

COMPLETING YOUR TAX RETURN



The purpose of this guide is merely to help the lay person easily understand the provisions of the legislation. This guide therefore has no binding legal effect and the relevant legislation must be consulted in the event of any doubt as to the meaning or application of any provision.

COMPLETING YOUR TAX RETURN 2006



HI I'M KHANYI. I WORK AT SARS IN PRETORIA WHERE I HELP PEOPLE WITH THEIR TAX.

YOU HAVE RECEIVED **THREE** DOCUMENTS TO COMPLETE YOUR TAX RETURN:

1) YOU'VE BEEN SENT THE **IT12S** TAX RETURN FORM, KNOWN AS THE **RETURN OR FORM**.

2) THIS DOCUMENT, THE **EASY GUIDE TO COMPLETING YOUR TAX RETURN**, IS THE BEST PLACE TO START. IT WILL GUIDE YOU THROUGH COMPLETING THE **IT12S** AND IS KNOWN AS THE **EASY GUIDE**.

3) LASTLY, A MORE COMPREHENSIVE DOCUMENT CALLED **INFORMATION ON INCOME TAX FOR SALARIED EMPLOYEES** IS INCLUDED AND EXPLAINS THE PROCESS OF COMPLETING YOUR TAX RETURN IN DETAIL. REFERRED TO AS THE **BROCHURE**.



Information for this tax return relates to the tax year **1 March 2005 to 28 February 2006**



If you have received a return, you are required to complete and submit it, irrespective of whether or not your remuneration exceeded R60,000 in the last tax year.

1) A TAX RETURN



IT12S

2) AN EASY GUIDE



3) A BROCHURE



IT12S brochure

GLOSSARY

There are some words that you need to understand...



Other new words are explained where you see the **DICTIONARY** icon!

TAX YEAR

The tax year, known by SARS as the Year of Assessment, is different to the calendar year. The tax year for individuals starts on 1 March and ends on the last day of February the following year. The **2006 Tax Year** is therefore from **1 March 2005 to 28 February 2006**.

TAX RETURN

This is the form sent to you by **SARS** which you need to complete and return to them.

TAXABLE INCOME

Income earned that is subject to tax (eg: your salary). Some income is not subject to tax (eg: Lotto winnings!). Your taxable income determines how much tax you pay.

ASSESSMENT

This is the process where **SARS** works out how much tax you owe or need to be refunded.



NADINE

TODAY I AM HELPING MY FRIEND NADINE WITH HER TAX RETURN FOR 2006.



NADINE WORKS FOR A COMPANY CALLED NOODLE INC. SHE HAS SHARE OPTIONS IN THE COMPANY AND RECEIVES A TRAVEL ALLOWANCE* AS PART OF HER SALARY PACKAGE. NADINE OWNS TWO FLATS WHICH SHE RENTS OUT TO STUDENTS. ONE OF THESE FLATS WAS SOLD DURING THE YEAR.



• Allowances: amounts structured into your basic salary, like a housing subsidy or a travel allowance.

NADINE HAS BEEN SENT THE IT12S FORM, WHICH IS GREEN.

IT12S



WHAT YOU NEED

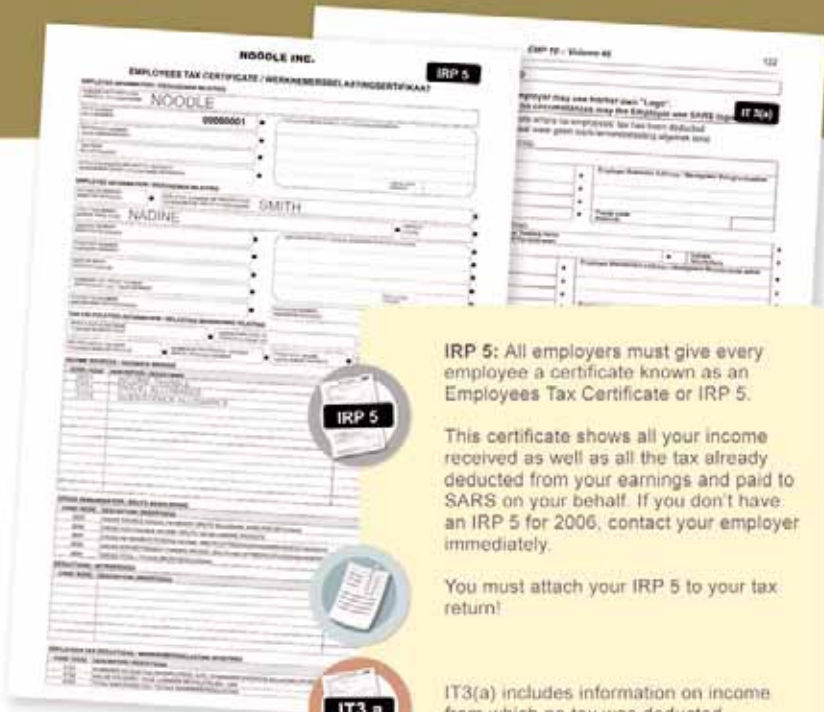
BEFORE YOU GET STARTED YOU NEED TO GET TOGETHER ALL THE DOCUMENTS YOU NEED FOR THE TAX YEAR 1 MARCH 2005 TO 28 FEBRUARY 2006.

