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What Auto-Assessed Taxpayers Must Know as the November Deadline Looms

“The hardest thing in the world to understand is the income tax” (Albert Einstein)

A year after the first mass auto-assessments were issued by SARS in 2020, many more taxpayers are facing the 2021 tax season deadline of 23 November - just days away!

Read on to find out what has changed since last year, what is still the same and important to know, and why you need to contact your accountant before accepting or editing a return/auto-assessment result.

What's changed since auto assessments were introduced last year?

- SARS expanded its auto assessment features to more than three million taxpayers, after auto assessing more than 83% of taxpayers last year.
- Engagements with taxpayers this year will be through SARS's various digital platforms:



- **The SMS channel** (47277) is a new free self-help SMS service for taxpayers to, for example, request tax numbers or check if they need to submit a tax return.
 - **SARS online self-help system** at [sars.gov.za](https://www.sars.gov.za) (click on the “Online Services” icon) for various functions such as requesting Tax Reference Numbers or uploading supporting documents.
 - **Chatbot “Lwazi”** on eFiling and MobiApp, for answers to tax-related questions and requesting information such as a Statement of Account, or an Audit or Refund Status.
 - **Video or telephonic appointment** with a SARS official - eBookings can be made via the SMS channel; the “Book an appointment” icon on www.sars.gov.za (halfway down the Home Page on the left); or via the toll-free number 0800 00 7277 (select “0” to make an eBooking).
- In September, SARS confirmed that a once-off penalty will be imposed for late submission of Personal Income Tax returns for taxpayers who respond to the auto assessment after SARS has issued an “estimated assessment”.

What is still important to know?

- If you have been auto-assessed, you will receive an SMS from SARS. If you have not received an auto-assessment SMS, it does not mean you don't have to file a tax return. Non-provisional taxpayers who were not auto-assessed must still file their returns by 23 November, either digitally using eFiling or the SARS MobiApp or by making a booking at a branch.
- The auto assessment is not an assessment for the purposes of the Tax Administration Act, but a notice for individual taxpayers to access their eFiling profile to review the ‘proposed tax return’ that has been pre-populated or partially completed by SARS.
- Accepting SARS’ ‘proposal’ will result in this return prepared by SARS being submitted on behalf of taxpayer and an ITA34 assessment being issued.
- Choosing the ‘Edit’ option will populate a detailed tax return that can be edited and filed as normal. An ITA34 assessment will be issued based on this return.
- Failing to either accept or edit an auto-assessment result by 23 November 2021 will result in SARS raising an ‘estimated assessment’. This is a final assessment of the information about a taxpayer available to SARS and cannot be changed – if the information is incorrect, the dispute process will have to be followed.
- SARS says at least 70% of taxpayers will receive refunds due within 72 hours if nothing else is required. SARS also says taxpayers can expect very specific requests where outstanding information is holding up an assessment.
- Whether you have received an auto assessment or not, and whether you have accepted it or not, it is best to contact your accountant – to ensure you cover yourself against any possible mistakes.

7 reasons to contact your accountant before you do anything!

1. SARS will never request banking details via email, post or SMS. If you have received an auto assessment SMS, check with your accountant that the communication you received is legitimate.
2. Don't assume that the partially completed auto assessment return must be correct because it was pre-populated by SARS. The third-party data from employers, financial institutions, medical aids and others may be incorrect or outdated, and some information may be missing. Your accountant will help you fulfil your responsibility to check for omissions and mistakes before accepting.
3. Professional advice will protect you against non-disclosure, which can result in penalties and interest and even criminal prosecution. Omissions could include, for example, income from sources other than reporting third parties like a capital gain, rental income, cryptocurrency, or offshore investments. SARS’

significantly improved abilities to draw taxpayer information from local and international third parties make it easier than ever before for SARS to detect incorrect or undisclosed information.

