

Dear Valued Stakeholder

PERSONAL INCOME TAX — 2024 FILING SEASON UPDATES

SARS is continuing its journey towards building its vision of a smart, modern organisation with unquestionable integrity, that is admired by all. Thus, it is working hard to make it easy for taxpayers to comply with their legal obligations.

The 2024 Filing Season for individuals is scheduled as follows:

- **Auto Assessments:** 1 July 2024 to 14 July 2024
- **Individual taxpayers (non-provisional):** 15 July 2024 to 21 October 2024
- **Provisional taxpayers:** 15 July 2024 to 20 January 2025
- **Trusts:** 16 September 2024 to 20 January 2025

SARS has made the following updates for the upcoming Personal Income Tax Filing Season:

- **DEDUCTION IN RESPECT OF CONTRIBUTIONS TO RETIREMENT FUNDS**

With effect from 1 March 2024, section 11F(2)(a) of the Income Tax Act No 58 of 1962 was amended as follows: where any person's year of assessment is less than 12 months, the aggregate of the deduction to be allowed under section 11F for years of assessment during the period of 12 months commencing on 1 March and ending at the end of February of the immediately following calendar year, must not exceed R350 000.

Example: Taxpayer A ceased residency 31/07/2024

Year of assessment 1 i.e. 01/03/2024 to 31/07/2024:

The allowable retirement fund deduction is R200 000.

Year of assessment 2 i.e. 01/08/2024 to 28/02/2025:

The allowable retirement fund deduction is R150 000 (i.e. R350 000 less R200 000 (deduction allowed in year of assessment 1) and any amount contributed in excess of the limit will be carried over to 2026 year of assessment.

- **EXEMPTION OF AMOUNTS RECEIVED OR ACCRUED IN RESPECT OF TAX-FREE INVESTMENTS**

With effect from 1 March 2024, section 12T(4)(a) of the Income Tax Act was amended as follows: Where any person's year of assessment is less than 12 months, the contribution

limitation stipulated in section 12T(4)(a) of the Act (currently R36 000), shall be adjusted. The adjusted contribution limitation will apply in aggregate for any year or years of assessment during the 12-month period commencing in March and ending at the end of February of the immediately following calendar year.

Example: Taxpayer A ceased residency 31/07/2024

Year of assessment 1 i.e. 01/03/2024 to 31/07/2024:

Taxpayer contributed to a tax-free investment of R20 000, no penalty will apply.

Year of assessment 2 i.e. 01/08/2024 to 28/02/2025:

Taxpayer contributed R30 000 in addition to the R20 000 contributed in year of assessment 1. The 40% penalty will be calculated as follows:

R20 000 contributed in year of assessment 1 plus R30 000 contributed in year of assessment 2 equals R50 000 contributed for the 12-month period, less R36 000 limit for that 12-month period equals R14 000 contributed in excess of the annual limit. A penalty of R5 600 will be imposed, which is 40% on the excess contribution of R14 000.

- **DEDUCTIONS IN RESPECT OF ERECTION OR IMPROVEMENT OF BUILDINGS IN URBAN DEVELOPMENT ZONES**

Section 13quat of the *Income Tax Act*, was amended by substituting the following paragraph in subsection (5) for paragraph (c): “(c) which is brought into use by the taxpayer after 31 March 2025.”

Therefore, the Income Tax Return (ITR12) form will be amended to extend the allowable deduction until 31 March 2025.

- **SOLAR ENERGY TAX CREDIT**

To encourage individuals to invest in clean electricity-generation capacity, the solar energy tax credit was available for one year. It applied to new and unused solar PV panels that were acquired by the individual and brought into use for the first time from 1 March 2023 to 29 February 2024.

The amount of the solar energy tax credit allowed as a deduction to an individual under section 6C was 25% of the cost of the solar PV panels described above, up to a maximum of R15 000.

It should be noted that a deceased estate does not qualify for the solar energy tax credit.

