<u>THE QUICK GUIDE TO PROVISIONAL TAX 2021/2022</u>

As we move into the 2021/2022 income tax year it is time to prepare for your provisional tax payments. We have created a quick guide and a solution to make sure it goes smoothly for you and your practice.

<u>Important Reminders</u>:

The tax year of 2021/2022 for individuals and Incorporated Practices with a 28^{th} February year- end has the following payment cycles.

The first 6 month period of the 2021/2022 tax year: 01 March 2021-31 August 2021.
Estimate your taxable income for February 2022 and pay 50% thereof, or alternatively use 50% of your taxable income for the 2020 income tax year. This is of course complicated by the impact of Covid 19 in both 2020 and 2021.
The first payment is due on 31 August 2021. You also have to make top-up payments for an under estimation of your provisional tax payments for February 2021. This however could create cash flow problems in the practice or your personal position following the new Covid 19 surge and seeing less patients.

The second provisional period of the 2022 tax year is based on the period 01 March 2021 to 28 February 2022, i.e a full year as far as possible, less the first provisional payment.
The second payment is due on the 28^{th} February 2022, and once again a cash flow challenge.
Type of payment: Electronic payment – be careful of weekends.
Form to be submitted: IRP6.

Link to SARS e-filing:
This is where you will register (if you haven't before) or log in
https://www.sarsefiling.co.za/

Company vs Personal Provisional Tax
Companies automatically fall into the provisional tax system but if you are a practice owner who is a sole proprietor or a partnership and earns income over and above a salary (such as profit share, rental income, interest etc.) you will also have to submit provisional tax returns.

Is Personal Provisional Tax different from Income Tax?
No. Provisional Tax is a way to pay your Income Tax over the course of the tax year in two or three payments instead of having to pay one large lump sum. The difference between PAYE and provisional tax is that PAYE is deducted from actual salaried earnings while provisional tax is based on estimated taxable income. Because the amount is estimated you may need to pay in more at the end of the tax season or SARS may need to refund you if you have paid too much.

What is the easiest way to calculate your expected taxable income?

The simplest way to do this is to use your taxable income from the previous tax period (or even two tax seasons ago as Covid may have made a huge impact on your earnings) and adjust it for your expected change in turnover/income for the new tax year. You may expect a growth based on new services offered or a drop if you were one of the practices that had a Covid related increase in turnover.

Are there funding options for provisional tax payments?

Many financiers will prescribe how you use the funding given to you. An option for those wanting to finance a tax payment is a financier who allows you to use the funds as you see fit.

MediAdvance is a financial product that does just this and also allows you to repay the facility used to pay Provisional Tax in line with future medical aid claim earnings.

Should you select a 6 month repayment term or less you can then pay off your finance facility in time for your next provisional tax payment. Creating a rolling 6 month facility for Provisional Tax that takes the pressure off your monthly cash flow.

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