



Tax & Legislative Information Series...

...Personal Income Tax Returns



**Last updated – June 2025
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- **Some Background**

- Every individual who meets the criteria specified by SARS is legally required to submit an income tax return for a year of assessment. (Section 25 of the Tax Administration Act (TAA), No. 28 of 2011)
- Individuals in South Africa are taxed on a residency-based system, meaning tax is payable on worldwide income if the individual is a tax resident. (Section 1 of the Income Tax Act (ITA), No. 58 of 1962)
- SARS announces the annual tax season for individuals, typically running from July to October (non-provisional taxpayers) and until January for provisional taxpayers.
- Individuals earning above the tax threshold, or with multiple income sources, allowances, or deductions, must submit a return.
- Employers, financial institutions, and medical aids are legally required to submit third-party data to SARS to support prepopulated tax returns.
- SARS has mandated eFiling as the primary method for submission of personal income tax returns for most taxpayers.

- **Some Background**

- Failure to submit returns can result in administrative penalties and possible criminal prosecution.
- From 2020, SARS introduced auto-assessments using third-party data, with taxpayers needing to confirm or correct the return as produced by this process.
- Taxpayers may dispute an assessment or decision made by SARS by lodging an objection.



Personal Income Tax Returns – What is it?

- **What is an Annual Income Tax Return**
 - **Reporting Your Income to SARS:**
 - Each year, individuals who meet certain criteria are legally required to submit an annual income tax return to the South African Revenue Service (SARS), disclosing all income earned during the tax year.
 - The tax year runs from 1 March 2024 to 29 February 2025, and this 12-month period is officially referred to as the “Year of Assessment.”
 - (Income Tax Act, No. 58 of 1962, Section 1 – Definitions & Tax Administration Act, No. 28 of 2011, Section 25)



Personal Income Tax Returns – What is it?

- **What is an Annual Income Tax Return**
 - **Legal Declaration of Income and Tax Paid:**
 - The ITR12 serves as a formal, legal declaration of how your total income was derived for the year and the tax liability associated with it. (Tax Administration Act, Section 234)
 - Tax may have already been partially or fully paid during the year in one of the following ways:
 - Through **Pay-As-You-Earn (PAYE)** deductions by your employer on your salary.
 - Through **Provisional Tax payments**, made during the year by individuals earning income from sources where PAYE is not withheld (e.g., self-employment or rental income).
 - The purpose of the annual return is to finalise your tax position—either confirming that all tax due has been paid, or calculating any additional tax payable or refundable.

- **What Constitutes “Income” and How Do I Account for it on my Return?**
 - Your annual income tax return (ITR12) must reflect all income received during the year of assessment.
 - This includes both automatically reported income and income you must declare manually.
 - The return also includes your personal and demographic information.
 - Key components of income include:
 - **Remuneration Reflected on IRP5/IT3(a) Tax Certificates:**
 - Your employer(s) will issue an IRP5 or IT3(a) certificate, which reports your salary or wages, allowances, benefits, deductions, and the PAYE withheld.
 - If you had multiple employers during the tax year (1 March 2024 – 28 February 2025), you will receive a separate IRP5 for each employment period.
 - These certificates allow SARS to determine the total period during which you were employed and your cumulative remuneration.

- **What Constitutes “Income” and How Do I Account for it on my Return?**
 - **Income Reflected on IT3(b), IT3(c), and Other Tax Certificates:**
 - Other sources of income are reported via different certificates, such as:
 - **IT3(b):** Interest income, dividends, profit from bearer instruments, Rental Income from Property, Royalties or fees and monthly debit and credit movement of transactional accounts.
 - **IT3(c):** Proceeds from sale or disposals of unit trusts and proceeds from sale of other financial instruments.
 - **IT3(e):** Various Fram purchases and sales and Bonuses paid or accrued to members of Co-operative Companies or Societies.
 - **IT3(s):** Proceeds from Tax free investment accounts.
 - These are submitted to SARS by financial institutions, retirement funds, and other payers.

