

HOW TO COMPLETE THE IT14 RETURN

INTRODUCTION

- This guide is designed to help to accurately and properly complete the return for Companies and Close Corporations (CC). For assistance visit the local SARS office or contact the SARS Call Centre at 0800 00 SARS (7277).
- Your attention is also drawn to the Practice Notes / Interpretation Notes issued by SARS which you can access at www.sars.gov.za.
- The return must be completed and submitted 12 months after the financial year end of the Company / Close Corporation.

COMPLETING THE RETURN

- Use a black or blue pen to complete the return and keep your writing within the spaces provided. DO NOT strike through the squares that do not apply.
- Please do not use correcting fluid if you have made a mistake. We also request that you do not fold the return as it will delay the processing of the return.
- All relevant parts of the return must be completed. Any incomplete return will be sent back and will be marked as not submitted until the completed return is received. This could result in penalties for the late submission of the return.
- The following fields on the return are mandatory:
 - o Signature: The tax return is a legally binding declaration to identify all income received or accrued and all income taxable in the hands of the Company / CC. An unsigned return is therefore worthless.
 - o The year of assessment: This version of the return can also be used for prior years;
 - o The tax reference number;
 - o The Company / CC registration number;
 - o Particulars of the Company / CC (Registered and trade name, financial year end, preferred means of contact, address, etc.);
 - o Particulars of the Public Officer;
 - o Banking Details
 - o Assessment, Audit and other information;
 - o Financial information: Balance Sheet, Income Statement and Tax Computation information; and
 - o The financial information items.

GETTING STARTED

Please note: Although the financial statement / information will be required for the completion of the return NO documentation, other than that which has been stated must be submitted with the return. All documentation must however, be retained by the taxpayer for a period of five years after submission of the return.

SIGNATURE OF THE PUBLIC OFFICER

- The public officer is obliged to ensure that a full and accurate disclosure is made of all relevant information as required in the income tax return. Misrepresentation, neglect, or omission to furnish such a return, or furnishing false information, is liable to penalties and / or additional assessments (together with interest) and / or prosecution.

Please note: If the return is not signed it will be returned and regarded as not having been received. This could result in penalties for the late rendition of the return.

- If the Company / CC is registered as an eFiler and the return is submitted electronically, the password received during registration, will serve as the digital signature.

COMPLETION OF THE RETURN

PARTICULARS OF THE COMPANY / CC

- Ensure all the details relevant to the Company / CC are completed correctly and in full. E.g. Registered Name, Trade, Name, VAT Reference number, etc.

PARTICULARS OF PUBLIC OFFICER

- Ensure all the relevant details are completed correctly and in full.

BANK ACCOUNT DETAILS

- Ensure all the relevant details are completed correctly and in full.

TAX PRACTITIONER DETAILS

- If the Company / CC makes use of a tax practitioner to complete the return this information should be completed by the tax practitioner.

ASSESSMENT, AUDIT AND OTHER INFORMATION

- It is important that all the applicable fields in this section be completed as the information in this section is used during the assessment process to determine the tax rate applicable to the Company / CC.

Dormant Companies

- If the Company has been indicated as dormant, and:
 - o has assets, liabilities and / or reserves, the balance sheet information section must be completed.
 - o has derived income during the year, all applicable fields of the return must be completed.

Province where main industry is carried on

- The codes for the different provinces are:

CODE	PROVINCE
01	Northern Province
02	Mpumalanga
03	North West
04	Gauteng
05	Free State
06	KwaZulu – Natal
07	Eastern Cape
08	Western Cape
09	Northern Cape

Source Code of main industry

- This is the principal activity practiced by the company. (See the table below that have been listed alphabetically for ease of reference.)

