HOW TO COMPLETE YOUR INDIVIDUAL INCOME TAX RETURN (ITR12)

INTRODUCTION

The return that has been issued to you was specifically customised to suit your needs based on the information supplied by you when you requested your ITR12 Individual Income Tax Return. If, however, you now discover that the return received by you does not make provision for all the income and deductions sections you require, please obtain a revised return by:

- Registering for eFiling where you can build your own return with the help of a wizard
- Contacting the SARS Contact Centre at 0800 00 SARS (7277) or
- Visiting your local SARS branch.

This quick guide is designed to help you to complete your ITR12 accurately and honesty. Should you require more information, a Comprehensive Guide is available on the SARS website www.sars.gov.za under Tax Types>Income Tax>Tax Season 2008. If you need help to complete your return, visit any SARS branch with all your supporting documents.

Deadline for manual submission: 21 November 2008

GETTING STARTED

To complete your return you will need the following documentation where applicable:

- Details of your banking particulars
- Your IRP5/IT3(a) certificate(s)
- Certificates that you received in respect of investment income [IT3(b)]
- Details of medical expenses incurred
- Information relating to retirement annuity contributions
- Details of business travel (if you received a travel allowance)
- Information relating to capital gain transactions
- Financial statements, if applicable e.g. business income
- Any other documentation relating to income you received or deductions you want to claim.

Please note that although you will be using this documentation to complete your return, you must NOT submit it to SARS with your return. You must retain this documentation for a period of five years in case SARS calls for them.

COMPLETING YOUR RETURN

Use a black pen to complete the return, write in capital letters and keep your writing within the spaces provided. All financial information should be completed on the right side of the grid, and not on the left. Although you have received a customised return, there may still be fields that do not apply. You are requested to leave all areas of the return which do not apply to your tax affairs BLANK. Please do not write N/A or strike through the spaces that do not apply.

Please do not use correcting fluid or cross out anything if you make a mistake as our scanners will reject these changes. If you make a mistake, request a new return (see introduction). It is for this reason that we encourage taxpayers to electronically file, as you are then able to make corrections!

We also request that you do not fold your form when you submit it as this will delay the processing of your return.

2008 TOGETHER, MAKING A DIFFERENCE 0800 00 SARS (7277)



1

www.sars.gov.za

You must complete all relevant parts of the return. Any incomplete return will be sent back to you and will be marked as "not submitted" until you send in the fully completed return. This could result in penalties for the late submission of the return.

This is an example of the top section of a return which has been pre-populated by SARS.

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The following fields on the return must be completed:

- Signature: The tax return is a legally binding declaration which you make to identify all the income, tax and deductions for the year of assessment. Without your signature it is invalid and will be sent back to you.
- ID number, passport number or date of birth: At least one of these must be completed.
- Personal particulars: You must enter your address and contact details. These must be your details and NOT your tax practitioner's, if you use one.

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- Banking details: Without accurate banking details we cannot issue you a refund. To avoid fraud and theft, SARS only pays refunds electronically into verified current or transmission bank accounts held in the name of the taxpayer (not third parties or joint accounts) in a registered South African financial institution.
- Income received: Ensure that all income received by you is declared.
- Marital status: As your marital status may influence the calculation of your tax liability it is important that you indicate whether you were unmarried or married as at the 29th of February 2008. If you are married you need to indicate whether you are married IN or OUT of community of property.

Preferred means of contact

Indicate your preferred means of contact by marking the applicable space using the numbers 1 to 5. The number 1 indicates the most preferred option and the number 5 the least preferred option.

Tax practitioner's information

If you make use of a tax practitioner to complete your return, this information should be completed by your tax practitioner.

Pre-Population of Return

Many of the mandatory fields on the return will already be filled in for you with the information at the disposal of SARS, including personal details and income received if you are an employee (if you get an IRP5).

Please ensure that you complete your address details as these will not be filled in. SARS is using this opportunity to update address details according to a set format in order to comply with prescribed norms.

INCOME

EMPLOYEE TAX CERTIFICATE INFORMATION [IRP5/IT3(A)]

This year SARS will also be filling in the income you received from your employer or pension fund, based on the information provided to SARS on your IRP5 and/or IT3(a) certificates providing they have timeously submitted the information to SARS.

