TAX BREAKS

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THIS MONTH

COMMENT

Levelling the playing fields?

Why South Africa should seriously consider taxing its wealthy citizens

By: **INGRID WOOLARD**

IT'S WELL-ESTABLISHED that South Africa has one of the most unequal income distributions in the world. Despite significant efforts by the State to stimulate inclusive growth, the income gap between the rich and the poor has continued to widen in post-apartheid South Africa.

A less explored topic is that of wealth inequality and, relatedly, the potential use of wealth taxation to reduce wealth inequality while also further diversifying the sources of much-needed government revenue.

An important consequence of a highly unequal distribution of wealth in society is the undermining of social, political, and economic norms. For instance, high wealth inequality creates an imbalance of political power between citizens, as the wealthy can potentially influence the political process unfairly. This can, in turn, reduce the optimum workings of a democracy.

At the same time, the concentration of a society's wealth in the hands of a few reduces the mobility of wealth. This, in turn, limits its productive use in society.

Given that there are direct benefits from the holding of wealth (over and above the income streams which it generates which are already taxed via the income tax system), we argue that wealth is a legitimate tax base in its own right.

Why a wealth tax

Wealth inequality in South Africa is not only intolerably high, with GINI coefficients of 0.93 in 2010/11 and 0.94 in 2014/15, it is also not reducing. Wealth inequality is much higher than income inequality (which has a GINI coefficient of about 0.67), and significantly higher than global wealth inequality.

In 2015, the wealthiest 10% of South Africa's population owned more than 90% of the total wealth in the country, while 80% owned almost no wealth. These findings resonate with more recent findings documented in reports produced by Oxfam (2018) and the World Bank (2018).

There's a clear racial dimension to this inequality, with an average African household holding less than 4% of the wealth held by an average White household.

It's a challenge to economic development when the bottom 80% of the population own no wealth,

KEY UPCOMING TAX SUBMISSION DATES

Personal income tax returns, 2019 tax year

1 Aug 2019	Tax Season opens (E-filers can submit returns from 1 Jul 2019)

Provisional tax returns

31 Aug 2019	First period, 2010 tax year
30 Sep 2019	Voluntary top-up payment, 2019 tax year

especially when a vibrant middle-class is a key ingredient in economic progression, as evidenced in advanced economies.

Thomas Piketty, in his book *Capital in the 21st Century*, indicates that much of the economic success experienced in advanced economies in the 20th century has been as a result of increased ownership of assets among the middle-class. This is certainly not the case in South Africa.

Piketty also stresses that wealth inequality is by no means an accident but a product of patrimonial capitalism.

The case of South Africa is unique. In addition to patrimonial capitalism, the prevailing extreme levels of wealth inequality and low inter-generational mobility of wealth are also a result of the structural inequities created by apartheid. These disparities being passed down from generation to generation.

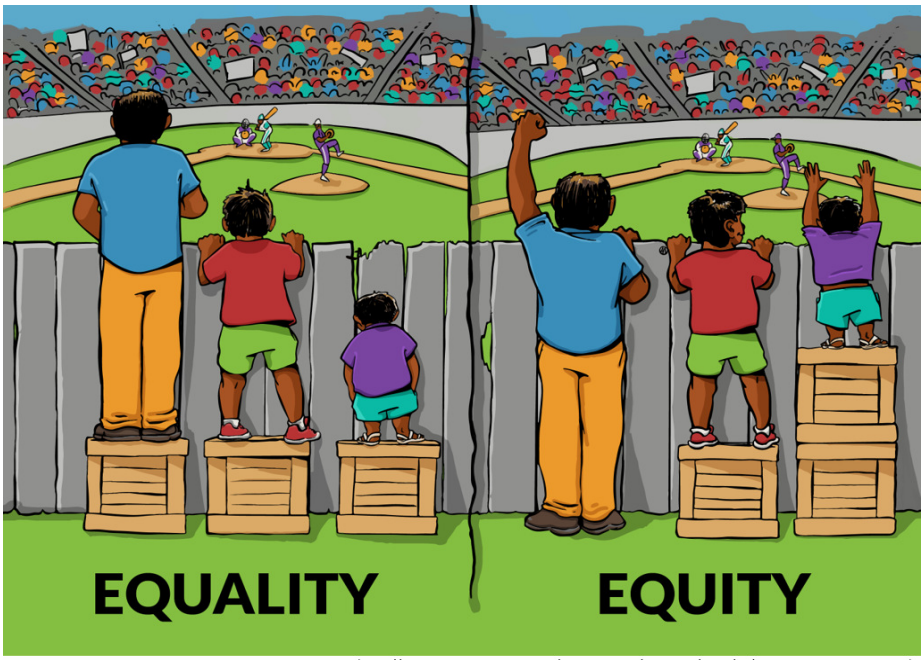
Evidently, effective measures of redress would strongly warrant the intervention of the state.