- **What Constitutes “Income” and How Do I Account for it on my Return?**
 - **Manually Declared Income:**
 - Certain income streams must be declared manually if they are not prepopulated. Examples include:
 - Rental income from property
 - Side hustle income, freelance work, or casual earnings
 - You are allowed to deduct legitimate expenses incurred in generating this income, in line with the general deduction formula.
 - **Capital Gains or Losses:**
 - If you dispose of any capital assets during the year—such as property, shares, or cryptocurrency—you may have realised a capital gain or loss.
 - This must be included in your return.
 - Accurate record-keeping is essential. Consider consulting a tax practitioner for assistance.

Personal Income Tax Returns – Income Sources

- **What Constitutes “Income” and How Do I Account for it on my Return?**
 - **Prepopulated Third-Party Data on SARS eFiling:**
 - Thanks to SARS’ integration with third-party data providers (employers, banks, medical schemes, retirement funds), much of your return may already be prepopulated when using the SARS eFiling platform.
 - You are still legally responsible for verifying it’s accuracy and declaring any additional income not reflected.



- **Who Needs to File a Tax Return and How Do You Register as a Taxpayer?**
 - **Registering as a Taxpayer:**
 - Becoming a registered taxpayer in South Africa is a relatively simple process.
 - You are automatically registered with SARS and issued a Tax Reference Number when:
 - You register for eFiling for the first time; or
 - Your employer submits your tax certificate (IRP5/IT3(a)) and SARS identifies that you are not yet on their system.
 - Alternatively, you can register in person at a SARS branch, although you must book an appointment online beforehand.
 - To register, you'll need:
 - Your South African ID or passport (if you are a non-resident)
 - Proof of residential address
 - Banking details, particularly if you may qualify for a refund
 - Once assigned, your Tax Reference Number remains yours for life and is used in all your dealings with SARS.

- **Who Needs to File a Tax Return and How Do You Register as a Taxpayer?**
 - **Who Is Not Required to File a Tax Return:**
 - According to SARS' annual Filing Season Notice (issued under Section 66(1) of the Income Tax Act), individuals are exempt from filing a tax return if the following applies:
 - Your total income for the year does not exceed:
 - R 95 750 (if younger than 65)
 - R 148 217 (if 65 and older but younger than 75)
 - R 165 689 (if aged 75 and older)



- **Who Needs to File a Tax Return and How Do You Register as a Taxpayer?**
 - **Who Must File a Tax Return:**
 - You are required to submit a tax return if any of the following apply:
 - Your total annual income exceeds R 500 000, even from a single employer.
 - Your income is below R 500 000, but you:
 - Received income from more than one employer or source
 - Received a travel/car allowance
 - Earned additional income, such as Rental income, Freelance or side business income or Pension or annuity income
 - Are entitled to claim deductions not automatically reflected on your tax certificate, such as out-of-pocket medical expenses or Retirement Annuity contributions
 - Are engaged in a SARS-flagged trade (such as commission earners, estate agents, etc.), or:
 - You own foreign assets exceeding R 250 000
 - You hold interests in foreign companies or trusts

- **Who Needs to File a Tax Return and How Do You Register as a Taxpayer?**
 - **Who Must File a Tax Return (cont.):**
 - You made a capital gain or loss exceeding R 40 000 during the tax year.
 - You earned interest income exceeding the annual tax-exempt threshold:
 - R 23 800 (for those under the age of 65)
 - R 34 500 (for those aged 65 and older)
 - This interest related information will typically appear on an IT3(b) certificate issued by your financial institution. Most banks make this available via internet banking in time for Filing Season.
 - Uncertain about your filing obligation? It's safest to consult with SARS directly or seek guidance from a tax practitioner. Filing incorrectly—or failing to file when required—can result in penalties, interest, or even criminal charges.