THE MOST IMPORTANT DOCUMENT IS YOUR **IRP5** OR **IT3(a)** DOCUMENT.

YES, I GET AN **IRP 5** ONCE A YEAR FROM MY EMPLOYER. HERE IT IS!



YOU'LL NEED TO GET OTHER FINANCIAL INFORMATION FROM THE 2006 TAX YEAR, IF YOU HAVE ANY OF THE FOLLOWING, GET THEM OUT!



IRP 5: All employers must give every employee a certificate known as an Employees Tax Certificate or IRP 5.

This certificate shows all your income received as well as all the tax already deducted from your earnings and paid to SARS on your behalf. If you don't have an IRP 5 for 2006, contact your employer immediately.

You must attach your IRP 5 to your tax return!

IT3(a) includes information on income from which no tax was deducted. (eg. Annuity Income)



Details of your **medical scheme** contributions and medical expenses not paid by your medical scheme.



Details of any **annuity income** (regular income received, usually from an insurance company, e.g. retirement annuity).



Details of any contributions paid to a **retirement annuity** (usually sent by an insurance company).



Details of income received from **letting** any property you own.



If you receive a **travel allowance** and want to claim actual kilometres travelled, you will need a log book of all travelling done for work purposes.

If you have not kept a logbook you will still need details relating to your vehicle.



Section 18A Tax certificates of any **donations** made to public benefit organisations (charities).



Details of any **taxes paid**, or still owing, other than reflected on your IRP5 (e.g. taxes paid in another country).



Dates of any substantial periods spent **outside the country**.



If you don't have all the required documentation and time is running out, you can apply for an **extension**. Call your nearest SARS branch, apply online at www.sars.gov.za or visit a SARS branch for access to the website. Extensions **MUST** be filed on or before the filing season deadline!



Have you got the right Tax Return?

If you have earned any trading income from a business or any farming income during the year of assessment then you need to go to your nearest SARS office where they will give you the most appropriate tax return for you to complete.



NADINE, DID YOU EARN RENTAL INCOME ON THOSE TWO SMALL FLATS YOU OWN IN PRETORIA?



YES, WHY?



WELL, RENTAL INCOME EARNED NEEDS TO BE SEPARATELY DISCLOSED IN YOUR INCOME TAX RETURN AND YOU NEED TO SUPPLY SARS WITH ALL THE INFORMATION ON THE ASSETS THAT GENERATED THIS INCOME. THE PREPOPULATED INFORMATION ON PAGE 2 IS THERE TO ASSIST YOU IN COMPLETING THE RENTAL INCOME SCHEDULE. COME, LET'S DO THIS SECTION TOGETHER.

2: RENTAL INCOME: INFORMATION BROUGHT FORWARD FROM 2005

Please use the details below to complete Schedule 2 on pages 8 and 9 of this return with the correct information. For more details refer to page 2 of your brochure.

Address of property / Description of asset	Unique Identifier	Profit / Loss R	Source Code
FLAT 15, THE MEWS, HOPE STREET, PRETORIA	123456789101	5,000	4211
FLAT 16, THE MEWS, HOPE STREET, PRETORIA	567891011123	0	4210



AS YOU DECLARED RENTAL INCOME IN YOUR LAST TAX RETURN, SARS HAS AUTOMATICALLY ADDED SOME OF THE INFORMATION YOU SUBMITTED PREVIOUSLY INTO THIS CURRENT RETURN IN ORDER TO MAKE THINGS EASIER FOR YOU. THIS INFORMATION INCLUDES THE ADDRESS OF THE PROPERTY/ASSET AS WELL AS A UNIQUE IDENTIFIER*.

I AM SURE THAT BOTH THE FLATS MADE SMALL LOSSES LAST YEAR. WHY DOES ONE OF THEM SAY THAT THE PROFIT/LOSS WAS "0"?