We therefore propose that the South African government should consider creating an annual net wealth tax with three objectives. The first would be to collect reliable wealth data. This will reveal what people own, and enhance the integrity of the income tax system by allowing SARS to compare people's income and wealth. The second would be to contribute towards curbing wealth inequality, albeit imperfectly. The third would be to generate government revenue, though we stress that international evidence suggests this is generally low.

The how

The process of creating a net wealth tax in South Africa should ideally begin with a simple form of an annual net wealth tax. We would suggest that the net wealth tax rate should initially be at a low rate (possibly even zero).

This will allow an assessment of who owns what by making wealth disclosure mandatory for all citizens. This will create an environment of transparency, and over time will provide a much clearer picture of the net wealth tax base in South Africa. It would also allow further analysis to help set an effective wealth tax rate that does not promote tax migration and capital flight.



Picture credit: Interaction Institute for Social Change (http://interactioninstitute.org/wp-content/uploads/2016/01/IISC_EqualityEquity.png)

If a non-zero wealth tax rate were to be applied, it should be progressive in nature, for example, by providing a high threshold below which no tax is payable. In turn, this data would provide the South African Revenue Service with improved data to test whether high net worth individuals are being taxed correctly within the income tax system.

The valuation of assets has often ranked high among the list of challenges when creating an effective net wealth tax that keeps costs low. In fact, net wealth taxes have been ineffective in many countries. This has been due to poor or complex methods of valuation, or simply the high costs of administration.

Assets which lend themselves to easy valuation and which could be taxed under a net wealth tax, include fixed property. This is already taxed at local government level, but could attract an additional national tax. The OECD also supports the idea of taxing property, because taxing property has less distortionary effects when compared to other wealth taxes.

Municipal valuations (albeit of varying quality) already exist to provide a good starting point for a national property tax. A national property tax would require a concerted effort to improve the quality of valuation rolls across all municipalities and district councils to avoid the horizontal equity legal challenges seen in other countries (as was the case in Germany).

Cash and some financial assets such as defined contribution retirement funds are easy to value, and are thus an easy target for a wealth tax. We would suggest, however, that in an initial net wealth tax, retirement funds should be excluded because of possible distortionary pressures on savings. Currently the retirement of many South Africans is severely underfunded. In addition, it would be inequitable to tax defined-contribution pension funds but not defined-benefit funds (such as the Government Employees Pension Fund).

We would also suggest that personal assets such as luxury vehicles, works of art and jewellery be excluded because of valuation difficulties. Worldwide, such assets are under-

reported, undervalued, and/or hidden.

Conclusion

It's evident that economic inequality is rife in South Africa. Income and consumption inequalities are high, and wealth inequality is even higher—much higher than global wealth inequality. Persistent high wealth inequality has the potential to undermine social, economic, and democratic values.

A net wealth tax, imposed in a society with notorious levels of inequality and a pattern of class overlaid with race, may not be a panacea for the need to generate sufficient revenue to reduce the deficit before borrowing. However, apart from the revenue collected, it would add considerable legitimacy to the overall tax system. Such a tax policy should accommodate a revenue-neutral shift from taxes on employment to taxes on capital and investment income.