SOURCE CODE	DESCRIPTION
0100	Agriculture, forestry and fishing
0200	Mining and quarrying
0300	Food, drink and tobacco
0400	Textiles
0500	Clothing and footwear
0600	Leather, leather goods and fur (excluding footwear and clothing)
0700	Wood, wood – products and furniture
0800	Paper, printing and publishing
0900	Chemicals and chemical, rubber and plastic products
1000	Coal and petroleum products
1100	Bricks, ceramic, glass, cement and similar products
1200	Metal
1300	Metal products (except machinery and equipment)
1400	Machinery and related items
1500	Vehicles, parts and accessories
1600	Transport equipment (except vehicles, parts and accessories)
1700	Scientific, optical and similar equipment
1800	Other manufacturing industries
1900	Electricity, gas and water
2000	Construction
2100	Wholesale trade
2200	Retail trade (including mail order)
2300	Catering and accommodation
2400	Transport, storage and communication
2500	Financing, insurance, real estate and business services
2600	Long – term insurers
2700	Educational services
2800	Research and scientific institutes
2900	Medical, dental and other health and veterinary services
3000	Social and related community services
3100	Recreation and cultural services
3200	Personal and household services
3300	Specialised repair services
3400	Agencies and other services
3500	Employment (salary)

Main Source of income

- Use the Source Code Booklet available on the SARS website www.sars.gov.za to determine the correct code.

Please note: A profit code must be reflected.

FINANCIAL INFORMATION

- The figures to be used are those in the annual financial statement of the Company / CC (not group or consolidated annual financial statements).
- New “Control Total” fields have been added, which will automatically be calculated, if submitted electronically. Manual submitters must ensure that the “Control Total” fields are completed correctly to ensure that the tax return is not returned for proper completion.

BALANCE SHEET INFORMATION

- All amounts reflected in the return must agree with those reflected in the Company / CC’s balance sheet.

INCOME STATEMENT INFORMATION

- In completing the relevant part of the return the normal accounting meaning attached to the terms reflected in the tax return should be followed. In the event that a company does not have any cost of sales, for example, a property rental company, the turnover, and gross profit will be the same amount.
- “Inventory adjustments” (write – off obsolete and slow – moving inventory – debit amount): This does not represent the change between closing and opening inventory. It represents the write – off for obsolete, slow – moving and damaged items that have been written off for the year of assessment.
- “Inventory adjustment” (write – off reversed credit amount): Previous year’s write – off of obsolete and slow – moving stock now reversed.

ALTERATIONS AND IMPROVEMENTS

- Exclude repairs and maintenance. A summary of the costs, together with a brief description of the nature of the alterations and improvements should be prepared.

COMPENSATION PAID TO EMPLOYEES / DIRECTORS FOR LOSS OF OFFICE, ETC.

- Prepare a schedule reflecting the amounts paid and the circumstances leading to the payment thereof.

CONSULTING, LEGAL, AND PROFESSIONAL FEES

- Paid for services other than audit fees or auditor’s services: A schedule must be prepared listing:
 - o Name of the person to whom the payment was made;
 - o Date of the payment;
 - o Nature and purpose of each service; and
 - o Amount paid.

INSURANCE PREMIUMS UNRELATED TO ASSETS OF THE COMPANY

- This would include premiums paid to endowment funds, and premiums paid on behalf of other parties.
- A schedule must be prepared listing the description of the premium, the amount, the risk insured, the name of the entity to which the payment was made. All the agreements and insurance policies in regard to these premiums should be retained by the company.

REPAIRS AND MAINTENANCE

- Nature of the payment by category; and
- Brief explanation of the material items must be prepared.

RESTRAINT OF TRADE PAYMENTS

- Prepare a schedule detailing:
 - o Balance brought forward from the previous year; and
 - o Amount carried forward to the next year.

TRAVELLING EXPENSES OUTSIDE THE REPUBLIC

- Attach an itinerary in respect of each trip undertaken showing:
 - o By whom the trip was undertaken;
 - o Position held in the company;
 - o Dates of departure and return;
 - o Names and addresses of firms visited;
 - o Duration of visit at each firm;
 - o Purpose of each visit;
 - o Full details of expenses incurred, under appropriate separate headings;
 - o Portion of non – business expenses included in the above; and
 - o If a spouse has accompanied the traveller, the expenses attributable to the spouse must be specified.