A ZERO IN THIS COLUMN MEANS THAT THE LOSS HAS BEEN RING FENCED** BY SARS AND WAS NOT TAKEN INTO ACCOUNT BY SARS WHEN THEY CALCULATED THE TAX YOU NEEDED TO PAY.

i

If you previously declared rental income and there are no details automatically included in the table, this is probably because SARS has not assessed your previous return.



* **Unique Identifier:** A randomly generated number assigned to an individual property/asset by SARS. If one taxpayer sells the assets and another taxpayer buys it – the Unique Identifier number will change.

** **Ring Fencing:** Certain losses are ring-fenced by SARS. This means that these losses cannot be used to reduce your taxable income from other sources.

The difference between a loss being ring-fenced or not ring-fenced is shown below:

Income excluding Rental Income	Rental Loss	Calculation of Taxable Income	
		Ring Fenced	Not Ring Fenced
R310,000	R25,000	R310,000 ↓ Tax will be calculated on R310,000. i.e. the loss was not offset against the other income received.	$R310,000 - R25,000 = R285,000$ ↓ Tax will be calculated on R285,000. i.e. the loss was offset against the other income.



SARS' DECISION TO RING FENCE IS GOVERNED BY SECTION 20A OF THE INCOME TAX ACT. REFER TO PAGE 16 OF THE BROCHURE FOR FURTHER INFORMATION.



IN SECTION 3 OF YOUR RETURN, YOU MUST ANSWER ALL THE QUESTIONS. IF YOU MARK 'YES' TO ANY OF THEM, YOU NEED TO SEND ANY RELEVANT DETAILS REFERRED TO IN THE BROCHURE TO SARS.



3: ADDITIONAL FINANCIAL INFORMATION (This section must be completed)

Please answer the following questions by marking the applicable blocks with an "X". If any of the questions below are answered in the affirmative, please submit the details as requested in the brochure.

3.1 Did you or your minor child / children acquire any fixed property during this year of assessment? Yes No 7 5 0 1

3.2 Did you or your minor child / children dispose of any fixed property during this year of assessment? Yes No 7 5 0 2



SECTION 4.1 OF YOUR RETURN ASKS YOU TO INDICATE WHICH TYPES OF INCOME YOU HAVE RECEIVED DURING THE TAX YEAR.

IF YOU MARK YES TO ANY OF THESE INCOME TYPES, YOU NEED TO COMPLETE THE RELEVANT SECTIONS OF YOUR RETURN INDICATED IN SECTION 4.1.



4: INCOME RECEIVED AND / OR ACCRUED

4.1 Indicate the type of income by marking the "yes" or "no" blocks and complete the applicable part(s) / schedule(s).

Salary, allowances, pension, annuities, etc. Yes No

IN SECTION 4.2 YOU NEED TO TELL SARS WHICH SECTOR OF THE ECONOMY PROVIDED YOU WITH YOUR MAIN SOURCE OF INCOME. CHOOSE AN INDUSTRY FROM THE TABLE ON PAGE 4 OF YOUR BROCHURE.

4: INCOME RECEIVED AND / OR ACCRUED (continued)

4.2 Please state your main source of income (refer to page 4 of your brochure for codes and examples)

FINANCING 3 5 2 5

NADINE WORKS IN FINANCING SO SHE FILLS IN HER FORM AS FOLLOWS:



Copy the details from your IRP 5 and, if you have one, IT3(a) into Section 4.

NOODLE INC. IRP 5

EMPLOYEES TAX CERTIFICATE / WERKNEMERSBELASTINGSBETRIJFKAAT

EMPLOYER INFORMATION / WERKNEMER INLIGTING

NOODLE

EMPLOYEE INFORMATION / WERKNEMER INLIGTING

SMITH

NADINE

TAX CALCULATION INFORMATION / BELASTINGSBEREKENING INLIGTING

INCOME SOURCE / INKOMMENE BRONNE

3601 INCOME	129 000
3701 TRAVEL ALLOWANCE	5 000
3702 SUBSISTENCE ALLOWANCE	

SARS PERSONAL INCOME TAX RETURN

4: INCOME RECEIVED AND / OR ACCRUED (continued)

4.2 Please state your main source of income (refer to page 4 of your brochure for codes and examples)

FINANCING 3 5 2 5

4.3 All income items shown on your IRP 5 and / or IT3(a) certificate(s). (Match with dates and other supporting documents to page 5)

Name of employer / instansie	Period	IRP 5 and / or IT3(a)	Wants only	Source Code as per IT3(a)
NOODLE	1/1/2005 to 28/2/2006	129 000	5 000	3601
NOODLE	1/1/2005 to 28/2/2006		5 000	3701
NOODLE	1/1/2005 to 28/2/2006			3702



* **Income Accrued:** Income you are owed, but have not yet received, e.g. A bonus



IN SECTION 5 OF YOUR RETURN YOU NEED TO FILL IN THE AMOUNTS OF TAX ALREADY PAID DURING THE TAX YEAR. THE AMOUNTS FOR **SITE** AND **PAYE*** ARE SHOWN NEXT TO CODES 4101 AND 4102 ON YOUR IRP5 CERTIFICATE.