It is not our argument that tax is the only available instrument to address the inequities of income and wealth. Other methods of redress include land reform, the provision of infrastructure, and increased access to quality health and education.

Ingrid Woolard, B Sc, BA (Hons), PhD, is professor of economics and dean of the faculty of economic and management sciences at Stellenbosch University, and an honorary professor of economics at the University of Cape Town.

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It is an edited extract from a chapter in the recently published *The state of the nation: poverty & inequality: diagnosis, prognosis and responses*, edited by Crain Soudien, Vasu Reddy, and Ingrid Woolard, published by the Human Sciences Research Council.

The chapter was written by Samson Mbewe, Ingrid Woolard, and Dennis Davis.

FILING SEASON 2019

Don't miss out due to SARS' 'generosity'

Although the annual earnings threshold below which submission of income tax returns is required has been raised to R500 000, don't let this cause you to lose out on claiming valid deductions

By: **THAMASANQA MSIZA and DARREN BRITZ**

SARS IS acutely aware of the decline in tax moral and tax compliance. Accordingly, many of the changes to the annual Tax Filing Season this year are aimed at lowering the cost of compliance for taxpayers, as well as to encourage voluntary compliance.

SARS has for the first time in several years increased the income threshold for the mandatory submission of income tax returns to R500 000 (previously R350,000) and individuals with simple tax affairs below this new threshold are not obliged to file a return.

Simple tax affairs mean that the taxpayer only has one employer, does not earn additional rental or interest income, and does not have allowable additional medical aid or retirement annuity deductions.

Freeing up SARS capacity

The high threshold is aimed at discouraging people who do not pose a risk to the fiscus from visiting SARS branches. This frees up capacity to assist taxpayers with more complex affairs who are obliged to file, and to focus on deliberate negligence or even fraud.

Taxpayers that SARS would consider to be 'high-risk'—including foreigners working in South Africa and South Africans working abroad;

TAXING ISSUES

by Steven Jones—Editor

One of my passions is Formula One, having started really following the sport back in 1984 when Niki Lauda won his third driver's championship. It's therefore fitting for me that I am putting the finishing touches to this month's *Tax Breaks* on the day of the Austrian Grand Prix—a race celebrating both the past and the future with fitting tributes to the late triple world champion, followed by a scintillating race between two of its youngest stars, Charles Leclerc and Max Verstappen.

What made today's race particularly notable was that for the first time this season, someone other than a Mercedes driver stood on the top step of the podium. For followers of the sport, the question of dominance by one team is one that has been debated at length, and not only in the current era of Mercedes dominance—working backwards in time, the sport has seen dominant eras enjoyed by Red Bull, Ferrari, McLaren (twice), and Williams.

As is the nature of sport in general, and motorsport in particular, money tends to follow success. The top teams attract the most sponsorship, which in turn allows them to spend more on their cars, which further entrenches their dominance.

Often it's only a major change in regulations that brings about a changing of the guard—and once a team slips away from the front, sponsors soon move on to the newly-dominant team, thereby accelerating the slide. Many a former championship team has left the sport as a result, while Williams' illustrious history counts for nothing as they languish at the back of the pack, well off the pace of their competitors.

Talks of a mandatory budget cap as a means of levelling the playing field have floated around the sport for decades. Those in favour of such caps maintain that the sport has become about who has the deepest pockets, not the best cars and drivers. Naturally, those against (usually the dominant teams) maintain that their ability to attract funding represents the fruits of their labour, and a budget cap would penalize their success.

Substitute Formula One with a country's populace, and budget caps with wealth tax proposals, and you have the same situation playing out in South Africa and many other countries around the world—how to level the playing fields between the haves and the have-nots.

Whether or not you agree with our cover story this month—and certainly, by many measures, South African individual taxpayers already carry an increasingly-onerous share of the country's tax bill—it's a debate that cannot be ignored and needs to take place.

having large capital gains; and/or receiving income from rental properties or from a trust, are therefore advised to engage an experienced tax practitioner to assist with filing their returns, as such returns are likely to be subjected to greater scrutiny from SARS this year.

