

How And When To Register For Tax (10)

Most routes will operate as voluntary associations, nonprofit companies or co-operatives, getting their income from grants, sponsorships and member contributions. They do not aim to make a profit and any surpluses that may be generated from their work will be ploughed back into the organisation to serve its members.

As nonprofit organisations, routes can get special treatment when it comes to paying tax, but this is not automatic.

This Guide will explain the different kinds of tax that routes are required to pay and how to register for tax in order to remain compliant with our taxation laws.

The main message of the Guide is that all routes need to register as taxpayers with the SA Revenue Services (SARS) as soon as they are legally established, so that they can begin the process of getting any special treatment they may be entitled to. Even if the route does not end up paying income tax for its own operations, it must still talk to SARS about the income tax of its employees.

Why registering for tax is important

The Income Tax Act demands that Corporate Income Tax (or 'business tax') is paid by businesses incorporated under SA's laws and which derive income from within the country. This business tax is applicable but not limited to a range of business forms including private companies, close corporations, co-operatives and public benefit companies. The usual rate of business tax is 28%, but small businesses are

given a certain gross income threshold below which they don't pay tax.

It is against the law not to be registered for tax, and fines can be levied for trading without being tax registered or not submitting an annual tax return.

In addition to registering your organisation with SARS, you also need to be registered as an employer if you have staff earning a regular salary within your organisation. This is because SARS relies on employers to deduct income tax from employees and to pay that income to SARS on the employee's behalf. Failure to do this is also against the law.

The route may also want to register as a value-add tax (VAT) vendor, so that it can claim back the VAT that it spends on supplies and other purchases, but this does require more paperwork and means that the route must charge VAT on all services or products that it sells.

How and when the route must register for tax

As soon as the route is registered contact SARS to find out the easiest way to register the organisation as a taxpayer. The SARS helpline can give guidance on this, and the website (www.sars.gov.za) is also helpful; or you can go to the nearest SARS office in your city or town, and they will help you with the paperwork.

This will include registering as an employer if there are staff members in the organisation; the route will usually have to deduct income tax (pay as you earn tax or PAYE) and pay this to SARS every month. Remember that you will also need to be registered with the Department of Labour as an employer and must pay Unemployment Insurance Fund (UIF) contributions to the department every month.

Public benefit organisations

SARS is allowed to give preferential tax treatment to nonprofit organisations, but this has to be applied for and certain conditions have to be met. An organisation will only enjoy preferential tax treatment after it has applied for and been granted approval as a public benefit organisation (PBO) by SARS's tax exemption unit (TEU).

The conditions and requirements for an organisation to be approved as a PBO are contained in section 30 of the Act, while the rules governing the preferential tax treatment of PBOs are contained in section 10(1)(cN). Section 10(1)(cN) provides for the exemption from normal tax of certain receipts and accruals of approved PBOs. Certain receipts and accruals from trading or business activities will nevertheless be taxable.

So the next step after registration is to apply to SARS for PBO status. If the exemption application is approved, the route can be registered as a PBO and allocated a unique PBO reference number.

Approved PBOs have the privilege and responsibility of spending public funds, which they derive from donations or grants in the public interest on a tax-free basis. The donations or grants may be received from the general public or directly or indirectly from the State. It is therefore important to ensure that exempt organisations use their funds responsibly and solely for their stated objectives without any personal gain being enjoyed by any person, including the founders and the fiduciaries.

Approved PBOs must continue to comply with the Act and related legislation throughout their existence. This includes the submission of annual income tax returns on an IT12EI form. The income tax return enables the Commissioner to assess whether the approved PBO is operating within the prescribed limits of

the relevant approval granted and to determine whether the partial taxation principles must be applied to receipts and accruals derived from a trading activity or business undertaking that does not qualify for exemption.

Submitting annual tax returns

Every registered taxpayer is required to submit a return of income 12 months after the end of the financial year. Returns can be submitted electronically via e-filing or manually at a SARS branch where the taxpayer is registered.

