



TAXI

## TIPS ON HOW TO SAVE ON TAX DEDUCTIONS DURING FILING SEASON

### **South African Revenue Service (SARS), may have shortened the 2018 Tax filing season, however that does not mean that you cannot save on tax deductions.**

The acting Commissioner of SARS Mark Kingon announced that all persons earning less than R350, 000 per year from a single source of income and have no allowances do not have to complete a tax return. However, they may do so if they believe there are deductions you can claim.

Below are a few ways taxpayers could improve their tax management and in some instances get refunds from SARS:

#### **Medical Credits**

Are you aware that as a tax payer, you can claim deductions for your contributions to medical schemes? The more dependents you have on your scheme for more months during the year of assessment, the more credits you can claim. According to Tax practitioners, medical scheme holders with two dependents for 12 months could claim as much as R7 200. Taxpayers can also claim for "out of Pocket" medical expenses paid that are not covered by their medical scheme.

#### **Retirement annuity**

Taxpayers who make contributions towards a pension, provident fund or retirement annuity may claim deductions on taxable income. The Income Tax Act entitles

a deduction on their tax. This only applies to contributing members of a Fund. After members have withdrawn their contributions and are no longer contributing members, there will be no deduction for the retirement fund contribution. It is also important to note that deductions are limited.

#### **Donations**

According to the Income Tax Act charitable taxpayers who donate to a registered public benefit organisation, can claim deductions against their taxable income. Before claiming the donation deduction, taxpayers must know that this deduction is limited to 10% of taxable income. What this means, is that if your income is R800, 000, then the deduction you claim for the donation made is limited to R80, 000. To qualify for this deduction taxpayers must provide SARS with a Section 18A certificate from the public benefit organisation to which the donation was made during the year of assessment.

#### **Tax-free investments**

Interest earned on a tax-free investment is exempt from tax, persons under the age of 65 get up to R23, 800 exemption and persons

65 years and older get up to R34, 500 exemption on interest earned. Contributions towards a tax-free investment during the year of assessment should not exceed R33, 000, and lifetime contributions towards the Tax-free investment should not, exceed R500, 000. If contributions exceed the above mentioned amounts, then 40% of the excess is taxable during the year of assessment.

#### **Foreign employment income exemption**

Persons working overseas for a 183-day term could claim back tax deductions on income earned for the period they were outside the country, and persons working outside of South Africa for more than 183 days a year, and over the period more than 60 days are consecutive, the income earned for those days is tax exempt.

#### **Travel claims**

This deduction is applicable for persons who use their vehicle for work purposes and can prove to SARS that a portion of their travel expenses are for work purposes. It is recommended that taxpayers keep a logbook to record the distances travelled and get approval of this from their employer.