4. The auto assessments will not in all cases include all the allowable deductions, such as wear and tear, home office expenses, donations to charities and travel expenses. Your accountant can help ensure that all allowable deductions are included to prevent a larger tax liability than necessary.
5. Accepting an incorrect or incomplete return, whether by accident, negligence or through ignorance, can even lead to criminal prosecution. Accepting the auto-assessment result will also eliminate your ability to dispute the assessment later. Even if the auto assessment seems right, first check with your accountant.
6. Failing to accept or edit an auto assessment result by 23 November will result in penalties – or worse. Taxpayers can be convicted of an imprisonable criminal offence for, among others, *failing to submit a return when required to do so*; retaining all relevant substantiating records; providing any information requested by SARS; or not disclosing any material information to SARS; even if this is due to negligence or ignorance.
7. An average of 12% of returns submitted last year were selected for audit and verification. Both these processes are time-consuming and expensive – your accountant can help ensure you are ready for either audit or verification.

How To Get a R1.8m CGT Exclusion When Selling Your Small Business

“The tax on capital gains directly affects investment decisions, the mobility and flow of risk capital... the ease or difficulty experienced by new ventures in obtaining capital, and thereby the strength and potential for growth in the economy” (John F. Kennedy)



Since October 2001 South African tax residents have been liable for capital gains tax (CGT) on the disposal or “deemed disposal” of assets, such as a business or a property. Events that trigger a disposal include a sale, donation, exchange, loss, death and emigration.

For individuals, the CGT rate is a stiff 18%. No separate registration for CGT is required. Since CGT forms part of the income tax system, a person must simply declare capital gains and capital losses in the annual income tax return. All capital gains and capital losses made on the disposal of assets are subject to CGT unless excluded by specific provisions.

One of the lesser known of these exclusions offers CGT relief, for individuals older than 55, up to R1.8 million on the disposal of a small business with a market value not exceeding R10 million; or active business assets of a small business; or an interest in a small business.

Start planning for your retirement with this exclusion

The exclusion is ideal for those thinking of selling their small business to retire. Whilst, as we see below, you have to be over 55, or disposing because of retirement, infirmity, ill-health or death to actually take advantage of it, it makes sense for a business owner of any age to start planning upfront to meet the various requirements.

Of course, pages of conditions apply, and these are described briefly below to help you determine if this exception is applicable to you already, or how it can be applied to your future planning should you dispose of your small business; your shares in it; or the qualifying assets.

Do you qualify? Take the quiz!

If you answer yes to all these questions, you may qualify for the R1.8 million CGT exclusion.

1. *Do you, as an individual, own a small business or a share in a small business?*

A small business is defined as one in which the market value of all the assets is less than R10 million. The business liabilities are not included in the calculation.

The individual may be a sole proprietor; run the business in a partnership; or hold a direct interest relating to 'active business assets' and have a shareholding of at least 10% in the company.

2. *Are you older than 55? Or is the disposal in consequence of ill-health, other infirmity, superannuation or death?*

3. *Will the gain (profit) from selling the assets or business accrue to you personally?*

4. *Have you held the business or interest in the business for a continuous period of at least five years?*

5. *Have you been substantially involved in the running of the business during the above-mentioned five-year period?*

If, for example, you employ a full-time manager to run the business, the exclusion will not apply.

6. *Is the market value of all assets of the small business (as well as other businesses owned) less than R10 million at the date of disposal?*

The market value of all assets - whether 'active business assets' or not - must be included. If you are a sole proprietor of a business, who also owns a rental property, both these assets must be included. If you own more than one small business, the combined assets of all your businesses must be less than R10 million.

If the business is a partnership, and the business assets of the partnership has a combined market value of more than R10 million, none of the partners qualify for the special CGT exclusion.

7. *Is each asset eligible for the capital gains exclusion?*

Eligibility is determined on an asset-by-asset basis because the exclusion only relates to "active business assets". These include moveable assets such as furniture and equipment used **exclusively** for business purposes.