In addition to annual returns, every business is required to submit provisional tax returns. These returns are required to be submitted every six months and must contain estimated figures of total revenue earned for that period and to pay over taxes in respect of the income estimated for that period.

The first provisional tax payment must be made within six months from the beginning of the year of assessment, the second payment must be made on or before the last day of the year of assessment, and the third payment must be made seven months after the year of assessment for taxpayers with the end February year-end and six months after year of assessment for all other cases.

Who is involved in paying tax

The finance manager of the Route Forum, together with the Administrator, will usually be the ones to deal with SARS on tax-related matters, such as preparing the annual returns and the monthly PAYE payments.

How tax applies to the route

While most routes should be able to qualify as PBOs and avoid paying any tax, the experience that the Route Forum has in

dealing with SARS should be regarded as valuable expertise to share with members. Many small businesses – route members included – are nervous of dealing with SARS for fear of losing out financially in some way. The Route Forum or office could use its knowledge of tax matters to help fellow members to become compliant and thereby get better access to business opportunities.

In the Guide on how to remain compliant the importance of the Tax Clearance Certificate from SARS is emphasised; this certificate confirms that a business is financially checked by an accountant and is up to date with its taxes (many small businesses will in fact not have to pay tax if their profits are not very high). Most government agencies and departments will only do business with entities that hold this certificate, so it is a valuable tool for generating new business.

Open Africa emphasises that success can only come from commitment and professionalism – both of which are vital in the tourism sector. Being tax compliant will help every member of every route to improve their systems and get better at what they do. This is how a successful route is built – on the success of each of its members.

Practical tips

- **Don't delay** when dealing with SARS; rather talk to it as soon as the route is registered, so that you are clear about what you have to do.
- **Keep all your tax-related forms** and information safely in lever-arch files; then, if you ever have a query, you can take everything to SARS (or to your tax advisor) in an organised fashion.
- Have a **look at all the online tools** that SARS has put in place to allow e-filing; doing things online can save time and perhaps even unnecessary travelling and waiting

in queues at the SARS office.

- The Route Forum can **consider facilitating a tax advisor** to serve all members at a reduced rate, especially if the route is far from the nearest towns, an advisor would not mind doing some travelling if they could see five clients in one trip rather than just one client.

Use of this Guide

The Route Forum can use this Guide – particularly the administration and financial portfolios on the forum – to check whether it is compliant with tax law. This Guide also gives the forum some guidance on how to deal with these. Route members can also use this information in their own businesses, because all enterprises must be registered with SARS.

Remember that the Open Africa Charter emphasises “integrity, honesty and complete transparency in maintaining impeccable credibility” as one of its core values. Being registered for tax is an important part of being transparent and credible; it also simply makes your enterprise less risky and more sustainable.

Other Guides

These other Guides are relevant to the issues of tax and compliance:

- Guide: [How To Serve As Route Treasurer](#)
- Guide: [How To Remain Compliant With The Law](#)
- Guide: [How To Open A Route Bank Account](#)
- Guide: [How to Develop And Manage A Route Budget](#)

Contacts and other support

SARS collects taxation revenue from businesses and individuals, giving government the money it needs to keep the

infrastructure of the country in good shape. Businesses must register with SARS when they set up, and pay tax regularly on their profits and on behalf of employees.

Tel: 0800 00 72 77

Fax: 012 670 6880

Website: www.sars.gov.za

The Department of Labour ensures that the relationship between employers and employees is fair and that employees are protected by the law. There are a number of useful guides on the department's website that explain what you need to do to comply with labour laws. To find the department's office closest to you, go

to www.labour.gov.za/contact/center_offices_display.jsp.

Tel: 012 309 4000

Fax: 012 320 2059

Website: www.labour.gov.za

The Companies and Intellectual Property Commission registers companies, trusts, patents, designs and trademarks. (The CIPC has taken over the role of the Companies and Intellectual Property Registration Office or Cipro).

Tel: 086 100 2472

Fax: 086 517 7224

E-mail: info@cipc.co.za

Website: www.cipc.co.za