HERE YOU COPY THE AMOUNTS OF **SITE** AND **PAYE** INTO THE RETURN.

NOODLE INC. IRP 5

EMPLOYEES TAX CERTIFICATE / WERKNEMERSBELASTINGSERTIFIKAAT

REFERENCE NUMBER / WERKNEMERSBELASTINGSERTIFIKAATNUMMER: 7770777777 • EMP 5 NUMBER / WERKNEMERSBELASTINGSERTIFIKAATNUMMER: 12345678 •

EMPLOYEE INFORMATION / WERKNEMER INLIGTING
EMPLOYEE SURNAME OR TRADING NAME / WERKNEMERSE VAN OF HANDELSNAAM: NADINE

CODE / KODE	DESCRIPTION / BESKRYWING	AMOUNT / BEDRAG
4101	STANDARD INCOME TAX ON EMPLOYEES -SITE / STANDAARD INKOMSTE BELASTING OP WERKNEMERS -SIN	450000
4102	PAY AS YOU EARN - PAYE / LOFENSE RE TANSTELSEL - LRS	4335000
4103	TOTAL EMPLOYEES TAX / TOTALE WERKNEMERSBELASTING	

5: TAX CREDITS AND REASONS FOR NON-DEDUCTION

5.1 Your SITE and PAYE deductions on IRP5 certificate(s) (Attach IRP5 certificates to page 9)

Original IRP5 certificate number(s)	Employer (PAYE) reference number	Gross Remuneration (R999)	SITE 4101	PAYE 4102
12345678	7707777777	225000	450000	4335000



*SITE and PAYE are two kinds of tax employees pay:
SITE: Standard Income Tax on Employees
PAYE: Pay As You Earn



If you have an IT3(a), include that information in Section 5.2



YOU CAN REDUCE YOUR TAXABLE INCOME BY CLAIMING CERTAIN EXPENSES. THESE EXPENSES ARE KNOWN AS **DEDUCTIONS**.

YOU CAN CLAIM CONTRIBUTIONS YOU PAID TO A MEDICAL SCHEME. YOU CAN ALSO CLAIM CERTAIN MEDICAL OR DENTAL EXPENSES YOU PAID FOR, BUT WERE NOT COVERED BY YOUR SCHEME. YOU CAN CLAIM THESE EXPENSES FOR YOURSELF, YOUR SPOUSE AND DEPENDANT CHILDREN OR STEPCHILDREN.



Medical and Dental Expenses (Section 6.1)



If you are younger than 65 years old, your allowed medical deduction is the amount that is more than 5% of your total taxable income before deducting medical expenses. Eg:

Income Salary: R96 000
Less Pension Contributions: R6 000
= R90 000

Limitation of medical deduction: R90 000 x 5% = R4 500

So, the first R4 500 will be subtracted from your total medical expenses, and will not be allowed as a deduction. There is no limitation if you are older than 65 years old.

Should you feel you have a claim for a physical disability that isn't necessarily medical, supply SARS with information about the claim and why you feel it qualifies.

NOODLE INC. IRP 5

EMPLOYEES TAX CERTIFICATE / WERKNEMERSBELASTINGSERTIFIKAAT

EMPLOYEE INFORMATION / WERKNEMER INLIGTING
EMPLOYEE SURNAME OR TRADING NAME / WERKNEMERSE VAN OF HANDELSNAAM: NADINE

DEDUCTIONS / AFTREKKINGS
CODE / KODE: 4005 DESCRIPTION / BESKRYWING: MEDICAL AID CONTRIBUTIONS AMOUNT / BEDRAG: 4 800

6: DEDUCTIONS

6.1 MEDICAL AND DENTAL EXPENSES: (Please consult your brochure) Your claim will only be considered if the proof as requested below is submitted

