

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 1523

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Dr D T George (DA) to ask the Minister of Finance:

- (1) Whether there is compliance by taxpayers with the payment of provisional tax; if not, what is the position in this regard; if so, what are the relevant details;
- (2) how does this requirement affect interest on savings;
- (3) whether this provision of paying provisional tax is being reviewed; if not, why not; if so, what are the relevant details?

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REPLY:

- (1) Although there is broad compliance by individuals in this regard, SARS has established by way of matching third party data received from banks on interest payments by banks, that not all individuals have declared interest received in their annual tax returns. This will be followed up with individual taxpayers. To give effect to the obligation that provisional taxpayers must register, SARS automatically registers taxpayers as provisional taxpayers if their annual assessments indicate that they are required to be registered as provisional taxpayers. This will be the case where, for example, a taxpayer has taxable non-employment income in excess of R20 000, part or all of which may be in respect of interest income in excess of the exempt amounts of R21 000 for a taxpayer under 65 years of age and R30 000 for a taxpayer 65 years of age or older. The various penalties and interest charges in the provisional tax system then encourage taxpayers to make the necessary provisional tax estimates and payments.

- (2) No. The provisional tax system serves as an advanced payment mechanism for income tax and ensures that taxpayers are not faced with a single substantial income tax bill when assessed, but rather spreads the tax liability for the year of assessment to the benefit of the *fisc* and taxpayers alike. As far as income tax itself is concerned government has

over the last number of years increased the tax exemption levels for interest income referred to in (1) above substantially to assist taxpayers receiving interest and provide some incentive to taxpayers who are saving in the form of interest bearing instruments.

- (3) The effectiveness of the provisional tax system is continuously evaluated. As you may be aware of, certain amendments to the provisions governing the payment of provisional tax were made over the last two years to ensure that the time of payment of provisional tax is brought closer to the time of receipt or accrual of the income that gives rise to provisional tax payments.