SARS has been making use of third party data submissions and the annual tax certificates (IRP5s) submitted by employers to pre-populate tax returns. It also has sophisticated risk engines that will be able to detect discrepancies from information received from employers and third party data submissions such as banks and medical aid schemes.

Last year two million people were not obliged to file tax returns because their annual earnings were below the R350 000 threshold, had no additional income or expenses, and only had one employer—yet 1.5 million of them visited the SARS branches to file, hoping for a refund.

SARS is this year focused on converting taxpayers to make use of its online channels. It has also adopted a more staggered approach to the start and finish of the tax season.

Branch filing season

Tax Season only starts on 1 August 2019 for taxpayers who have traditionally been filing their returns at SARS branches. The deadline for branch filing is 31 October 2019.

SARS has given the assurance that it will not show away traditional branch-filers when they come to their offices in July, but such taxpayers will be encouraged to register as users of the electronic filing system (eFiling) and the MobiApp.

The MobiApp has been revamped and will make it easier for people with simple income tax returns to file. Some of the new features include simpler navigation, the introduction of biometric authentication, and the scanning and uploading of supporting documents (which has been problematic in the past).

SARS will once again make mobile units available in remote areas. It will offer free wi-fi for taxpayers at these units and in the branches to register as online-filers.

eFiling season

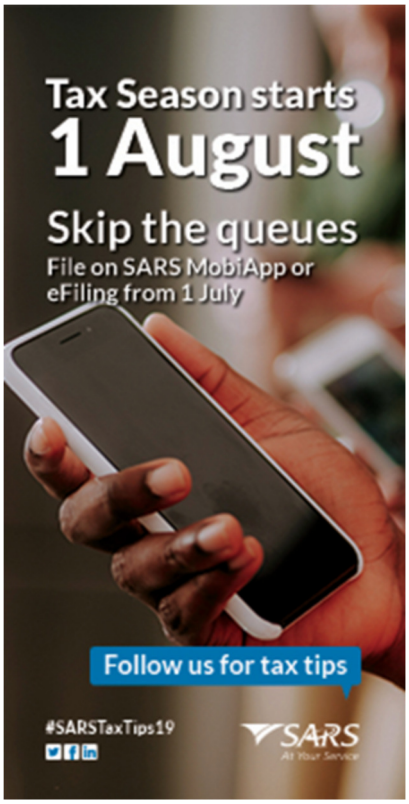
Filing season for taxpayers who have been making use of eFiling will start as usual on 1 July. Non-provisional taxpayers who use eFiling to submit their returns will be able to do so from 1 July 2019, and will have time until 4 December 2019. Non-provisional taxpayers are individuals who do not have additional income such as interest and rental income.

The filing season for provisional taxpayers—people with multiple employers and different income streams—also starts on 1 July 2019, but they will again have until the end of January 2020 to file their

To submit, or not to submit...

Why submitting a return may still be to your advantage

By: **STEVEN JONES**



SARS has announced the raising of the annual earnings threshold below which the submission of an income tax return is not required to R500 000 with great fanfare. However, as always, there are 'terms and conditions' attached to this apparent act of generosity on SARS' part.

Conditions to be exempt from submitting a return

According to the SARS website, taxpayers need to meet *all* of the following criteria to be exempted from submitting an income tax return:

- Their total employment income for the year before tax is not more than R500 000;
- They only receive employment income from a single employer for the full tax year;
- They have no other form of income (e.g. travel allowance, business income, rental income, taxable interest, or income from another job); and
- They don't have any additional allowable tax-related deductions to claim (e.g. medical expenses, retirement annuity contributions, or travel expenses).