	Handed only	Source Code
6.1.1 Contributions to medical funds (attach proof of contributions not reflected on your IRP5) (excluding contributions by employer)	4800	4005
6.1.2 Medical fund statement (i.e. expenses not recovered) (Please attach relevant statement)	2023	4020
6.1.3 Other amounts not submitted to / recovered from medical fund (Please complete the prescribed schedule on page 23 of your brochure and attach to page 9)	492	4021
6.1.4 Expenses (i.e. physical disability not recovered from a medical fund)	350	4022
TOTAL EXPENSES (6.1.1 + 6.1.2 + 6.1.3 + 6.1.4)	6665	4000

6.1.5 ONLY FOR HANDICAPPED PERSONS:
Are you, your spouse, child or stepchild a handicapped person as defined in the brochure? (Mark applicable block with an 'X')

This nature of handicap: GLASSES



*Attach a statement from a medical scheme approved in terms of the Medical Schemes Act.



***Medically Handicapped:** If you, your spouse, children or stepchildren are handicapped, you can claim the total medical expenses you have incurred as a result of the handicap. Handicapped refers to: a blind person, a deaf person, a person who permanently requires a calliper, wheelchair, crutch or artificial limb, or a person who suffers from a mental illness.



HERE ARE OTHER EXPENSES YOU CAN DEDUCT FROM YOUR INCOME TO REDUCE THE AMOUNT OF TAX YOU PAY.

Donations (Section 6.2)

IF YOU'VE MADE DONATIONS TO AN ORGANISATION, AND HAVE A RECEIPT OR CERTIFICATE THAT REFERS TO SECTION 18A OF THE INCOME TAX ACT, IT WILL BE CONSIDERED FOR A DEDUCTION. TO CLAIM THE DONATION, FILL IN THE AMOUNT IN SECTION 6.2 NEXT TO THE CODE 4011 AND ATTACH THE ORIGINAL TAX CERTIFICATE.



School fees do not qualify as a deduction.

Contributions to a pension fund (Section 6.3)



THE TOTAL AMOUNT OF THE CONTRIBUTIONS YOU MADE TO YOUR PENSION FUND SHOULD BE REFLECTED ON YOUR IRP5 NEXT TO THE CODE 4001. ENTER THIS AMOUNT, TOGETHER WITH THE NAME OF THE FUND IN SECTION 6.3.



Retirement Funding Income: The portion of your salary upon which your retirement income will be based.



Note: The maximum allowable deduction will be the greater of R1,750 or 7.5% of your retirement funding income.

If no fund name is available, please place "IRP 5" in the Name of Fund field.

Contributions to a retirement annuity (Section 6.4)



Retirement Annuity: SARS will limit the deduction to the greatest of R1,750 a year or R3,500 less any current pension fund contributions or 15% of your non-retirement funding income.



FILL IN THE AMOUNT SHOWN ON THE CERTIFICATE FROM THE RETIREMENT FUND NEXT TO THE CODE 4006, AND ATTACH THIS CERTIFICATE TO YOUR RETURN.

Contributions to a provident fund (Section 6.7)



ENTER THE AMOUNT SHOWN ON YOUR IRP5 NEXT TO THE CODE 4003. ALTHOUGH THIS CLAIM IS MADE NOW, THE BENEFIT ACCUMULATES AND IS ONLY TAKEN INTO ACCOUNT UPON EXIT FROM THE PROVIDENT FUND, BY DECREASING THE TAXABLE PORTION ON THE LUMP SUM PAID OUT.



Contributions to an income protection plan (Section 6.8)



USE THE AMOUNT SHOWN ON THE CERTIFICATE RECEIVED FROM YOUR INSTITUTION TO COMPLETE SECTION 6.8 OF YOUR RETURN. REMEMBER TO ATTACH THIS CERTIFICATE TO YOUR RETURN.



Travel Expenses (Section 6.9)



KHANYI! YES, I CAN HELP THIS SECTION IS NOT AS COMPLICATED AS YOU THINK.

IN SECTION 1 ON PAGE 6 OF YOUR RETURN FILL IN THE DETAILS OF YOUR VEHICLE.



Note on Travel allowance:
Denoted on the IRP 5 as a 3701 code

PERSONAL INCOME TAX RETURN

TRAVELLING EXPENSES

If you claim travelling expenses please complete this page. Refer to part 6.9 of your return.

PLEASE NOTE THAT YOUR CLAIM WILL NOT BE CONSIDERED IF PART 2 OF THIS PAGE HAS NOT BEEN COMPLETED.

IF AN ACCURATE LOGBOOK WAS KEPT, A COPY THEREOF MUST ACCOMPANY THIS RETURN.