- **What Do I Need to Complete and Submit My Tax Return:**

- When filing your annual income tax return (ITR12), it's essential to gather and retain supporting documentation to ensure accuracy and compliance.
- Below is a checklist of key documents and information typically required, with relevant references to South African tax legislation:
 - **Banking Details:** Ensure your bank account information is up to date on eFiling or your return. SARS requires this to process any potential refunds.
 - **IRP5/IT3(a) and IT3(b) Certificates:**
 - These certificates are issued by:
 - Employers (IRP5/IT3(a)) for income, deductions, and PAYE withheld
 - Financial institutions (IT3(b)) for interest or investment income
 - These documents collectively reflect:
 - Income earned
 - Tax deducted
 - Employment periods

- **What Do I Need to Complete and Submit My Tax Return:**
 - **Medical Expenses Documentation:**
 - Provide:
 - Medical scheme tax certificates (showing contributions)
 - Proof of qualifying out-of-pocket medical expenses not covered by your medical aid
 - Only expenses that meet the criteria for "qualifying medical expenses" under the Income Tax Act are considered.
 - Examples include prescribed chronic medications and doctor visits.
 - **Retirement Annuity Contributions:**
 - Retirement annuity funds typically send out certificates confirming contributions made.
 - These can be used to claim deductions if you did not get the tax benefit during the year.
 - Ensure they are valid for the tax year in question.

- **What Do I Need to Complete and Submit My Tax Return:**
 - **Business Travel Records:**
 - If you received:
 - A travel allowance, or
 - A company-provided vehicle,
 - ...and you are claiming a reduction of the 80% inclusion rate for tax purposes, you must submit a logbook detailing business-related travel.
 - Your logbook must include:
 - Odometer readings at the beginning and end of the year
 - Dates of travel
 - Distances travelled
 - Purpose of the trip
 - SARS requires that this logbook meets the criteria set in their standard format—otherwise, it may be rejected.

- **What Do I Need to Complete and Submit My Tax Return:**
 - **Supporting Documents for Other Income Sources:**
 - If you earned additional income (e.g., from freelancing, property rentals, or side businesses), prepare:
 - A spreadsheet detailing income and allowable deductions
 - Receipts, invoices, and slips to support your claims (keep these for five years)
 - **Dividend and Donation Certificates:**
 - For dividends, include statements from your broker or financial institution
 - For donations to approved public benefit organisations (PBOs), ensure you have a valid Section 18A certificate, which entitles you to claim a deduction for qualifying donations
- Having these documents on hand ensures that your return is accurate, complete, and audit-ready. It also allows you to take advantage of all deductions and rebates legally available to you.

- **Declaring Your Tax-Free Savings Account:**

- While Tax-Free Savings Accounts (TFSAs) are structured to exempt your investment growth from income tax, capital gains tax, and dividends tax, SARS still requires transparency regarding your participation in these accounts.

- **Tax Treatment of Returns:**

- Investment returns within a TFSA—including interest, dividends, and capital gains—are exempt from tax.
- This exemption makes TFSA's a popular long-term savings vehicle.

- **Contribution Limits and Penalties:**

- Although the returns are tax-free, contribution limits are strictly enforced:
 - Annual contribution limit: R 36 000 across all TFSAs in your name
 - Lifetime contribution limit: R 500 000 in total
- If you contribute more than the annual or lifetime limit, SARS will impose a 40% penalty tax on the amount by which you exceeded the annual limit.

- **Declaring Your Tax-Free Savings Account:**
 - **Multiple Accounts Allowed:**
 - You are permitted to open multiple TFSA's at different financial institutions.
 - However, the limits apply to the combined total of all accounts, not per account.
 - **Reporting to SARS:**
 - Financial institutions are legally obligated to report your TFSA contributions and interest/dividends earned directly to SARS, so this information is typically prepopulated on your ITR12 during tax season.
- You don't need to manually declare TFSA returns, but you must ensure your contributions remain within the allowable thresholds to avoid penalties.
- Monitor your annual and lifetime contributions carefully—especially if you have multiple accounts.

Personal Income Tax Returns – How to Submit

- **How do I submit my return:**
 - Your options are:
 - Online via the SARS eFiling service at www.sarsefiling.co.za (this is the easiest way)
 - Via the SARS eFiling App on your mobile device (also the easy way!)
 - The real schlepp method – booking an appointment at a SARS branch



- **Overview of SARS Auto-Assessment**
 - SARS introduced auto-assessments to simplify and speed up the tax filing process by using third-party data to pre-calculate tax returns.
 - This includes information from employers, banks, medical schemes, retirement funds, and insurers.
- **Key Dates:**
 - Auto-assessment notifications will be issued between 7–20 July 2025.
 - If no notification is received by 20 July and you are required to file, you may do so from 21 July 2025.