- **REDESIGNED DEDUCTION IN RESPECT OF CERTAIN MACHINERY, PLANT, IMPLEMENTS, UTENSILS AND ARTICLES USED IN PRODUCTION OF RENEWABLE ENERGY**

The redesigned Renewable energy tax incentive under section 12BA will apply to the currently eligible renewable energy sources, with no electricity-generation limits for the duration of this temporary incentive. Certain new and unused assets owned by a taxpayer will qualify if they are used in the generation of electricity. Such assets must have been brought into use by the taxpayer for the first time for purposes of trade on or after 1 March 2023 and before 1 March 2026. Businesses can deduct 125% of the cost incurred with reference to eligible assets, upfront.

Where a taxpayer disposes of an asset on or before 1 March 2026, for which a redesigned renewable energy tax incentive is granted, the amounts deducted (a maximum of 125% of the cost of the asset) will be fully recouped.

- **ITR12 FORM CHANGES — REDESIGN SECTIONS 10(1)(o)(i) AND 10(1)(o)(ii): FOREIGN EMPLOYMENT INCOME EXEMPTION**

SARS has redesigned the s10(1)(o)(i) and s10(1)(o)(ii) questionnaire to make it easier for taxpayers to complete the return.

It noted that the ITR12 form rules were a challenge to taxpayers. Previously, taxpayers had to first select the applicable wizard questions for the income, exemption, and foreign tax credit containers before completing the exemption amount for qualifying criteria.

The updated form streamlines this process, making it easier for taxpayers to complete the return.

- **ITR12 FORM CHANGES — BENEFICIAL OWNER**

For 2024 Filing Season changes, the taxpayer would complete the Details of Partners of his or her partners on the ITR12 where applicable to align with the Beneficial Owner requirement.

Definition of “Beneficial Owner” as extracted from the Tax Administration Act, 2011:

- (a) of a company, has the meaning assigned to it by section 1 of the Companies Act, 2008 (Act No. 71 of 2008).
- (b) of a partnership, means a natural person who, directly or indirectly, ultimately owns, or exercises effective control of, the partnership, and includes—
 - (i) every partner, including every member of a partnership *en commandite*, anonymous partnership or any similar partnership;
 - (ii) if a partner in the partnership is a legal person or a natural person acting on behalf of a partnership or in pursuance of the provisions of a trust agreement, the beneficial owner of that legal person, partnership or trust; and
 - (iii) the natural person who exercises executive control over the partnership; and

(c) of a trust, has the meaning assigned to it by section 1 of the Trust Property Control Act, 1988 (Act No. 57 of 1988);”.

Beneficial Owner is crucial for tax administration because it helps ensure transparency and accountability in financial transactions. By identifying the individuals who ultimately benefit from an asset or income, tax authorities can accurately determine tax liabilities and prevent tax evasion, which information may also assist other competent authorities in the investigation of money laundering, and other illicit activities. Furthermore, Beneficial Owner information facilitates international cooperation and exchange of tax-related information among jurisdictions. This cooperation is crucial in detecting and addressing cross-border tax evasion and ensuring that taxpayers fulfil their obligations in the appropriate jurisdictions.

- **NOTE TO TAX PRACTITIONERS**

In recent years, SARS has observed that Tax Practitioners sometimes put their own details in the contact information section in the place designated for the individual taxpayers that they represent when submitting ITR12 forms. SARS wishes to emphasise to practitioners that when completing and submitting ITR12 returns for individual taxpayers, they must ensure that the container designated for the individual taxpayer’s details is filled with the taxpayer’s information, not that of the Tax Practitioner.

Importantly, it must be noted that there is already a designated container for Tax Practitioners to declare their own particulars. Therefore, Tax Practitioners must not use fields intended for individuals to declare their own details.

In addition, remember that the information in the declaration must be true and accurate.

Sincerely,

THE SOUTH AFRICAN REVENUE SERVICE

JULY 2024