OTHER

- A schedule listing other expenses must be prepared and retained.

OTHER INFORMATION

- In the case of allowances, reflect the total allowance claimed and not the year's changes or movement.
- "Recoupments" include all amounts as envisaged in Section 8(4) and 8(5) of the Income Tax Act. Reversals of allowances granted in prior years must be included in this total. Also include any recoupments from lease agreement terminated.

INDUSTRIAL POLICY PROJECT – SECTION 12I (applicable as from 2009 year of assessment)

- The meaning of an industrial project is contained in the word definition thereof in Section 12I of the Income Tax Act. Application for the approval of the project must be obtained from the Minister of Trade and Industry.
- Section 12I further indicates the minimum requirements for the investment in manufacturing assets in respect of both classifications of projects. The additional allowance amounts for qualifying are also stipulated.

TAXABLE INCOME / LOSS AS CALCULATED

- In all instances, should the accounting and tax treatment be different, the full accounting amount must be reversed and similarly the full tax treatment disclosed.
 - o Example: Prepayment claimed for accounting purposes on the income statement but limited by Section 23H. The portion limited (not allowed) must be added back as a credit adjustment. If the relevant payment is on the balance sheet, then only the qualifying portion would be under "Special allowances not claimed" section.

AMOUNTS TO BE INCLUDED IN THE DETERMINATION OF TAXABLE INCOME (EXCLUDING ASSESSED LOSS BROUGHT FORWARD)

- The calculated profit or loss must be entered in this section together with the corresponding source code. The source code can be obtained from the Source Code Booklet available on the SARS website www.sars.gov.za.

Please note: The calculated profit or loss figure will not include the gain or loss from local or foreign capital gain transactions, and CFC income as these amounts must be reflected separately.

Capital gain / Loss

- Local and foreign capital gains / losses must be reflected separately as indicated on the return.

Please note: Either a profit or loss must be reflected.

- The amount to be reflected will refer to the net capital gain or loss. In other words prior to the application of the inclusion rate. The inclusion rate will programmatically be applied by SARS.

Net income of a Controlled Foreign Company (CFC)

- The net income of a CFC for a foreign tax year is an amount equal to the taxable income of the CFC. The taxable income must be determined in accordance with the provisions of the Income Tax Act, 1962. For purposes of calculating the taxable income only the CFC is regarded as a taxpayer. The CFC is also regarded to be a resident company for purposes of the application of certain specified provisions of the Income Tax Act. The deductions and allowances of the CFC are, however, limited to the income of the CFC. No losses are imputed to a resident participant in relation to that CFC, but are carried forward to the following foreign tax year and be deemed to be a balance of assessed loss which may be set off against the income of the CFC for the purpose of section 20 of the Income Tax Act.
- A resident participant's share of the net income of a Controlled Foreign Company must also be reflected separately next to the pre – printed 4276 code.

CREDITS AVAILABLE

- In this section of the return provision is made for reflecting amounts in RANDS and CENTS.

Proof of payment of foreign taxes

- The under – mentioned serve as examples of proof that will be accepted as proof of payment, if requested, in respect of foreign taxes paid:
 - o Where foreign tax has been withheld at source – the original documentation issued by the applicable institution.
 - o Where foreign tax has not been withheld at source – an assessment or receipt issued by the relevant tax authority.

TAXABLE FOREIGN INCOME – SECTION 6quat (EXCLUDING FOREIGN CAPITAL GAINS / LOSSES)

- During the assessment process the information in this section is used in calculating the allowable amount in foreign tax credits in terms of section 6quat of the Income Tax Act.

Relief from double taxation

- A South African resident is subject to normal tax on income derived worldwide (i.e. income derived from sources within and outside the Republic). However, any income which is derived by a resident from a foreign source may have been or may be

subjected to tax in a foreign country, thus resulting in double taxation. Section 6quat of the Act grants relief from any potential double taxation, in that any foreign taxes payable in respect of income derived from a foreign source which is included in the taxable income of a resident may, subject to certain conditions, be allowed as a rebate against normal tax payable in South Africa by the resident.