In such cases, all you have to do is to check the information already printed in the income section of your return against the IRP5/IT3(a) tax certificates you received.

If you are happy this is correct, simply move on to the next section. If you believe the information is incorrect, you need to phone our call centre on 0800 00 SARS (7277).

The following is an example of the income section which has been pre-populated by SARS using the information from one IRP5/IT3(a):

If you worked for two employers during the year of assessment and also received payments from a retirement annuity fund you would have received two IRP5 certificates and one IT3(a) certificate and your return should contain three separate pages for IRP5/IT3(a) information: one for each certificate. Should the return you received not make provision for sufficient pages to declare all your IRP5/IT3(a) income, you will need to obtain the correct return.

Income Received	INCRE01
R 100000	8 3601
Annual Program (PAYE)	
R 1 5 5 5 5	3605
Contract (FRIE)	R
R 2 0 0 0 0	3 6 0 7
Sand Alexand (FATE)	R
R 5000	3 7 0 1
	R
R	Num Tanakis Humm
	R 3 6 9 0
R	Owner Retirement Facility Income
	R 100003691
R	Onus Nan Patternant Fanders Income
	R 4 0 5 5 5 3 6 9 1
R	

INVESTMENT INCOME

You need to declare any income from investments you have in this section, including local interest, foreign interest and foreign dividends. This section also makes provision for the declaration of any withholding tax on foreign interest and foreign dividends.

If you are married in community of property you must add together all the amounts received by you and your spouse in respect of local interest, foreign interest and foreign dividends.

If you are married out of community of property or unmarried, you must only declare your own investment income.

Please note that the gross amounts must be completed as SARS will apply any exemptions.

TAXABLE INCOME EXCLUDING CAPITAL GAINS AND INVESTMENT INCOME

Please complete the applicable line entries. Note that all foreign income must be declared in South African currency. For further details please refer to the Comprehensive Guide available on the SARS website www.sars.gov.za.

CAPITAL GAIN/LOSS

All capital gain transactions must be declared separately, with the exception of the disposal of shares which can be grouped together per certificate received. Local and foreign transactions should also be declared separately.

Once an asset is disposed of, the amount which is received or which accrues to the seller of the asset, constitutes the proceeds from the disposal.

The base cost of the asset is generally the expenditure actually incurred in acquiring the asset, together with expenditure directly related to its improvement and direct costs in respect of its acquisition and disposal and certain holding costs. The base cost does not include any amount otherwise allowed as a deduction for income purposes.

What is the base cost of an asset held on 1 October 2001?

In order to exclude the portion of the gain relating to the period before 1 October 2001 (when CGT was introduced) any of the following methods may be used:

- 20% of the proceeds upon realisation can be deemed to be the cost (where no records exist and the market value cannot be determined); OR
- Market value of the asset as at 1 October 2001 (the valuation date); OR
- Time apportionment method.

For more information refer to the Comprehensive Guide or the Capital Gain Guide on the SARS website www.sars.gov.za.

Calculating the aggregate gain or loss

Each disposal must be reflected separately in the return and requires the information relating to proceeds, base cost, exclusion (if applicable) and the gain or the loss. The return should be completed as illustrated in the example below.

Example:

A taxpayer bought a house (primary residence) in 2002 for an amount of R1 million. The property was sold during the 2008 year of assessment for an amount of R2.8 million.

Proceed	S	R2	800 000
Less:	Base Cost	R1	000 000
	Exclusion Primary residence	<u>R1</u>	500 000
Calculat	ed gain	R	300 000

Please note that SARS will be applying the annual exclusion programmatically and you must therefore not reflect it as an "exclusion" when completing the return. The inclusion rate will also be applied by SARS.

If you are married in community of property the gross amounts in respect of disposal(s) for you and your spouse must be declared and SARS will programmatically apply the 50% application. If you are married out of community of property or unmarried only your own disposals must be declared.

DEDUCTIONS

MEDICAL

Contributions

Indicate whether you made any contributions to a medical fund during the year of assessment by marking either the "yes" or the "no" block with an "x". If your contributions were paid in by your employer or pension fund, or if you paid the medical aid directly yourself, you should mark this block as "yes".

If you were a member of a medical fund you need to state the number of members and dependants (including yourself) per month starting with March 2007.

