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Different type of company-related taxes

Taxation of a person's wealth and services is a principle going back more than 2000 years. There is simply no escaping your obligation of paying taxes and you should therefore be aware of the typical taxes you will encounter on a regular basis. These taxes are defined in law statutes such as the Income Tax Act number 52 of 1962 and Value-Added Tax Act number 89 of 1991.

A total of 14 taxation laws and bills apply in South Africa however only some will be covered in this article.

Do not avoid paying taxes in your personal or business capacity as you run the risk of additional taxes, penalties and interests from SARS and even a prison sentence if found guilty of tax evasion and tax fraud.

Business owners should ensure compliance with the following taxes:

Provisional Tax

Provisional tax regardless of how small it may be is paid over to SARS in two payments during the financial year. It is a method of paying the income tax liability in advance, to ensure that the taxpayer does not remain with a large tax debt on assessment. Provisional tax allows the tax liability to be spread over the relevant year of assessment.

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Different types of company-related taxes (continued)

Income Tax

An income tax is a tax imposed on individuals or entities (taxpayers) that varies with respective income or profits (taxable income). Income tax generally is computed as the product of a tax rate times taxable income. Taxation rates may vary by type or characteristics of the taxpayer.

Value Added Tax (VAT) - VAT Act number 89 of 1991

This is an indirect tax, which means the government receives money from the manufacture or sale of goods and services. Your are obliged to register as a VAT vendor if your business generates a turnover greater than R1 million per annum.

Registration is voluntary is your business turnover is greater than R50 000 but less than R1 million per year.

Dividends Tax (section 64D to N of the Income Tax Act)

Dividends tax is borne by the shareholder but paid over to SARS by the company issuing the dividend. This tax is currently levied at 20% and payable to SARS in the month following the month in which the dividend was paid. This employee tax is refundable to the extent by which it exceeds tax as determined on individual employee tax returns.

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Different types of company-related taxes (continued)

Capital Gains Tax (CGT), Eighth Schedule to the Income Tax Act, 1962.

Capital gains tax (CGT) was introduced in South Africa with effect from 1 October 2001 and applies to the disposal of an asset on or after that date. Only the capital gain or loss attributable to the asset must be brought into account for CGT purposes.

The following are some examples of disposals:

- Sale of an asset
- Donation of an asset
- Death
- Cessation of residence (from your country)
- Loss or destruction of an asset

Pay As You Earn (PAYE) Income Tax Act number 52 of 1962

PAYE is a tax on income payments to employees. The amounts withheld are treated as advanced payments of income tax due.

Note that a draft Amendment Bill for Income Tax Act number 52 of 1962 was published for comment on 16 July 2018 detailing a number of proposed changes to the Act.

Contact Fincor Professional Accountants at your earliest convenience for more information related to taxation.