



## Tax and Legal News

July 2020

# Covid19 - Provisional tax relief: Practical implications and uncertainties

**The recently promulgated Disaster Management Tax Relief Administration Bill provides relief to taxpayers who are not in a position to pay provisional taxes due to cash flow constraints and financial hardship as a result of Covid-19.**

This relief is automatically granted to taxpayers who meet the requirements as determined by the definition of "qualifying taxpayer". A "Qualifying taxpayer" is any taxpayer that has gross income of R100 million or less during the year of assessment ending on or after 1 April 2020 but before 1 April 2021, whose gross income for the year of assessment does not include more than 20% income derived from interest, dividends, foreign dividends, rental from the letting of fixed property, royalties, annuity income, and remuneration received from any employer.

Taxpayers with gross income exceeding R100 million can apply to SARS for approval to obtain tax relief and a deferral of tax payments without incurring penalties and interest.

Practical issues with the implementation of the automatic relief measures are being experienced by taxpayers and can leave some taxpayers with a lot of uncertainty.

These uncertainties and issues includes matters such as:

- Uncertainty regarding how the IRP6 provisional tax return should be completed to reflect the automatic relief available. Should taxpayers limit their estimated taxable income and tax payable to only reflect the portion payable after the tax relief is obtained? It is important to note that the IRP6 return has not been amended to reflect the election of the Covid19 relief.
- Will SARS automatically apply the deferral of a portion of the total estimated tax payable for the period?
- How will a taxpayer be impacted if it elects not to make use of the Covid-19 automatic relief measures?
- What amount should be disclosed as “Turnover” on the IRP6 provisional tax return?
- In some instances, the Provisional tax Statement of Account (“ProvSA”) of qualifying taxpayers reflects the deferral of the allowable portion of the provisional tax, automatically calculated by the SARS system. This is then reversed once the payment of the tax amount, in line with the relief measures, is made by the taxpayer resulting in the deferred portion reflecting as an outstanding balance on the ProvSA, which leaves the impression that SARS retracted the relief provided.
- What are the options for qualifying taxpayers who made use of the automatic relief and found their provisional tax statement of account to, erroneously, reflect a penalty and interest for the late payment of the deferred portion of provisional tax?
- What will the impact be on the taxpayer’s tax compliance status in the event that a portion of a qualifying taxpayer’s provisional tax payment reflects as outstanding due to the automatic relief measures not being applied?

### How can we assist

KPMG is liaising with SARS on the above uncertainties and the negative impact on taxpayer’s tax compliance status. We have a specialist tax compliance team to assist you in obtaining certainty in relation to the application of Covid-19 relief measures, whether as a result of automatic relief or by means of application to SARS.

Please contact one of our team members below:

#### Contact us



**Marina Pretorius**

Associate Director: Tax Management Services

Email: [marina.pretorius@kpmg.co.za](mailto:marina.pretorius@kpmg.co.za)

M: +27827192589



**Ineke Joubert**

Senior Manager: Tax Management Services

Email: [ineke.joubert@kpmg.co.za](mailto:ineke.joubert@kpmg.co.za)  
M: +27827195613



**Natasha Haywood**  
Senior Manager: Tax Management Services  
Email: [natasha.haywood@kpmg.co.za](mailto:natasha.haywood@kpmg.co.za)  
M: +27827270257



**Avhasei Madzunye**  
Senior Manager: Tax Management Services  
Email: [avhasei.madzunye@kpmg.co.za](mailto:avhasei.madzunye@kpmg.co.za)  
M: +27827188720

Regards  
KPMG Tax and Legal

---

[Privacy](#) | [Legal](#)

[kpmg.co.za](http://kpmg.co.za)

© 2020 KPMG Services Proprietary Limited, a South African company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ('KPMG International'), a Swiss entity. All rights reserved.



[kpmg.co.za](http://kpmg.co.za)