1: DETAILS OF MOTOR VEHICLES

Vehicle number	Registration number	Make and model	Date acquired or leased	Cost price or cash value	If sold or traded in during the year		Value at beginning of year of assessment (R1000)	Source Code
					Selling price			
1	NAD 02738	VW GOLF	13.09.02	65,000	-		7 5 3 4	
2							7 5 3 5	

* **Travel Allowance:** A portion of your salary, allocated by your employer for travel expenses related to the work you do. This amount will be denoted on your payslip and IRP 5.



NOW YOU NEED TO FILL IN SECTION 2, BUT REMEMBER TO USE THE EXACT ODOMETER READINGS AS AT 28/02/2006 AND 01/03/2005.

OK, IT'S 9... 0... 4...



AS NADINE HAS NOT KEPT ACCURATE RECORDS OF HER BUSINESS KILOMETRES TRAVELLED, SHE NEEDS TO FILL IN SECTION 3 ON PAGE 6.

IN ORDER TO COMPLETE THIS SECTION YOU NEED TO USE THE TABLE ON PAGE 13 OF YOUR BROCHURE TO GET THE FIGURES YOU'LL USE IN THE EQUATIONS IN SECTION 3.



NADINE'S CAR IS VALUED AT BETWEEN R70,000 AND R80,000, SO SHE USES THE CORRESPONDING COST AND MAINTENANCE FIGURES FROM PAGE 13.

SHE NOW NEEDS TO ENTER THESE NUMBERS INTO SECTION 3 AND CALCULATE THE TOTAL DEDUCTION.

2: DETERMINATION OF BUSINESS USE



- (i) Odometer reading on 2005/02/28 (indicate date if other than 2005/02/28)
 - (ii) Odometer reading on 2005/03/01 (indicate date if other than 2005/03/01)
- Total of actual kilometres travelled (i) - (ii)
 LESS: Private kilometres travelled
BUSINESS KILOMETRES TRAVELLED

Vehicle 1		Vehicle 2	
Kilometres	Source Code	Kilometres	Source Code
90 432	7 5 5 0		
65 692	7 5 5 1		
24 785	7 5 5 2		
26 000*	7 5 5 3		
8 785	7 5 5 4		

If you are in receipt of a travel allowance, you have the option to complete either part 3 or 4 to calculate your claim. If you are not in receipt of an allowance, you may only complete part 4 to calculate your claim.



You must complete the section with the actual odometer readings on the required dates or SARS will not consider your travel expenses claim.

* **Private Travel:** Unless accurate records have been kept, the first 16,000 kms travelled in the tax year is considered private travel.



* **Odometer:** The counter in your car that tells you how many kilometres the vehicle has been driven.



Attach a logbook if one has been kept

Scale of costs in respect of motor vehicles

WHERE THE VALUE OF THE VEHICLE -	FIXED COST R	FUEL COST c	MAINTENANCE c
Does not exceed R40 000	14 489	34,5	21,6
exceeds R40 000 but does not exceed R60 000	19 860	36,2	22,4
exceeds R60 000 but does not exceed R80 000	25 068	36,2	22,4
exceeds R80 000 but does not exceed R100 000	30 893	40,7	27,9
exceeds R100 000 but does not exceed R120 000	35 578	40,7	27,8



Minimum information required to claim business travel against allowance, based on logsheets, is the date, destination and point of departure, and kilometres traveled.

3: WHERE NO RECORDS OF EXPENSES HAVE BEEN KEPT



(Please see brochure for table of fixed, fuel and maintenance costs)

		Vehicle 1	Vehicle 2
FIXED COST =	$\frac{\text{Fixed cost}}{\text{Total km travelled}} \times \text{Period used (days)}$	$\frac{R 25\ 068}{24\ 785 \text{ km}} \times \frac{365 \text{ days}}{365}$	101,14
Fuel costs		36,2	
Maintenance costs		22,4	
TOTAL COST (cents per km)		159,74	
Business km travelled	8 785 X Total cost	14,033,00	
Business km travelled	X Total cost		
Business kilometres travelled are limited to 16 000 km where no accurate logbook was kept.			
TOTAL DEDUCTION: VEHICLES 1 & 2 (Carry this amount over to part 6.9.1 of your return)		14,033,00	

SARS WANTS TO KNOW IF YOU EARNED MONEY OUTSIDE SOUTH AFRICA DURING THE TAX YEAR AND IF SO, HOW MANY DAYS YOU SPENT OUTSIDE OF THE COUNTRY FOR THIS YEAR AND THE PREVIOUS YEAR.

MY BOYFRIEND AND I WENT TO VENICE... BUT IT WAS JUST A HOLIDAY.