Who this concession helps

For the person earning less than R500 000 who is office-bound, is a member of their employer's pension fund (and has no other retirement fund contributions), and is a member of their employer's medical aid scheme but claims no other medical expenses, the increased threshold means that the ordeal of having to put in a day's leave and spend hours in those infernal queues at their local SARS office, or struggling with SARS' e-filing platform, or paying a tax practitioner at least R500 to do it for them, has become a thing of the past. Since all of this information is already uploaded to SARS' platforms by the employer and medical scheme, SARS already (in effect) has your refund and going through the motions is therefore a waste of everyone's time.

Why you would still want to submit a return, despite earning less than R500 000

The obvious reason would be if you have any deductions that you wish to claim. While SARS has indicated that submitting a return would still be required if you do want to make a claim, human beings are inherently lazy and are likely not to read beyond the 'no longer need to submit a return' line if they earn less than the annual threshold.

However, if you don't submit a return, you get nailed on two fronts. Firstly, if you don't claim the deductions to which you are entitled, you are effectively paying too much tax—and, in the case of failing to submit a claim against your travel allowance, you may even end up owing SARS money rather than getting the refund to which you are entitled. Secondly, you will probably also be hit by SARS for an administrative penalty for non-submission!

*Steven Jones is a practicing member of the South African Institute of Professional Accountants, a SARS-registered tax practitioner, and the editor of **Personal Finance** and **Tax Breaks**.*

returns.

Be ever-ready

It is important for taxpayers to ensure that they have all their supporting documents available if they have allowable deductions, and that they are able to submit it to SARS when required to do so.

It is also important to check with the tax calculation function on SARS e-filing that there are no amounts due. Where there are tax amounts due, interest or penalties will often be charged.

Your rights

Once you have submitted your return and you receive your assessment, you may lodge an objection if you disagree. However, ensure that you apply for a suspension of payment, as commencing a dispute with SARS does not stop the obligation to settle the amount that SARS considers as due.

Also, in following the dispute resolution rules, it is best to ask SARS for reasons for the assessment before simply lodging an objection. In complex disputes, it is best to engage a seasoned tax practitioner early on to avoid premature forfeiture of your claim.

Thamasanqa Msiza is a senior tax consultant, and Darren Britz is a senior tax attorney, both from Tax Consulting South Africa.

Tax-efficient education

Employee bursary benefits are becoming a popular incentive—but they need to be structured correctly to pass muster with SARS

Employers investing in their employees' education can claim the cost as a deduction while making it tax-efficient for the employee-provided that the structure complies with SARS' rules. Picture credit: Martin Kirigua / Pexels (https://www.pexels.com/photo/man-wearing-graduation-gown-2259997/g)

By: **DONNE TRUMP**

THE ABILITY for employees and business owners to structure their relatives' school and tertiary education fees pre-tax remains one of the few available but seldom used tax planning opportunities.

In short, they can sacrifice a portion of their taxable income in exchange for their company's bursary paying their education costs tax-free, thereby obtaining a tax benefit.

How much they save depends on the fee amount, their tax bracket, and the number of learners they support. For qualifying employees, their savings range between R3,600 and R23,400 per person per annum.

With the allowed limits for employer bursaries having been recently increased, organisations are beginning to see this as a meaningful benefit to attract and retain talent. However, the arrangement must adhere to the letter of the law, or employers could find themselves in hot water with SARS.

What is an employee bursary benefit?

In terms of the Income Tax Act, a *bona fide* bursary or scholarship granted to an employee's relatives shall be exempt from tax within certain limits, and provided certain conditions are met, i.e. the employee must not earn more than R600 000 for the year of assessment, and the portion of the bursary amount exceeding R20 000 for Grade R to 12 or NQF 1 to 4, or exceeding R60 000 for an NQF 5 to 10 qualification, will be subject to taxation.

When correctly augmented with the provisions for a salary sacrifice, the clause allows employees to legally reduce their taxable income in exchange for the equal but tax-free bursary benefit. Employers with tight budgets can increase their employee value proposition (EVP) tenfold, at virtually no cost, just by offering this reward.

