prepare for filing season

- Ensure that where payroll systems are used that all the information has been captured and has been finalised.
- Consolidate the PAYE related liabilities declared and the actual payments made for the tax year.
- Ensure that employee information is up to date. Specifically ensure that ID and IT reference numbers are correct.

What is SARS doing to help employers prepare?

Over the coming weeks we will embark on a campaign to help employers, payroll administrators and practitioners to prepare for and implement the new changes. This will include regional training workshops where we teach you how to complete the EMP501 and how to use the new software. You will be notified of these workshops via our email updates to registered practitioners. If you are registered for eFiling you will also be receiving updates and the latest information via email.

2008 milestones for employers

May – 30 June:	Preparation and training
1 July:	Filing Season for Employers starts EMP501 available SARS payroll software available
29 August:	Deadline for PAYE reconciliation

Changes affecting individual taxpayers

Pre-population of returns

This year we are introducing a new Filing Season for Employers during which all employers must send verified copies of employees' tax certificates to SARS. This will take place between 1 July and 29 August. SARS will then take this information and enter it onto taxpayers' tax returns for them.

What happens if an employer sends SARS the wrong information?

Taxpayers are still responsible for the information in their income tax return. So taxpayers still need to check all the information on their returns – including the information which SARS completes for taxpayers – to make sure it is right before they sign and submit it to SARS. Taxpayers must check their employee tax certificate information against the IRP5 their employer gives them – and if it is wrong taxpayers must correct it on their returns.

What is SARS doing to make sure all employers submit on time?

We have been working closely with employers and representative organisations to plan and implement this Filing Season for Employers – and most employers are excited about this year's changes. SARS will also be reminding employers of the deadline in an advertising campaign like we do for the traditional Filing Season. We have also introduced stiff penalties for employers who do not comply with the 29 August deadline.

What happens if my employer does not send SARS my information in time?

SARS can't provide taxpayers with a pre-populated return – and we can't process their returns - until we get their tax certificate information from their employer. But obviously we will not penalise taxpayers for the non-compliance of their employer. We will keep a record of when the employer submits the information and taxpayers will then have three months after this in order to submit their return. Taxpayers can also receive a blank return from SARS in exceptional cases.

What happens if someone is not employed or is self-employed?

If a taxpayer does not have an employee tax certificate (IRP5) then they will obviously receive a blank return. Taxpayers will still order their return using the return request form or the toll-free number but will indicate that they don't have an IRP5.

How does SARS know what fields to build into a taxpayer's return?

Taxpayers need to tell SARS what kinds of income and deductions they had during the previous tax year so that we can build a customised return. Taxpayers can do this by filling in a quick and easy form that we will send you during July or from 1 August 2008 - you can also call the Call Centre or visit your nearest branch to request your return. Of course, the easiest way is to use SARS eFiling where you can simply build your own return.

What can taxpayers do in the meantime?

If a taxpayer's postal address has changed since last year then they should update their details with SARS so that they can receive their customised return. They can do this by visiting their nearest branch or calling the Call Centre.

If you have access to the internet you can also register as an eFiler to enjoy all the benefits and advantages of this free, secure, electronic filing facility. Visit www.sarsefiling.co.za

The new Personal Income Tax Return

Getting a copy

All taxpayers will be sent a letter by SARS to explain the latest changes. They will be instructed to request their return either through a tollfree number, by visiting their nearest branch or through eFiling, where it will be customised through a wizard. However:

- If an employer uses the new software provided by SARS for reconciliations, then IRP5s will automatically be pre-populated onto a tax return which the employer can print out and give to the employee. If the employee has no other income or deductions, he will simply sign it and send it in to SARS.
- If an employee is given an electronic copy of their IRP5 by their employer and they are registered for eFiling, the computer can automatically pre-populate a Personal Income Tax Return through the new offline facility on eFiling.

What does the Personal Income Tax Return look like?

The Personal Income Tax Return will vary in length, depending on the taxpayer's customised requirements. The taxpayer will call in to the Contact Centre, visit a branch office or log on to eFiling. They will then have to answer questions on a "wizard". If they are a standard taxpayer with no extra income/deductions, the first two pages will be pre-populated. If, for example, they have medical

deductions and contributions, they will also be sent the page relating to medical deductions. The length will also depend on whether it is filled in manually or electronically. If filled in manually, there is a standard number of lines for income (12) and for deductions/contributions (8). However, electronically there will only be the number of lines relevant to the particular taxpayers' situation.

Submitting the Personal Income Tax Return

Once completed, the Personal Income Tax Return can either be posted to SARS, dropped off at a branch office or submitted electronically via eFiling. Our preferred channels of submission are, in order of preference:

- eFiling will be promoted as the preferred method,
- then branch capture,
- followed by manual completion (postage).