THAT'S FINE. UNLESS YOU EARNED MONEY OVERSEAS YOU DON'T NEED TO INCLUDE INFORMATION ABOUT YOUR TRIP.



If you did earn income outside of South Africa please refer to page 3 of your brochure.

IF YOU ARE A DIRECTOR OF A COMPANY, OR A MEMBER OF A CLOSE CORPORATION, YOU NEED TO ANSWER "YES" IN THIS SECTION.



THANKS, KHANVI. I'M REALLY MAKING PROGRESS. WHAT DO I DO NOW?

WE NOW HAVE TO FILL IN EACH SCHEDULE THAT IS RELEVANT TO YOU BASED ON YOUR ANSWERS IN TABLE 4.1 ON PAGE 2 OF YOUR RETURN. COME, LET'S DO THIS TOGETHER.



SCHEDULE 1: INVESTMENT INCOME



In Community of Property: Means that once a couple is married, their respective estates are combined, forming a single estate. In these cases no contract will be entered into prior to marriage.



Out of Community of Property: Means the assets and liabilities of each person in the marriage are kept separate in two estates. In order to be married out of community of property - a couple needs to enter into an antenuptial contract prior to their marriage. This contract needs to be drawn up by an attorney, as it must be lodged at the Deeds Office.

INVESTMENT INCOME		Interest / Foreign Dividend Exemption – Younger than 65 yrs old: R15,000	Interest / Foreign Income Exemption – Older than 65 yrs old: R22,000
TYPE OF INCOME	TAXABLE / NOT TAXABLE	INTEREST / FOREIGN DIVIDEND EXEMPTION	NOTES
Dividends from local investments	NOT TAXABLE	n.a.	Dividends received from local investments, excluding dividends received from property unit trusts, are not taxable so you do not need to declare them in your tax return.
Dividends from foreign investments	TAXABLE:	The interest/foreign dividends exemption is first offset against foreign dividends.	Source Document: A statement from the foreign institution with whom your money is invested with.
Interest earned – Foreign	TAXABLE:	The exemption is then set-off against foreign income earned. The max exemption for both foreign dividends and foreign interest income is R2,000.	Source Document: A Statement from the foreign institution with whom your money is invested with.
Interest earned – Local	TAXABLE:	The balance of your exemption after taking into account the exemption applied to foreign interest and foreign dividends can be applied against local interest income.	Source Document: IT 3 (b) from the institution with whom your money is invested with.



PLEASE USE THE FULL AMOUNTS WHEN COMPLETING SECTION 3 AS SARS WILL APPLY THE EXEMPTION FOR YOU.

SCHEDULE 2: RENTAL INCOME

1: DETERMINATION OF PROFIT / LOSS IN THE LETTING OF PROPERTY / ASSET

Provision is made for three properties / assets. Should you have more than three properties / assets, please attach a separate schedule. If you are married in COMMUNITY OF PROPERTY, the TOTAL rental income from local sources of both spouses must be shown here. (Please consult your brochure)

Date of acquisition of property / asset	Property / Asset (a)		Property / Asset (a)		Property / Asset (a)	
	From	To	From	To	From	To
Period let (1)	01/03/05	28/02/06	01/03/05	28/02/06		
Property / Asset unique identifying number (Complete with the details printed in part 2 on page 2 of this return, if still applicable) (2)	523054287325		523054287325			
Total rental income	36000		36000			
Expenses (and only):						
Interest on bond or loans in respect of property which was let (3)	24573		27582			
Rates and taxes	6525		6525			
Insurance (4)	2750		3218			
Repairs (specify) (5)	555		682			
Other expenses (specify) (6)	2500		2500			
TOTAL PROFIT / LOSS	-6873		-7297			

NOTE: Carry the profit or loss over to Section 3 below.

NOTES

- Unless you purchased or sold your property during the course of the tax year, the **Period Let** means the period you rented out the property between 1 March 2005 and 28 February 2006.
- Get these from the table on page 2 of your return. If SARS has not given your property a **Unique Identifier** yet, just leave this blank.
- You can **ONLY** deduct the **INTEREST** on a bond used to purchase the investment property and not the amount of your bond repayments. The amount of interest paid will be on your bond statements or call your bank for further information.
- Insurance** relates to the insurance paid for covering the physical property and not the insurance taken out on the purchaser's life for the coverage of the bond.
- Repairs** need to be specified on your schedule. Capital improvements (like the cost of a new swimming pool) made to a property cannot be deducted.
- Other.** You **CANNOT** deduct transfer duties incurred on the purchase of a property as an expense in determining the profit and loss of a property. But you can claim expenses like sectional title levies or an agents letting commission charged for finding a tenant for the property under this section.