- **What to Do if You Receive an Auto-Assessment**
 - **Check your assessment:**
 - Log in to SARS eFiling or use the SARS MobiApp once you receive an SMS or email.
 - You can also access your assessment via WhatsApp (0800 11 7277) or by dialling *134*7277#.
 - **Agree with the assessment?**
 - No action is required.
 - If a refund is due (indicated by a minus amount), it will be paid automatically (if R100 or more) within 72 hours, provided SARS has your correct banking details.
 - **Disagree with the assessment?**
 - Submit your updated tax return by 20 October 2025.
 - Ensure that all additional income and deductions are included.
 - **Confirming the Auto-Assessment Status:**
 - Visit the SARS Online Query System, select “My Auto Assessment Status”, and complete the necessary details.
 - If you are not yet registered on eFiling, you can still retrieve your assessment via WhatsApp or USSD.

- **SARS Verification and Audit: What You Need to Know**
 - **What is Verification?**
 - SARS verifies the accuracy of your submitted tax return by comparing it with third-party data, financial records, and supporting documents.
 - Any taxpayer may be selected.
 - Verification often follows submission of a tax return and may delay refunds.
 - **What To Do if Selected for Verification?**
 - You'll receive a verification letter from SARS with instructions and a submission deadline.
 - Required documents must be uploaded via eFiling, the Online Query System, or delivered to a SARS branch with your verification letter.
 - File formats allowed by SARS include: .pdf, .doc, .xls, .jpg, etc. (Max 5MB per file, up to 20 files).
 - Respond promptly to avoid delays or penalties.

- **SARS Verification and Audit: What You Need to Know**
 - **During and After Verification:**
 - SARS aims to complete verification within 21 business days after receiving all documents.
 - If the return is correct: you'll receive a completion notification.
 - If there are issues: SARS may issue a revised assessment and apply penalties for understatements (up to 200%).
 - Ignoring requests leads to SARS using available data to issue an estimated assessment.



- **SARS Verification and Audit: What You Need to Know**
 - **What is an Audit?**
 - A deeper examination of your financial and tax records to confirm compliance.
 - Triggered by risks identified during verification or other reviews.
 - SARS can audit any taxpayer, even after verification.
 - **What Happens in an Audit?**
 - A Notification of Audit marks the official start and includes the assigned auditor's details.
 - SARS may request supporting records or conduct a field audit.
 - You may be asked to submit files electronically or provide access for forensic downloads.
 - SARS issues progress updates every 90 days, unless this would compromise the audit.

- **SARS Verification and Audit: What You Need to Know**
 - **After the Audit**
 - SARS aims to finalise audits within 90 business days of receiving all requested info.
 - Possible outcomes:
 - No changes → Finalisation of Audit Letter.
 - Adjustments → Audit Findings Letter and a chance to respond.
 - Revised assessment → Possible penalties up to 200%.
 - Refunds, if due, are paid only after the audit and related validations are complete.



- **Voluntary Disclosure Programme (VDP)**
 - **What Is the VDP?**
 - If you've made mistakes or left out information in past tax returns, the Voluntary Disclosure Programme (VDP) gives you the chance to come forward and fix your tax affairs—**before** SARS picks up the error.
 - The programme is always available and is aimed at encouraging voluntary compliance while avoiding harsh penalties or criminal charges.
 - **When Should I Use the VDP?**
 - You can apply if:
 - You've left out income, claimed incorrect deductions, or made other errors in past returns.
 - You didn't respond to SARS requests for information.
 - You want to correct your tax history before SARS begins an audit or investigation.
 - **Important:** Once SARS has started an investigation, you can't apply for the VDP for that same issue.

- **Voluntary Disclosure Programme (VDP)**

- **Who Qualifies?**

- You qualify as an individual if:
 - Your disclosure is made voluntarily.
 - The information is full and complete.
 - The issue hasn't been disclosed under VDP within the last five years.
 - Your mistake involves an underpayment or non-payment of tax.
 - The disclosure doesn't result in SARS owing you a refund.
 - You follow the official application process via SARS eFiling.