If your contributions were paid over to the medical fund by your employer or pension fund it will be reflected on your IRP5/IT3(a) certificate (see example on the right).

Current Per	ision Fund	Contribu	utions									
R 🗌					7	5	0	0	4	0	0	1
	a second	1000										
Medical Aid	Contribut	ions				_						
R	Contribut	ions		3	0	0	0	0	4	0	0	5
_	Π		nd Contr		0	0	0	0	4	0	0	5

If this is the case you must leave this section blank next to the code 4005 (see example on the right) as the information will already be reflected in the "Tax Certificate" section of the return. You will therefore only complete an amount next to the code 4005 if your contributions to the medical fund were not paid over by your employer and you paid it yourself, for example from your own bank account. If you did pay it yourself you will find the amount of the contributions on the statement you received from your medical fund.

Expenditure incurred and not recovered from a medical fund

If you made contributions to a medical fund this amount will also appear on the statement that you received from your medical fund.

If you did not belong to a medical fund you must add together the receipts for qualifying medical expenses actually paid to determine the amount to be inserted next to code 4020. For further information on qualifying medical expenses please consult the Comprehensive Guide on www.sars.gov.za or call 0800 00 SARS (7277).

Physical disability	expenditure not	recovered from a	n medical fund

If you, your spouse or child have a disability the amount of expenditure must be filled in here next to the code 4022, providing the expenditure was not covered by a medical fund.

Handicapped expenditure

Handicapped persons refer to a blind person, a deaf person, or a person who, as a result of a permanent disability, requires a wheelchair, calliper or crutch, to assist him or her to move from one place to another, or a person who requires an artificial limb. It also includes a person who suffers from a mental illness as defined in the Mental Health Care Act, 2002 (Act No.17 of 2002).

Please refer to the Comprehensive Guide on www.sars.gov.za or call 0800 00 SARS (7277) to determine what supporting documentation should be retained for a period of five years to substantiate your claim.

RETIREMENT AND INCOME PROTECTION CONTRIBUTIONS

Pension fund contributions

Your current pension fund contributions are reflected on your IRP5/IT3(a) tax certificate and are contained in the Tax certificate section.

Only arrear pension contributions purchased in this year of assessment that do not appear on your IRP5/IT3(a) certificate must be reflected next to the code 4002.

Current and arrear retirement annuity contributions

Only contributions paid in respect of a policy that you yourself will benefit from can be claimed.

Enter the contributions as reflected in the certificate/s received from the institution/s to which you made the contributions.

Please note that the amounts reflected on your IRP5/ IT3(a) (see example on the right) will not be considered as a deduction as you must use the certificate received to complete this section.

unera Pension Fund (Contributions									
			7	5	0	0	4	0	0	1
dical Aid Contributio	ns									
		3	0	0	0	0	4	0	0	5
		3	U	0	U	U	4	U	U	
ment Retirement Arr	nuity Fund Contributio	076	_							

		Medical I	Deductions		MEDIF01
	nake any contr e year of asse	ributions to a m ssment?	edical fund	Y	XN
If yes, sta	te the total nu	mber of membe	ers (including you	rself) per mo	eth:
Mar	Apr	May	Jun	Jul	Aug
2	2	2	2	2	2
Sep	Oct	Nov	Dec	Jan	Feb
3	3	3	3	3	3
lo guide R	r qualifying m		0 4005 s not recovered fr expenses)		
R		123	3 3 4020		
hysical (disability expe	nses (not recov	ered from your m	edical fund)	
2			4022		
	your spouse o		alifying children	Y	N
Handicap	expenses (no	t recovered tro	m your medical fi	ind)	
R			4023		

Although the amount on the certificate might not be the same as on the IRP5/IT3(a), you must fill in your certificate amount under the code 4006. (see example on the right)

Income protection insurance contributions

If you made any contributions to protect your income you should receive a certificate from the institution to which the contributions were made. Enter the amount next to the code 4018 on your return.

TRAVEL CLAIM AGAINST A TRAVEL ALLOWANCE

You may only claim travel expenses if you received a travel allowance that will be reflected as code 3701 and/or 3702 on your IRP5/IT3(a) tax certificate.

How to determine kilometres travelled

If you received a travel allowance you have the choice to claim travel expenses based on the actual kilometres travelled or by using the deeming provisions provided for in the Income Tax Act.