You can supply SARS with added information on a separate piece of paper that is not accommodated for in your tax return.

SCHEDULE 2: RENTAL INCOME (continued)

2: INFORMATION REQUIRED IN RESPECT OF THE LETTING OF PROPERTY / ASSET

1. State the initial purpose for which the property / asset was acquired:

(a) TO EARN RENTAL INCOME
 (b) TO EARN RENTAL INCOME
 (c) _____

2. (a) Did you receive rental income in respect of the letting of more than one property / asset? Y N **7 5 6 5** •
 (b) If "yes", do you consider such income as being derived from a single trade? N Y **7 5 6 6** •
 If "yes", attach a schedule indicating why the properties / assets should be considered as a single trade. The schedule should also indicate the description and location of each property / asset separately.

3. Was any rental income derived from relatives? N Y **7 5 6 7** •
 If "yes":
 3.1. Indicate the periods in which the rental income was so derived in relation to each property / asset:
 (a) _____
 (b) _____
 (c) _____
 3.2. What percentage of each property / asset was used by relatives during this year of assessment?
 (a) _____
 (b) _____
 (c) _____

If space provided is insufficient please attach a separate schedule.

ATTACH ANY CERTIFICATES AND OTHER DOCUMENTS TO THIS SCHEDULE

YOU NOW NEED TO ANSWER THE QUESTIONS IN SECTION 2.2 ON PAGE 9 OF YOUR RETURN. THERE ARE A FEW THINGS YOU NEED TO NOTE.



NOTES

Question 2: A single trade: If you bought a number of assets for the same purpose you could motivate to SARS why you consider all the properties to be part of one business operation. If SARS deems them to be a single trade, then SARS will deduct losses on some properties from profits from others.

Question 3.2: Here the return is asking for the % of physical space let out to relatives.

3: LOCAL INCOME RECEIVED IN THE LETTING OF PROPERTY / ASSET

(1) Address of property / Description of asset	(2) Unique Identifier Complete with the details printed in part 2 on page 2 of this return, if still applicable	(3) Gross Income	(4) Profit / Loss	(5) Mark the "yes" or "no" block to indicate whether the loss incurred should be excluded (ring fenced) from the calculation of your tax liability	(6) Source Code
FLAT 15, THE NEWS, HOME STREET, PRETORIA	1 2 3 4 5 6 7 8 9 10 11	2 8 0 0 0	6 7 2 5	<input checked="" type="checkbox"/> Y <input type="checkbox"/> NO	4 3 2 5 •
FLAT 16, THE NEWS, HOME STREET, PRETORIA	5 6 7 8 9 10 11 12 13 14 15	3 6 0 0 0	7 7	<input checked="" type="checkbox"/> Y <input type="checkbox"/> NO	4 3 2 5 •

NOTES

- Please put the FULL address in here: unit number, building name, street number, street, suburb, city.
- Get this from Table 1 on page 2 of the Tax return. If your properties haven't been allocated Unique Identifiers Numbers yet – just leave this section blank.
- Take this from the Total Rental Income line in Section 1.
- Take this from the Profit / Loss line in Section 1.
- Even if you elect to have a property ring-fenced, SARS will ensure that the prerequisite conditions have been met.
- Use the list of source codes on page 19 of the brochure to complete this section. If unsure leave blank for SARS to complete.

SCHEDULE 3: CAPITAL GAINS

4: INCOME RECEIVED AND / OR ACCRUED

4.1 Indicate the type of income by marking the "yes" or "no" blocks and complete the applicable period / schedule(s).

Type of Income	Period / Schedule	Yes	No
Salary, allowances, pension, annuities, etc.	Part 4.1 - page 9	<input type="checkbox"/>	<input type="checkbox"/>
Lump sum payments, gratuities, etc.	Part 4.2 - page 9	<input type="checkbox"/>	<input type="checkbox"/>
Investment Income	Schedule 1 - Page 7 (Other)	<input type="checkbox"/>	<input type="checkbox"/>
Rental Income	Schedule 2 - Page 8 and 9 (Other)	<input type="checkbox"/>	<input type="checkbox"/>
Capital Gains	Schedule 3 - Page 8 and 9 (Other)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Transferable Income	Schedule 4 - Page 9 (Other)	<input type="checkbox"/>	<input type="checkbox"/>

NADINE SOLD HER FLAT FOR A PROFIT SO SHE NEEDS TO COMPLETE SCHEDULE 3.





For more information, contact your nearest **SARS** office,
visit: www.sars.gov.za or call **0860 12 12 18**.