2008 milestones for individual taxpayers

July 2008:	Order your customised income tax return
1 August 2008:	The return request process starts
1 September 2008:	Filing Season for Individuals begins
21 November 2008:	Deadline for submission of manual returns
23 January 2009:	Deadline for submission of electronic returns (eFiling)

Other changes to the assessment process

- **Enhanced call centre support and tracking of return progress:** We will introduce automated responses at our call centre through Interactive Voice Response (IVR) software to deal with the most common enquiries including updates on the status (progress) of returns. Taxpayers will also be able to request the issuing of a customised tax return via IVR.
- **Automatic registration:** 2008 will see the introduction of an automated registration process based on employer data. Not only will this help build the taxpayer register, but it will also lay the groundwork for supporting social security in the future
- **Interest date:** For the first time, SARS will be paying individual taxpayers interest owed on credits from a specific date. It will also be collecting interest on amounts owed from a specified date, rather than a date dependant on a taxpayer's assessment.
- **Tax calculator:** 2008 will see the development and introduction of an easy-to-use Personal Income Tax Calculator which will be made available to taxpayers via three key channels Branch Front End (BFE), eFiling and a stand-alone site, probably on the SARS website. The calculators will enable taxpayers, both standard and complex, to gauge their estimated tax liability prior to submission, and compare that to their actual assessment findings once received back from SARS. It is believed that this will reduce unnecessary queries to the Call Centres and Service Centres, improve overall client service and result in the automation of a taxpayer's tax liability calculation.
- **eFiling enhancements:** eFiling also sees major changes as part of the Assessment Programme 2008. Significantly, offline capabilities for Personal Income Tax, Corporate Income Tax and Practitioners will be introduced in response to feedback from taxpayers. Separate 'personalities' or portals will be developed to cater for the specific needs of Individuals, Companies and Practitioners and the current online help facilities will be enhanced to support additional user requirements. Interactive forms and guides are also planned for 2008 and automated query resolution and categorisation is currently under development.
- **Expansion and enhancement of scanner capability:** Tshwane, Cape Town and Durban will be benefiting from the introduction of digital file handling. All the new forms will be capable of being scanned. An element of back-scanning is also planned.

A new offline filing solution for practitioners

In response to the request from practitioners, and specifically considering the current constraints of bandwidth and the associated costs of having to interact online, coupled with the concerns surrounding the energy challenges faced by ESKOM, SARS is proud to present a new suite of offline applications.

The suite of applications presents practitioners with the ability to interact with SARS in an occasional connected fashion. This means that the practitioner is not required to carry the expense of a permanent internet connection and can submit their data to SARS once they have completed their declaration. When the practitioner is required to be online (to submit data directly to SARS), the application will operate in an online mode. If no connection is available, the application will still be fully functional in an offline mode. It is only at the point that the user wishes to interact with SARS electronically that the application will require connectivity.

The application will provide the practitioner with a central location to manage companies, individuals, payroll related taxes, trusts and exempt institutions. As with the other applications in the suite, there will be a local repository to store all supporting documents and interactions with SARS (including SARS correspondence and assessments). The application will also allow for greater reporting ability than has been the case with the earlier versions of eFiling.

The core technologies that allow the suite of applications to operate provide a platform for Windows, Apple Macintosh and Linux users. It has a relatively small footprint on the desktop but will provide for multiple installations within the same organization. The selection of Adobe technology also carries the added advantage that the software is free to the end user.

Important dates

Employer submission dates	
1 July 2008	New PAYE reconciliation process goes live (Release of new software and new EMP501 manual and electronic forms)
29 August 2008	Deadline for PAYE reconciliations
Taxpayer filing dates (Individuals)	
1 September 2008	Filing Season opens for individuals, trusts and exempt institutions
21 November 2008	Deadline for manual submission of individual income tax returns
23 January 2009	Deadline for electronic submission of individual income tax returns (eFiling)
Trusts	
19 December 2008	Deadline for manual submission
20 February 2009	Deadline for electronic submission
Exempt institutions	
	12 months after financial year end
Companies	
	12 months after financial year end

Working together

The new process is aimed at simply making the entire process easier to administer for you and for us – with exciting benefits to taxpayers.

The modernisation program taking place in SARS will continue to simplify processes, policies, systems and documentation.

The new process offers a range of benefits to practitioners, with our commitment to providing exceptional service to those who partner with SARS in ensuring compliance. We will do this by:

- Enhancing our service support to practitioners;
- Further enhancing the electronic tools to assist practitioners in meeting and managing their workload;
- Reducing the scope for errors and work required in completing returns;
- Ensuring swift turnaround times for returns submitted via our preferred channels.

Practitioners will specifically find great benefit from:

- our enhanced eFiling functionality, which will allow practitioners to work on their clients' affairs offline and then upload the information in bulk to eFiling when ready to do so;
- pre-populated returns, which will significantly reduce the work required from practitioners in the completion of returns;
- the new tax calculator which can be used to calculate assessed liability upfront, which in turn assists in ensuring that returns are completed correctly and allows taxpayers to plan for any additional liability they may incur;
- the creation of new business opportunities for them to provide their services to employers: given that not all employers (especially very small employers) have the capability and skill for the electronic completion of the new EMP501 and electronic capturing of tax certificates, and the lack of SARS branches in all areas, practitioners could offer an added service to employers of the electronic reconciliation and capturing of PAYE returns.

We look forward to working together with you to improve the tax administration system, and will be providing you with more comprehensive guides in respect of each of the topics mentioned in this brief overview guide.

Regards,