For immovable assets like a building, where part is used for personal purposes, the capital gain must be apportioned between business use (exempt) and non-business use (not exempt). Assets generating passive income (investment income, rental, royalties) and financial instruments (bank deposits, loans, options, shares, unit trusts and more) are also not exempt.

8. *Will the capital gain be realised within two years from the date of the first disposal?*

If you sell the business in stages, you only qualify for the exclusion when the full capital gain is realised at the completion of the sale, and that must be within two years.

9. *Have you already made use of the exclusion?*

This CGT exclusion is cumulative and limited to R1.8 million during the natural person's lifetime. If you sell your business this year and claim R800,000 as a capital gains exclusion, you could possibly have R1 million to deduct in the future against the capital gain of another business. Any capital gain above R1.8

million is taxed as per usual.

Best advice!

CGT is a very complex area and there are many issues to be considered.

However, not taking advantage of this exclusion if it applies to you could make a substantial difference to your future plans.

For example, let's say you bought shares in a company 7 years ago for R2 million, and have since been actively involved in running the business. You decide to sell your share for R4 million, triggering a capital gain of R2 million.

Taxed at your marginal rate of 18%, the CGT due would amount to R360,000 (R2 million x 18%). Applying the R1.8-million exclusion, only the remaining R200,000 is taxed at 18%, reducing the CGT due to R36,000.

Take professional advice to ensure that you qualify for the maximum benefits while ticking all the compliance boxes.

Boost Your Business Plan – Build an Effective Website with These 6 Tips

*"Almost overnight the internet has gone from a technical wonder to a business must"
(Bill Schrader)*



No matter the size of your business or what industry you are in, building and maintaining an effective website should be at the heart of all your planning. The internet has become an essential part of everyday life and having a presence

online is extremely important for anyone conducting business in 2021. **According to a recent survey conducted by Weebly, 56% of the consumers surveyed said they don't trust a business without a website.**

A website provides a business with numerous benefits, even those businesses who may not think this is the case. Websites expose businesses to a wider audience, provide leads to people already interested in your service, and help save on advertising costs, but only if they are done right.

A website that exists, but that is unattractive, unhelpful or simply impossible to find will instead do damage to a brand. As a customer's most likely first port of call for a business, it is essential it reflects the service and diligence put into all other aspects of the enterprise. Here's how you make that happen.

1. Buy a good domain name

On the surface choosing a domain name may seem like a simple thing. Most people will immediately focus on their brand name and leave it at that, but what if your brand name doesn't make it clear what you do or has already been taken by another company?

In the instances above it might be wise to reflect your industry in the domain name. If your travel company is called Bob's, using the domain name BobsTravel tells potential customers more about what you do, and also gives you one key word that helps the client stumble upon you when searching for their new holiday.

Apart from the simple name it's also important to remember to keep the domain name as short as possible to make it easier to remember. Those with fewer

than 15 characters or 3 words have been shown to be easier for people to memorise. It is also important to avoid using numbers, hyphens, double letters, and special characters to avoid misspelling, which also applies to making the name easy to pronounce. The simpler it is, the more likely your clients will remember what to put into their browser.

2. Focus on the platform

Choosing which platform to build your website on is going to be critical to its success. The platform you choose will depend entirely upon the kind of website you are looking for. A simple business card style website might be built using online website builders, but as soon as you need anything more it would be wise to consult a professional web design company to ensure your needs are properly met.

For starters the business owner will want to consider the platform's ability to correctly display the website on a variety of new and old browsers. Having a website where some browsers are not supported is a good way to frustrate your potential clients.

Mobile responsiveness is also critical for a website to be effective. According to the most recent Media Nations Report by British regulator Ofcom, the average adult now spends five hours and 40 minutes looking at their phone every day. Needless to say, this means your business' mobile website must offer a positive user experience so the platform you choose must integrate seamlessly with mobile browsers.