However, it is important to note that an employer's payment of the school fees is a fringe benefit, as contemplated in the 7th Schedule to the Act. Therefore, additional requirements need to be met to obtain the exemption, while critical legal and administrative procedures must be followed throughout the life of the incentive for the bursary

and resulting tax reduction to be valid.

The rise of questionable schemes

Any organisation wishing to offer such a benefit must perform the requisite due diligence and thoroughly research the requirements before taking on a partner to set up and administer the bursary.

They should also ensure that the programme is backed by a legal opinion that expresses its validity. Companies shouldn't focus on incentives marketed solely to appeal to employees. Rather, they need a system that's also deeply rooted in law to protect themselves, so that they can offer a bulletproof case if called to account by SARS.

It is notable that there are several offerings appearing in the market whose legal grounding would not stand up to close scrutiny by SARS, potentially robbing companies of a much needed means to attract, mobilise, and retain vital skills.

If enough of those schemes fail, with employers left holding an unwanted tax bill, SARS and businesses alike could tar all such offerings with the same brush—yet when properly structured, this incentive will undoubtedly provide the competitive advantage that companies are desperately seeking. It costs the employer nothing, allows employees to contribute to a need that's important to them while lowering their tax obligation—and, overall, promotes education in South Africa.

Employers who are interested in this staff incentive are urged to engage a reputable bursary administrator with a strong tax and legal foundation, backed by tax attorneys and chartered accountants, to ensure the successful creation and implementation thereof.

Donne Trump is a bursary advisor at Remuneration Consultants, a division of Tax Consulting SA

INCOME TAX

The South African tax implications of emigrating

At the risk of stating the obvious, South Africans who emigrate need to prove that they are no longer resident in SA if they want to be treated as a non-resident for tax purposes

By: **JEREMY BURMAN**

SOUTH AFRICA has recently gone through the perfect storm of political uncertainty. Low economic growth, lack of business confidence, and some significant tax policy amendments have resulted in an increase in the number of people contemplating emigration. However, when considering this move, it is important to understand the tax implications involved.

South Africa has operated on a residence basis of taxation since 2001. This means that while residents pay tax on their worldwide income, non-residents will only be subject to tax on income earned from a South African source.

A person that emigrates must prove that they are no longer ordinarily resident in South Africa if they want to be treated as a non-resident for tax purposes. This generally means having to prove that they have taken up residence elsewhere. Alternatively, a taxpayer can embark on a financial emigration through the South African Reserve Bank—and the documentary proof of this emigration, along with the effective date of emigration, can be provided to SARS as evidence of the change in their residence status.

For capital gains tax purposes, where a person ceases to be a tax resident of South Africa, they are deemed to have disposed of all of their assets on the date that they became non-resident. The only exclusion to this is the individual's immovable property situated in South Africa, and assets which form part of a permanent establishment (i.e. an office, branch or other fixed place of business) in South Africa. This exclusion is necessary, as fixed property and assets of a permanent establishment will remain in the South African tax net even when the individual becomes a non-resident, and SA capital gains tax will be payable on these assets if they are disposed at a later stage.

The result of the above is that capital gains tax will be payable by the taxpayer on the disposal of their overseas assets (including property, share portfolios, etc) and any other SA assets (excluding fixed property and personal use assets) owned by them. The gain will be equal to the market value of the asset on the date they cease to be a resident, less the base cost of the asset (i.e. the original purchase price or the value on 1 October 2001, if the asset

Moment of truth

What is taxation? Taxation is what you pay to live in a civilised society—what you pay to have democracy and opportunity.

George Lakoff
Author of Don't Think of an Elephant! Know Your Values and Frame the Debate: The Essential Guide for Progressives

was acquired before then), plus any costs incurred in improving the asset.

This gain will need to be declared in the tax return related to the year in which the taxpayer's residence changes. For example, if the taxpayer emigrates on 1 June 2019 and becomes non-resident from this date, their gains will need to be declared in the tax return for the year ended 28 February 2020.