1. Log book

You must be in the possession of a properly completed log book in order to use actual kilometres travelled.

Please note that the minimum information required for a log book is the following:

- Date on which the travel took place;
- The destination to and from;
- The kilometres travelled; and
- The reason for the travel.

If you chose this option you must select the "yes" option next to the question "did you use a log book?"

2. Deemed kilometres

If you do not elect the log book option by marking the applicable space with an "x", it will be assumed that the deeming provisions must be applied. In terms of the deeming provisions the first 18 000 kilometres travelled will be deemed as private kilometres travelled.

In calculating the travel claim the total kilometres travelled will be limited to 32 000 kilometres.

Calculation of the travel claim

To enable SARS to calculate your claim it is imperative that you complete the following information:

- The cost price or cash value of the vehicle
- The vehicle registration number
- Start and end dates
- Opening and closing kilometres (odometer readings)
- Business kilometres travelled
- Private kilometres travelled.

On the right is an example of how this section must be completed if you don't use a logbook:

Please note that without this information SARS will not be able to calculate the travel claim and will therefore not consider the claim.

Travel expenses against a travel claim can be claimed according to

Travel Claim Allowance	Against TRVIF01
Did you use a logbook to determine your business km travelled?	Y N X
Vehicle Registration No.	5 Y 6 2 8 1 6 P
Cost Price or Cash Value R	40000
Details of Kilometres Travelle	d
Starting Date (CCYYMMDD)	20070301
Closing Date (CCYYMMDD)	20080228
Opening Km	86500
Closing Km	111500
Total Km	25000
Private Km	18000
Business Km	7000

RETIP01 **Rotirement and Income** Arrear Pension Fund R 4002 Contributions Current Retirement Annuity Ŕ 900 4005 Fund Contributions Arrear Retirement Annuity Fund Contributions R 4007 Income Protection R 4018 Insurance Contribution

one of the following methods:

- (i) Where accurate records of expenses have been kept: Complete the applicable items under the sub heading "Where Records of Actual Expenditure were kept".
- (ii) Where no records of expenses were kept: The cost of scale table will be used to calculate your claim if you did not complete the line items relating to the actual expenditure.

OTHER DEDUCTIONS

Only certain deductions are allowable if you earn a salary. Some of these deductions, such as pension and retirement annuity contributions, have already been addressed in this guide. The remaining deductions that qualify, providing expenses were incurred, are the following:

Subsistence allowance

- If you were in receipt of a local subsistence allowance which is reflected next to source code 3704 on your IRP5/IT3(a), you may claim expenditure. Enter the amount calculated next to the code 4017 in this section of your return.
- If you received a foreign subsistence allowance which is reflected next to code 3715/3754 on your IRP5/IT3(a), the calculated amount of your claim must be filled in next to code 4019.

Donations to an approved Section 18A Public Benefit Organisation

Use the amount reflected on the receipt you received. Remember the amount will only qualify as a deduction if the receipt states that it is issued in terms of Section 18A of the Income Tax Act.

Depreciation

You may only claim for this if you own an asset (e.g. a computer) and you are obliged to use this asset regularly to perform tasks relating to your job. The amount calculated must be filled in next to the code 4027 on your return.

Home office expenses

You only qualify for this deduction if you are employed, working for a salary and a condition of your employment is to bear the cost of maintaining a home office as your central business location.

If you believe you are entitled to claim expenditure for a home office, the following formula must be used when calculating the amount to be deducted:

A / B x Total costs, where

- A = The square metre area used for work
- B = The total square metre area (including any outbuildings and the area used for work) of the residence
- Total costs = The total costs incurred in the acquisition and upkeep of the property (excluding expenditure of a capital nature).

Travel expenses (no allowance e.g. commission income)

If you did not receive a travel allowance but incurred travel expenses in the production of your income, you may claim these back. The amount of your claim must be filled in next to code 4015.

Other deductions

You may claim legal expenses incurred in respect of any claim that is directly related to your salary package, such as a CCMA case where the claim will, as a result of a court order, be included in income or an out of court settlement in respect of labour disputes.

General

Should you require any further information please refer to the Comprehensive Guide available on the SARS website www.sars.gov.za, visit your nearest SARS branch or call the SARS Contact Centre on 0800 00 SARS (7277).