Conditions governing the granting of a rebate

- The sum of foreign taxes payable may qualify for a rebate against the normal tax payable by a resident if certain conditions are met.
- These conditions are:
 - o The taxes must be taxes payable on income;

Please note: *Capital gains tax has been incorporated into the Act as it is regarded as a tax on income*

- o The taxes have to be imposed in terms of the laws of a foreign country, whether it be at national, state, local or other level of government;
- o The taxes should be proved to be payable, i.e. a legal obligation to pay must exist;
- o The taxes must be payable without any right of recovery by any person (other than a right of recovery in terms of an entitlement to carry back losses arising during any year of assessment to a prior year of assessment); and
- o The taxes ought to be payable in respect of amounts included in that resident's taxable income.

Qualifying amounts of income derived from foreign sources

- In order to qualify for a rebate in terms of section 6quat the foreign taxes must be payable in respect of any of the following types of income derived from a foreign source which has been included in the resident's taxable income:
 - o Income derived from foreign source which is not deemed to be derived from a South African source, e.g. professional service income, remuneration, interest, royalties, rentals, pensions, annuities, etc., but excluding foreign dividends. [Section 6quat(1)(a)(i)];
 - o An amount equal to a proportionate amount of the net income of a foreign company that is expressly included in the income of a resident in terms of section 9D(2). [Section 6quat(1)(b)];
 - o Income derived by a resident in the form of foreign dividends. [Section 6quat(1)(d)];
 - o A taxable capital gain derived by a resident from foreign source. [Section 6quat(1)(e)];
 - o Any amount dealt with in paragraphs (a)(b), (d) or (e) which has accrued to or has been received by a particular person, for example, a trust, but which is deemed to be derived by another person (the resident). [Section 6quat(1)(f)(i) and (ii)];
 - o An amount dealt with in paragraphs (a), (b), (d) or (e), which forms part of the capital of a trust established in a foreign country which is regarded to be derived by a resident for either income tax or capital gains purposes. [Section 6quat(1)(f)(iii)].

Limitation on the amount of the rebate

- The amount of foreign taxes which qualify for the section 6quat rebate is limited to a pro rata amount calculated in accordance with the following formula:

$$\frac{\text{Foreign taxable income}}{\text{Total taxable income}} \times \text{Normal tax payable}$$

The carry forward of an excess amount of foreign tax credits

- Where the sum of foreign taxes payable exceeds the amount of the rebate, the excess amount may be carried forward to the immediately succeeding year of assessment, to rank as a foreign tax credit available for set off against the normal tax payable in that year of assessment in respect of foreign taxable income after the qualifying foreign taxes for that year have been taken into account.

Instances where no rebate is forthcoming

- No foreign tax relief will be granted where the foreign taxes does not qualify for the rebate, for example if the actual source of the amount is located in South Africa. In such instances the amount may qualify as a deduction in terms of section 6quat(1C) in determining taxable income for a particular year of assessment. The foreign taxes must have been incurred in respect of the resident's trading operations and must be proved to be payable without a right of recovery. A resident may not elect to claim the foreign taxes either as a rebate or alternatively a deduction. Only those foreign taxes that do not qualify for a rebate may be considered as a deduction.
- If a resident elects for the relief provided in a double taxation agreement, which does not refer to the section 6quat method of relief none of the provision of section 6quat will apply. It should be noted that the carry forward of excess tax credits is only allowed in terms of the section 6quat method of relief. Non of South Africa's double taxation agreements provide for the carry forward of excess tax credits.

FINANCIAL INFORMATION ITEMS

- All the questions in this section must be completed. Where a question is replied to in the affirmative, a schedule must be prepared based on the information indicated below. The schedules must be retained for a period of five years after the date of the submission of the return, should SARS require it.

CAPITAL / REVENUE RELATED

Did the Company claim payments in the elimination of competition?

- A schedule with comprehensive details must be prepared and retained together with copies of the agreements.

Has there been a change of intention as to the handling of marketable securities acquired in this or prior years?