Where the taxpayer is a provisional taxpayer, they will need to include these gains in their provisional tax returns for the tax year and where their taxable income exceeds R1 million, they must ensure that they pay tax on at least 80% of their estimated taxable income for the year by 28 February of the following year to prevent underestimation penalties being levied.

A taxpayer who ceases to be a resident of South Africa will still be liable for income tax on their South African source income, including rental income earned on South African property (subject to certain exclusions), and will be required to continue submitting annual income tax returns despite their non-resident status. Where an individual has declared and paid tax on SA-source income, most double tax agreements allow for this SA tax to be claimed as a credit against tax levied on this income in the new country of residence.

Certain SA-source income, for example royalties and interest from non-financial institutions, will be subject to a withholding tax of 15% when paid to non-residents. This withholding tax is withheld at source so that the non-resident receives only the amount net of tax. This is a final tax, and the income will then be exempt from normal South African income tax.

When a taxpayer disposes of all South African assets prior to permanently emigrating and thereafter no longer earns any South African source income they must ensure that their status is updated with SARS so that they can be de-

A taxpayer's South African tax obligations do not cease the moment they step on a plane to start a new life elsewhere. Picture credit: Pixabay (https://pixabay.com/photos/luggage-travel-emigrate-settle-970280/)

activated as a South African taxpayer. The taxpayer's final required annual return will be for the tax year in which they emigrated and thereafter they should have no obligations to submit annual returns unless their status changes at a future date.

As can be seen, a taxpayer's South African tax obligations do not cease the moment they step on a plane to start a new life elsewhere. Firstly, there needs to be a permanent move that changes that person's ordinary residence status, which in turn triggers a capital gains tax event which would need to be calculated and provided for, and secondly, where the taxpayer continues to hold SA property and/or earn SA-source income, they will need to ensure that annual filing requirements continue to be met.

In all cases, it is worth seeking the advice of a qualified tax practitioner with experience in this field to assist in determining the tax cost of emigration. In addition, the practitioner can ensure that all South African tax obligations are met in the year of emigration, as well as in future tax years if necessary—thereby avoiding costly non-payment or non-submission penalties and interest.

Jeremy Burman, B Com Hons B Compt CA(SA), is a director at Private Client Financial Services (Pty) Ltd.

Table 4.4 Personal income tax rates and bracket adjustments

2018/19		2019/20	
Taxable income (R)	Rates of tax	Taxable income (R)	Rates of tax
R0 - R195 850	18% of each R1	R0 - R195 850	18% of each R1
R195 851 - R305 850	R35 253 + 26% of the amount above R195 850	R195 851 - R305 850	R35 253 + 26% of the amount above R195 850
R305 851 - R423 300	R63 853 + 31% of the amount above R305 850	R305 851 - R423 300	R63 853 + 31% of the amount above R305 850
R423 301 - R555 600	R100 263 + 36% of the amount above R423 300	R423 301 - R555 600	R100 263 + 36% of the amount above R423 300
R555 601 - R708 310	R147 891 + 39% of the amount above R555 600	R555 601 - R708 310	R147 891 + 39% of the amount above R555 600
R708 311 - R1 500 000	R207 448 + 41% of the amount above R708 310	R708 311 - R1 500 000	R207 448 + 41% of the amount above R708 310
R1 500 001 and above	R532 041 + 45% of the amount above R1 500 000	R1 500 001 and above	R532 041 + 45% of the amount above R1 500 000
Rebates		**Rebates**	
Primary	R14 067	Primary	R14 220
Secondary	R7 713	Secondary	R7 794
Tertiary	R2 574	Tertiary	R2 601
Tax threshold		**Tax threshold**	
Below age 65	R78 150	Below age 65	R79 000
Age 65 and over	R121 000	Age 65 and over	R122 300
Age 75 and over	R135 300	Age 75 and over	R136 750

Source: National Treasury

Travel allowance tax claims

Keeping a logbook is not rocket-science, and you don't need anything fancy to enable you to substantiate your claim to SARS

QUESTION

I am a sales representative for my company, and spend the bulk of my working day on the road. While I can't complain about the travel allowance that my company pays me, as it more than covers my costs and gives me freedom to choose the wheels that are essentially my 'mobile office'. However, I'm fed up of paying in massive amounts to SARS each year. I've never kept a logbook before, but realise that I need to start. My colleagues recommend that I install one of those fancy gadgets that will help me compile my logbook each year, but that sounds like quite a rigmarole and I'm not too wild about having a device spliced into the wiring of my car. Can you help?