According to Steve Grey, Creative Director of web design company Plastic Duck Armada, other things to consider include the platform's ability to scale at a later date. Building a site that can easily be added to as your company grows allows you to upgrade for lower cost in the future. It doesn't make sense to build a website that needs to be thrown away a year later simply because it won't include a feature you now desperately need.

"Maintenance is something very few people consider," says Grey who explains that as technology advances sites will need to be updated to keep up with the new developments in browsers and web searching technologies.

"Is there a high cost involved in updating your platform? How easy is it? Can someone in-house be trained to do it? This is all going to have a long term impact on how much the site costs and how effectively it runs," he explains.

Likewise he says people should consider how easy it is to upload new information to the site.

"Do you need a blog? Is that system intuitive? Can you update it regularly by yourself or do you need to now hire someone to do it?" asks Grey.

The final thing to consider according to Grey is the plug-ins and themes which can alter the look of your site. If you want to update the appearance of the site in a few years, do you need to scrap everything and start again, or is it simply a matter of buying a new theme?

"Ultimately this all comes down to cost and time. With a little forward planning and choosing the right platform you can actually save a lot of money," says Grey.

3. Make it easy to find: SEO

Search Engine Optimisation (SEO) refers to practices that help your website appear and rank on search engines. This is one of the most important issues to consider when building your website as, according to WebFX, organic searches through search engines now drive more than 50 percent of all website traffic. As a comparison, paid search only drives 10 percent of site traffic, while social media takes credit for just five percent of website traffic.

Your ranking on Google is influenced by a number of factors, all of which must

be considered when building a website. Perhaps the most surprising of these is the speed at which your website loads – no matter how good they are, websites filled with large images and videos are getting bumped down the rankings. Ensuring your site is enriched with meta descriptions, and that its tags, images and text are all reflective of your business and the industry will ensure it is found more easily by your potential clients.

Making sure these are optimised requires you to do keyword research on which words you should use to better help Google understand what it is you do, and therefore send the right people to your site. Correctly linking your pages and sharing your site map with Google and the other search engines, to put the site on the right searches.

4. Security is important

According to the Washington Post, global losses from cybercrime skyrocketed to nearly \$1 trillion in 2020 and these losses are only growing each year. It is therefore vitally important to protect the integrity of your website and therefore your brand name.

This can be done by creating strong passwords that include random characters, capitals and numbers and are at least 15 characters long to avoid brute force attacks. Updating your site regularly will prevent hackers from exploiting weaknesses and bugs in the code, while running regular backups will allow you to quickly restore the site should it be hacked anyway. Anti-malware software will stop web scanning, DDoS attacks and remove any Malware, which does manage to infect the site. Finally installing SSL will encrypt data transferred between you and your users thereby preventing hackers from reading and exploiting it.

5. Keep it easy to use

There is nothing more intimidating for a customer visiting a new site than non-intuitive, cluttered web pages. Keeping things open, clear and easy to read will reduce the pain points for customers, while also helping them to find what they are looking for.

The ideal website has five or fewer tabs at the top to navigate and each page should also offer a clear way to get back to the homepage, as often Google searches may take your reader to a page on your website other than the homepage.

Limit the use of fonts, colours, and GIFs, which can distract and pull the eyes away from the focus of the webpage. Short paragraphs and bullet points also make the information easier to read.

The whole point of your website is to get people to contact your business or to buy something. It's perhaps surprising then how difficult information can be to find. If your business depends on people being able to contact you or call your sales team, put that information where customers can find it easily. Don't be afraid to put contact information where it can be found, even at the top of the homepage, so that visitors don't have to search for a phone number or address if they want to contact your business.

Similarly, if the company uses social media to connect with customers, social media links should be in the website header or footer where they can be easily found.