- Prepare a schedule listing the marketable securities and indicate which of the items will be affected by the change and which would not be affected.

Did the Company make an election in terms of section 9B?

- Prepare a schedule with the following information:
 - o Election made and date thereof;
 - o If a capital election was made, give the details of expenditure or losses which were added back in terms of section 9B(6) (this excludes expenditure or losses relating to dividends);
 - o Description of share;
 - o Date of purchase;
 - o Purchase price;
 - o Date of sale;
 - o Selling price; and
 - o Profit and / or loss.

EMPLOYEES / REMUNERATION RELATED

Did the Company make any restraint of trade payments which are deductible in terms of Section 11(cA)?

- The schedule must detail the following:
 - o Balance brought forward from the previous year; and
 - o Amount carried forward from the next year.

Did the Company pay commission to Employees?

- Prepare a schedule detailing the following:
 - o Describe the type of commission paid;
 - o Were any commissions paid to employees that are not related to sales by the company?
 - o If yes, give examples.
 - o Were “remuneration” split between commissions and remuneration?

Did the Company employ any expatriates?

- Provide the reason for employing expatriates;
- What were the numbers of expatriates in your employ?

Are the employees of the Company allowed to receive gifts or gift vouchers from other parties in excess of R2 000?

- Prepare a schedule with full details of such gifts; i.r.o the applicable year of assessment.
- Did the Company facilitate the receipt of “gifts” for employees?

Did the Company claim an allowance in respect of registered learnership agreements as contemplated in Section 12H of the Act?

- Complete and retain an IT180 in respect of each learnership agreement in respect of which an allowance was claimed.

Was there recoupment of any allowance claimed in terms of Section 12H with regard to registered learnership agreements terminated prior to completion thereof as contemplated in Section 12H(5)?

- Prepare a schedule detailing the amount recouped in respect of each learner and retain copies of the IT180 pertaining to such learner in respect of such amounts recouped.

Did the Company enter into a scheme whereby its’ employees / directors acquired any equity instrument by virtue of their employment or office held, as contemplated in Section 8C?

- Prepare full details of such scheme; and
- Names and tax reference numbers of employees / directors taking part in the scheme.

Did the Company pay any insurance premiums on the lives of the employees or directors?

- Details of the premiums, policy and beneficiary must be prepared; and
- A certificate issued by the insurer, confirming that the policy is the policy as envisaged in Section 11(w), must be retained.

Did the Company pay any monthly or annual premiums in respect of post retirement benefits?

- Details of any lump sum contributions, including reasons for the contributions; and
- A calculation of the percentage of contributions to the total remuneration of each class of employee in respect of which contributions were made must be prepared and retained.

Did the Company pay or credit any amounts (including interest) to any director, shareholder, their spouse’s, their children, or a Trust?

- Prepare a schedule detailing the amount paid and / or credited for the year ended 28 February 2009 per director, shareholder, etc; and
- Details of any investment, fixed property and / or other assets transferred at less than market value.

FINANCING RELATED

Did the Company enter into any sale and leaseback agreement?

- Copy of any agreement entered into must be retained; and
- A detailed calculation of any adjustment required in terms of Section 23G.

Has the Company entered into any transaction as contemplated in Section 24J, 24K, or 24L?

- Prepare the following:
 - o Detail each financial instrument or class of financial instrument, including the nature and terms thereof;
 - o Detail the specific methodology adopted in calculating the interest accrued and / or incurred for tax purposes, for each financial instrument or class of financial instruments; and
 - o Detail the treatment for tax purposes of any adjusted gain or loss on transfer or redemption of any financial instrument or class of financial instrument.

Did the Company enter into any reportable arrangements in terms of Section 76A / Section 80M – 80T of the Income Tax Act?

- Complete and submit the RA07, where applicable, available on the SARS website www.sars.gov.za.

Did the Company receive any benefits during the year of assessment from a reportable arrangement as contemplated in Section 76A / Section 80M – 80T of the Income Tax Act?

- If yes, prepare and retain a schedule providing full details.

Is the Company party to any arrangement which has the following features?