Answer provided by STEVEN JONES, editor of *Tax Breaks* and *Personal Finance*

Fear not, fellow traveller. As is the case with much in life, often the simplest solutions end up being the most elegant. Keeping a travel logbook is no different—all it takes is a bit of discipline to get into the habit; after which it becomes as routine (and as simple) as brushing your teeth.

Purveyors of electronic gadgetry often make out that keeping a logbook is some hugely-complicated exercise involving the recording of every single trip that you do, including taking little Johnny to Scouts on a Friday night, doing the weekly shopping trip, and fetching your teenager from a dodgy nightclub at 3am on a Sunday. As for your business trips, the information that needs to be collected would most likely be in violation of the General Data Protection Regulation if you lived in an EU country, and needs the storage capacity of a university library—which they are happy to sell to you, of course. Not to mention the monthly subscription to keep this lot up to date.

Nonsense! In fact, once you understand how SARS determines your travel allowance claim, you'll see just how little information you actually need, and how easy it is to record what is necessary. To get started, trundle down to your local CNA with ten bucks in your hand, and buy one of those little A6 black hard-covered notebooks. This is a highly-sophisticated piece of equipment that requires the use of a pen to capture data, so if you don't have one of these, a further five bucks will probably get you a pack of five from the clearance bin.

Now then—you have your equipment. What do you need to record? Firstly, SARS is only going to allow a deduction for your **business** travel, which means that you needn't worry about recording **any** of your private trips. Since private trips include any travel from your home to your regular place of employment (i.e. you go to the office before setting out on your rounds), don't bother about those either. However, if you go from home straight to your first client of the day, returning only when you've seen your last client than afternoon, then you start recording the moment you leave home.

Recording your business trips is vital—however, the effort required is not onerous. When you leave home (or your office if you go there first) to travel to your first client, record the date, the client's name, and your odometer reading. If you are going from there to your next client, the odometer reading before you set off becomes your closing reading for your first client and the opening reading for the next. Closing reading less opening reading equals distance travelled. Simple, huh? Repeat the process for every business trip you make for the day. Wash, rinse, and repeat for each business day during the tax year.

At the end of the year, add up the distance travelled for all of your business trips, and the total will be your business travel for the year. Make a photocopy of your entire logbook for the year, and scan it onto your computer—ready for when SARS wants it. Do the same with your vehicle purchase / financing agreement, as you'll need it to enter your vehicle details (make, model, purchase price) into your tax return, and SARS may ask for this as well.

Make sure that you record your odometer reading on the last day of February each year. The difference between the two readings represent your total travel for the year. Subtract the business travel (which you've logged), and the balance is automatically deemed to be private. The SARS form even does this calculation for you!

Do these things diligently each year, and you are virtually guaranteed a refund each year. Since SARS requires your employer to tax 80% of the allowance each month, and given that you will certainly spend more than the remaining 20% on legitimate business travel (if not, then your employer needs to question whether your position warrants an allowance in the first place, and should rather then just include the money as part of your salary if they're feeling so generous), your claim will offset part of the money that you've already paid tax on—tax that SARS will give back to you if you've done your claim correctly.

Do you have a tax question? Pop us an e-mail to info@bellanmedia.co.za. We will select one answer for publication in Tax Breaks each month. Unfortunately, we will not be able to respond to questions individually.

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24 The Link Road, Morningside, Sandton 2196. PO Box 322, Cresta 2118.
Telephone: (083) 3887829 | **Fax-to-mail**: (086) 6374416 | **E-mail**: info@bellanmedia.co.za.