- **What Are the Benefits?**

- If accepted, you may:
 - Avoid criminal prosecution.
 - Receive reduced penalties for the tax shortfall.
 - Settle your account under a formal agreement.
 - Be protected as long as the information you shared was accurate and complete.

- **Voluntary Disclosure Programme (VDP)**
 - **What Happens If I'm Accepted?**
 - You'll enter into an agreement with SARS that outlines:
 - What you disclosed and how much tax is due.
 - Penalties that still apply (these will be lower than usual).
 - When and how you'll pay.
 - Conditions under which SARS can withdraw the relief (e.g., if your disclosure was incomplete or dishonest).
 - **How Do I Apply?**
 - You can apply directly through SARS eFiling.
 - Look for the VDP application option in the menu.
 - **Why Act Now?**
 - Correcting your tax affairs through the VDP is always better than waiting for SARS to find the issue.
 - If SARS detects non-compliance through its own processes, full penalties and possible criminal charges can apply.
- If you're unsure whether you qualify or need help applying, consider consulting a registered tax practitioner.

- **Statement of Account (SOA): What Is It?**
 - The Statement of Account gives a full view of your personal tax balance, covering all tax years up to the date of issue.
 - It reflects:
 - The total amount you owe or are owed.
 - Any outstanding returns, verifications, or audits.
 - Your current tax compliance status.
 - You can request your SOA at any time via:
 - eFiling
 - SARS MobiApp
 - SMS (send “Balance [ID number]” to 47277)
 - USSD by dialling 1347277#
 - Your payment reference number is listed at the bottom of the SOA.

- **Outstanding Balances: If You Owe SARS**
 - Use one of the following to check how much you owe:
 - Log in to eFiling or the MobiApp
 - Send an SMS to 47277
 - Dial 1347277# on your phone
 - Call the SARS Contact Centre at 0800 00 7277
- **Payment Options:**
 - You can:
 - Pay the full balance within 7 days.
 - Request a payment plan to pay in instalments (via eFiling or by contacting SARS directly).
 - Apply for a compromise or deferment if you're unable to pay in full.
 - Request a suspension of payment if you've lodged a dispute.
 - If you've defaulted before, SARS may request a valid reason before granting a new arrangement.

- **Outstanding Balances: If You Owe SARS**
 - **If You Don't Pay:**
 - Legal action may be taken:
 - Deducting from your salary or bank account.
 - Blacklisting, asset seizure, liquidation, or travel restrictions.
 - It is a criminal offence not to pay or file your return without a valid reason.
 - **External Debt Collectors:**
 - SARS may appoint authorised debt collectors to recover long-outstanding amounts.
 - You'll be notified before your debt is handed over.
 - Ongoing ignoring of any communication from SARS regarding an outstanding debt will ultimately result in:
 - SARS instructing your bank to **debit your account** with what is owed to SARS, or
 - an ITA88 will be sent to your Employer wherein they are instructed to **withhold the amount due to SARS from your next payslip**

- **Refunds: When SARS Owes You**
 - **When to Expect a Refund:**
 - If all is in order, refunds over R100 are typically paid within 72 hours.
 - Refunds under R100 are held until your account exceeds that amount.
 - **Possible Delays:**
 - Your refund may be delayed if:
 - Your banking details are incorrect or under verification (can take up to 21 business days).
 - Your return was selected for verification or audit:
 - Verifications can take up to 21 business days.
 - Audits can take up to 90 business days after documents are submitted.
 - You have outstanding returns or existing tax debt (refunds may be offset against these amounts).

- **Refunds: When SARS Owes You**

- **Important Information**

- Refunds under R100 will be retained on your account and only paid once the total refund exceeds R100.
 - Debts under R100 will be rolled over to the next tax year, but interest will still apply.
 - To verify third-party data used in your assessment, visit the "Third-Party Data Certificate" section on eFiling.
 - Corrections to third-party data must be made by the relevant provider (e.g. employer, bank, medical scheme). Once corrected, re-access and file your return with updated figures.



