

Turnover tax

Turnover tax is a simplified tax system for micro businesses and serves as an alternative to the current income tax, provisional tax, capital gains tax, secondary tax on companies and VAT systems.

To support small businesses and contribute to creating an enabling environment for them to survive and grow, SARS implemented this alternative simplified tax system for small businesses from 1 March 2009.

The simplified tax system consists of a turnover tax and an increase in the compulsory VAT registration threshold from R300 000 to R1 million. This means that qualifying businesses with a turnover of up to R1 million per annum are not forced to register for VAT and can choose to register for the simpler turnover tax (1 easy return) instead of the standard tax system (usually 10 or more detailed returns). A business is currently not allowed to register for both VAT and the turnover tax.

The turnover tax is aimed at assisting mainly small informal businesses. It, therefore, contains certain rules to exclude other businesses from getting unintended benefits from the system. The targeted small businesses should not run into difficulties with these rules.

A person qualifies as a micro business if that person is a natural person or company where the qualifying turnover of that person for the year exceeds R150 000 but is less than R1 million. From 1 March 2012, qualifying micro businesses are allowed to be registered for VAT and turnover tax.

The rates are as follows:

Taxable turnover (R)	2010/11 Rates of tax	Taxable turnover (R)	2011/12 Rates of tax
R0 – R100 000	0% of each R1	R0 – R150 000	0% of each R1
R100 001 – R300 000	1% of the amount above R100 000	R150 001 - R300 000	1% of the amount above R150 000
R300 001 – R500 000	R2 000 + 3% of the amount above R300 000	R300 001 – R500 000	R1 500 + 2% of the amount above R300 000
R500 001 – R750 000	R8 000 + 5% of the amount above R500 000	R500 001 – R750 000	R5 500 + 4% of the amount above R500 000
R750 001 and above	R20 500 + 7% of the amount above R750 000	R750 001 and above	R15 500 + 6% of the amount above R750 000

The deadline for registering existing businesses for Turnover Tax will be last the day of February of each year. New businesses must register within two months of commencing business activities.

Checklist		
1	Request a Turnover Tax Application Form from the SARS Contact Centre (0800 00 7277), any SARS branch, or by visiting www.sars.gov.za > Tax Types > Turnover Tax.	
2	Request a Turnover Tax Return (TT03) from SARS.	
3	After completion of the TT03 return, it must be submitted to a SARS branch office or posted to SARS. The turnover tax liability for a year of assessment must be settled in two interim payments that are payable in the middle of the year of assessment and at the end of the year of assessment.	
4	There are two variations of this form – one for sole proprietors and partners in partnerships (individual) and another for close corporations, companies and co-operatives (company). Ensure that the correct box is marked for the appropriate form to be generated in full for completion.	
5	When completing the form, note that certain information fields are mandatory and if not completed will result in the rejection of the return. This includes: taxpayer information, individuals and partners in a partnership, turnover tax reference number, year of assessment, personal details, company/close corporation details where applicable.	
6	SARS has adopted a policy of issuing all refunds electronically, so make sure that the bank account details of the business are correct.	
7	The following records need to be maintained for five years from the date on which the return to which they relate is received by SARS: <ul style="list-style-type: none"> • Records of all amounts received by the business for each year of assessment • All dividends declared for the year of assessment • Records of all assets with a cost price of more than R10,000 each • Records of all liabilities that exceed R10,000 each. 	

8	<p>The first interim payment is due by the last day of August in the year of assessment. It is determined by estimating the turnover of the business for the full year of assessment, calculating the turnover tax payable on this turnover, and dividing this amount by two.</p>	
9	<p>The second interim payment is due by the last day of February (end of the year of assessment). It is determined by estimating the turnover for the full year of assessment, calculating the turnover tax payable on this turnover, and deducting the first interim payment. To avoid paying a penalty, the second interim payment must not be based on an estimate that is less than 80% of the actual taxable turnover for that year of assessment.</p>	
10	<p>These two payments should be sufficient to settle the final turnover tax liability for the year of assessment, which will be determined on assessment of the annual Turnover Tax return. Any shortfall is payable by the due date on the assessment. Interest will be charged on all late payments.</p>	