On sites where ecommerce is an option, the average cart abandonment rate is a staggering 69.57%, meaning most users don't complete their orders after setting products aside. The most common issues are all linked to complexity and a lack of information - unexpected extra costs, members-only checkout, and a lengthy checkout process. Keeping it simple is clearly the right choice in every circumstance.

6. Market your website

Marketing your website is going to be essential if you want to climb in the search rankings and increase the number of brand new clients it attracts. While social media and paid Google adverts are common ways to market sites it's usually the more subtle things that climb a site up the rankings and ultimately affect profitability. There are numerous cheap and free tools on the internet that can help with getting the website in front of the people who need to see it as well as helping them once they are on the site. These include, Google My Business, HubSpot, BuzzSumo and MailChimp.

While social media only accounts for 5% of all web site traffic it is an area that is completely in your hands as business owner. Using a good social media management tool and properly engaging with clients and followers is a great way to attract new business and owners should not ignore it. There are numerous cheap or free social media management tools to help put up the correct posts and monitor their success, such as Hootsuite, Sprout Social and Buffer.

Take professional advice on formulating your business plan with a website at its core, using these simple tips to ensure that it helps drive sales and boost profitability.

Cloud Computing Offers Small Businesses New Age Solutions for Less

“Cloud is about how you do computing, not where you do computing” (Author and former CEO of tech company VMware, Paul Maritz).



“Working in a cloud” favours companies of all sizes, specialising in different trades, and allows them to manage their work according to their own preferences of operations. The “cloud” is simply a server facility.

Smaller businesses looking to adopt cloud computing and digitalising their workload would need to make sure that all members involved in the value chain are properly connected to the internet at times they'd need to perform their duties. However, as South African small businesses become more reliant on the internet – the reality of the three “economic disablers” affecting this country creeps in from time-to-time. These are copper theft, load-shedding and poorer quality internet connectivity.

Small companies looking to adopt cloud computing should be aware of these shortcomings, which are a current reality in the South African economy, and plan around them.

There are digital solutions companies that provide and host cloud computing as a Business-to-Business offering (B2B), for example eNlight Cloud and AWS Cloud Services. However, there are also other software solutions and applications which companies frequently use that have capacity to host cloud computing services without extra charges. For example, Google Workspace gives multiple users the opportunity to work on documents, images, presentations, calendars, sheets and slides, among other things, remotely. All they need is to be granted access through a Gmail account, which is available to the public free of charge.

Working in a cloud has notable benefits, and these include...

- The availability of data in real-time, without the involvement of the originator of the file/data.
- Remote working, particularly during the Covid-19 pandemic where social distancing is advised.

- Businesses are able to save on expenses such as logistical costs.
- The time used to travel can rather be dedicated to work, which could increase productivity.

The disadvantages associated with cloud computing on the other hand include...

- South Africa's digital migration is limited by a lack of computer literacy as discussed [here](#). This is predominantly among the older workforce. This is exacerbated by limited access to digital solutions, with only 52 percent of South Africans using phones and internet regularly, according to a [report](#) on the country's digital divide published by the University of Cape Town.
- Read Huawei's [article](#) on the lack of proper connectivity in Sub-Saharan Africa, which could disrupt operations/production. There is a low rate of access to the internet in South Africa in general, with only 37 percent of households having regular access to the internet according to the [Mail & Guardian](#).
- There is an increased risk of sensitive information being accessed by unauthorised individuals.

Don't get left behind, take professional advice on how cloud computing can benefit your business and save you money on operating expenses.

Your Tax Deadlines for November 2021

- 05 November - Monthly Pay-As-You-Earn (PAYE) submissions and payments
- 23 November – End of Filing Season 2021 for Individuals (Non-Provisional)
- 25 November – Value-Added Tax (VAT) manual submissions and payments
- 29 November – Excise Duty payments
- 30 November – Corporate Income Tax (CIT) where applicable
- 30 November - Value-Added Tax (VAT) electronic submissions and payments



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