- **SARS Compliance**

- **What Is Tax Compliance?**

- SARS introduced the Tax Compliance Status (TCS) System to replace the old paper-based tax clearance process.
 - When you apply for a TCS, you receive a secure PIN, which you can share with third parties (like employers, banks, or government entities) to view your tax status online.
 - Your compliance status is updated in real time and reflects whether you're in **good standing** with SARS at the moment it's viewed.

- **Why Is Compliance Important?**

- Being tax compliant helps you avoid penalties and supports the economy by ensuring everyone pays their fair share.
 - It's also often a requirement for:
 - Tenders and contracts (via Good Standing application)
 - Transferring funds abroad
 - Requests related to ceased tax residency

- **SARS Compliance**
 - **How to Stay Compliant**
 - Ensure the following to maintain a positive compliance status:
 - All returns are submitted on time.
 - You have no outstanding tax debt (or have made a payment arrangement).
 - You are registered for all the taxes relevant to you.
 - Your personal information is up to date with SARS.
 - All tax reference numbers are declared or merged using SARS tools.
 - You can monitor your compliance using “My Compliance Profile” (MCP) on eFiling, which highlights any non-compliance so you can fix it quickly.
 - Staying compliant is far easier—and cheaper—than dealing with penalties, collections, or legal action.
 - If you’re unsure of your status, check My Compliance Profile on eFiling or contact SARS directly.

- **Consequences of Non-Compliance**
 - **Administrative Penalties:**
 - If you don't submit your tax return, SARS may charge a monthly penalty under the Tax Administration Act.
 - Penalties range from R 250 to R 16 000 per month, depending on your income.
 - These penalties continue for up to 35 months until the return is submitted.
 - **You can stop the penalties by:**
 - Filing the overdue return immediately.
 - If you disagree with a penalty, submit a Request for Remission (RFR) via eFiling or at a SARS branch.
 - If the RFR is denied, you may still lodge an objection or appeal.

- **Consequences of Non-Compliance**

- **Third-Party Deductions (AA88):**

- If you ignore SARS notices or fail to pay your taxes, SARS can instruct a third party (e.g. your employer or bank) to deduct money from your salary or account.
 - This is called a Third Party Appointment or AA88.
 - SARS can collect outstanding tax or penalties this way without your consent.

- **If your debt is settled:**

- Provide your employer with an official SARS letter and proof of payment (zero balance or credit SOA).
 - Any overpaid AA88 deductions will be refunded to you—if your profile is in good standing.



- **Consequences of Non-Compliance**
 - **Additional Consequences of Ignoring Tax Debt:**
 - If you continue to ignore your tax obligations SARS may:
 - Issue a court judgment
 - Seize assets
 - Blacklist your credit profile
 - Appoint third parties to collect money on their behalf
 - Restrict travel or trading rights
 - Begin liquidation or sequestration proceedings
 - **What You Can Do:**
 - If you can't pay, contact SARS to arrange:
 - A payment plan
 - A deferment
 - A compromise agreement
 - Even if you dispute the debt, apply for a suspension of payment while your case is being handled.
 - Always ensure your returns are filed—even if you can't pay right away.

- **SARS offers several support channels:**
 - SARS Website: www.sars.gov.za
 - Toll-free (within South Africa) number: 0800 00 7277
 - SARS WhatsApp: 0800 11 7277
 - SARS SMS: 47277
 - USSD Access: *134*7277#
 - SARS Online Query System (SOQS): Available on the SARS website
 - SARS MobiApp & Live Chat
 - Email Contacts:
 - General taxpayers: contactus@sars.gov.za
 - Tax practitioners: pcc@sars.gov.za
 - Technical eFiling issues: support@sarsefiling.co.za
 - SARS Branch Appointments: There is no need to visit a SARS branch unless absolutely necessary. If you must visit a branch, then it's important to book an appointment online beforehand.
- Voluntary Disclosure Programme:
 - Email: vdp@sars.gov.za or
 - Telephone: 0800 864 613



For further information visit us at

www.nowhr.co.za