

Tax News

Underestimation of second provisional tax payment

For the tax years on or after 1 March 2009, the South African Revenue Services ("SARS") introduced a two tier model where a taxpayer is provided a margin of error in estimating the taxable income on the provisional tax return. These are as follows:

- **Tier One**
A taxpayer with a taxable income up to R1 million will fall into this tier. The taxpayer will avoid a penalty of 20% if the estimate for provisional tax is the lesser of:
 - The basic amount, which is based on the last year assessed by SARS. (Where the year of assessment ends more than a year before the provisional tax estimate is due the basic amount will be increased with 8%); or
 - 90% of the actual taxable income for the year of assessment
- **Tier Two**
The "larger" taxpayer (taxable income exceeding R1 million for the year of assessment) must base the provisional tax payment on at least 80% of the current year's taxable income to avoid the 20% penalty.

The South African Revenue Services will only impose the 20% penalty if they are not satisfied that the estimate "was seriously calculated with due regard to the factors having a bearing thereon or was not deliberately or negligently understated".

The 20% penalty is calculated on the difference between the amount of tax disclosed on the current year's assessment and the shortfall on the amounts that should have been paid through provisional tax.

Clients who wish to obtain information or for any other tax related matters, should contact Lynette Bosch at this office.

Source: Paragraph 20A of the fourth schedule