- Round trip financing?
 - o If yes, provide an organogram of the structure detailing the transactions between the parties.
- Elements that have the effect of off setting or cancelling each other?
 - o If yes, provide a description of the transactions that offset or cancel each other.
- Presence of an accommodating tax – indifferent party?
 - o If yes, provide an organogram of the structure detailing the transactions between the parties and indicating the accommodating or tax – indifferent party.

Did the Company enter into a contract of sale or purchase of a business as a going concern?

- Prepare and retain a schedule providing full details.

OTHER – TAX ALLOWANCES / LIMITATIONS

Was there any direct / indirect change in shareholders' interest during the year of assessment (excluding listed Companies)?

- Prepare a schedule detailing the following:
 - o Details of all changes in shareholding / members' interest during the year of assessment (excluding listed companies); and
 - o Details of any change in effective control.

Research and Development – Section 11D

- Did the company incur any expense on scientific or technological research and development for the purpose of:

- o The discovery of novel practical and non obvious information?
- o Prepare a schedule listing a description of the discovery and the expenditure actually incurred.
- o The devising, developing or creation of any inventions, and design or computer programme?
- o Prepare a schedule listing a description of the invention, design, computer program, other similar property, and the expenditure incurred.
- o Did the company incur any capital expenditure on building, machinery, plant, implement, or utensil?
- o Prepare a schedule detailing the amount of the expenditure actually incurred.
- o Did the company receive a government grant for the purpose of scientific or technological research and development?
- o Prepare full details of the grant and the amount received.

Did the Company complete the questionnaire and submit it to the Department of Science and Technology?

- The questionnaire is available from the Department of Science and Technology.

CORPORATE RULES

Was the Company during the year of assessment a party to any transaction as contemplated in Section 42 to 47?

- If the company was a party to any of the transactions mentioned, prepare full details of the transaction relating to the parties. The transaction, the capital / trading stock, nature, and description of the assets transferred or acquired, and any liabilities transferred.
- Where the parties have elected for the relevant provision to apply, or where the parties have elected for the provision of the relevant sections not to apply.
 - o Prepare and retain a document indicating the decision taken by the relevant parties.
- Retain all agreements and related correspondence and documentation should SARS request it.

INTERNATIONAL RELATED

Does the Company together with any connected person in relation to the Company, hold at least 10% of the participation rights in any Controlled Foreign Company?

- Election that section 9D(9) exemptions do not apply.
- Complete the IT10, where applicable, available on the SARS website www.sars.gov.za and retain it for a period of 5 years after submission of the return.

Did the Company enter into any cross – border transactions in terms of an international agreement, as defined in Section 31?

- Please mark the applicable box with an “X”.

Did the Company have a transfer pricing policy document in support of the transfer pricing policy applied in the current year in relation to the transactions as defined in Section 31?

- If yes to either of the questions above furnish the following in respect of each transaction:
 - o Copy of the agreement entered into; and
 - o Copy of the transfer pricing policy document applied to the current year. Unless documentation already submitted applies to the current year’s transactions.

Did the Company receive any financial assistance from a non – resident connected person or from an investor as defined in Section 31(3) and Practice Note 2?

- A schedule detailing the reasons why it is considered that the provisions of Section 31(3) and Practice Note 2 are adhered to needs to be prepared.

Has the Company provided goods, services or anything of value (including transaction on capital accounts) to a non – resident connected person for no consideration? (Please note that goods and services include a loan).

- Please mark the applicable box with an “X”.

Has the Company entered into a back to back agreement with any other party which has resulted in an offshore connected person being granted financial assistance?

- Please mark the applicable box with an “X”.

MINING ACTIVITIES

Indicate whether the Company was engaged in mining or mining operations as defined in Section 1 of the Income Tax Act during the year of assessment?

- If yes, complete and submit the Mining schedules available on the SARS website www.sars.gov.za.

SHORT TERM INSURERS

Indicate whether the Company is a short term insurer registered with the Financial Services Board?

- If yes, complete and submit the Short Term Insurance schedules available on the SARS eFiling