



# Commission Earners

2019

# Welcome to the SARS Tax Workshop

The purpose of this presentation is merely to provide information in an easily understandable format and is intended to make the provisions of the legislation more accessible. The information therefore has no binding legal effect and the relevant legislation must be consulted in the event of any doubt as to the meaning or application of any provision.

# Commission Earners

# Points for Discussion

1. Registration
2. Allowable Deductions
  - Home office
  - Entertainment
  - Travelling
  - Computer Consumables
  - Deemed Private Expenses
3. Record Keeping

# Registration

- Individuals
  - Salary earners
  - **Commission Earners**
  - Self Employed
    - Sole Proprietor
    - Partnership
  - Members of CC's/Directors of Companies
- Companies/Close Corporations
- Trusts

# Registration

- Once you are registered, you will have an Income Tax number
- Have to complete annual tax returns declaring Income, Deductions & Taxes paid
- Supporting documents include IRP5 certificates, medical certificate showing expenses paid, expenses in relation to commission income, etc. to be kept
- An assessment will then be done to determine if correct amount of income tax was paid throughout the year

# Allowable Deductions

## Section 11(a)

- the expenditure and losses
- must be actually incurred
- during the year of assessment
- in the production of income
- not of a capital nature

## Section 23 (g)

- Prohibits the deduction of an expense not expended for the purpose of trade

# Section 23 (m)

**W.E.F. 1 March 2002**

- If less than 50% of total income is commission income, the only expenses claimable are:
  - Retirement Fund
  - Medical Expenses
  - Expenses in relation to a taxable allowance received (i.e. Travelling)



- If commission earned portion is more than 50% of your total income.
  - These expenses can be claimed :
    - Entertainment
    - Home office
    - Telephone / Cell phone
    - Computer expenses
    - Travel expenses

# Home Office

## Requirements of Section 23(b)

1. The home office must be occupied for purposes of a trade
2. Specifically equipped for purposes of the trade
3. Must be regularly and exclusively used for purposes of the trade

# Home Office

Interest on bond	R 25 545
Insurance	R 3 560
Rates & Taxes	R 4 515
Electricity	R 6 400
Domestic Worker	<u>R 5 880</u>
	<u>R 45 900</u>

# Home Office

Floor space of Office (square metres)

Floor space of House (square metres)

$$\frac{5 \times 2}{8 \times 12.5}$$

$$\frac{10}{100}$$

$$= 10\% \times R 33\,722$$

$$= R 3\,372$$

**Allowable Deduction**

**R 3 372**

# Entertainment

- Actual expenses incurred in the production of commission income
- Retain all documentary proof like receipt, till slip or invoice
- Must be able to indicate:
  - Nature of the business intended to generate from the expenses incurred
  - Who entertained and when entertained

# Entertainment

## Examples of Entertainment Expenses

- Food, drink or accommodation
- Free tickets or vouchers
- Gifts or goods for personal enjoyment

# Travel Expenses

Actual expenses incurred must be claimed

- Accurate documentation must be provided to substantiate claim
- A log book has to be kept to verify private and business km travelled
- Opening and closing odometer readings must be provided as at 28/02 and 01/03
- Travelling from home to office and visa versa is deemed to be private
- The expense are limited to the amount of commission received. And will not be allowed to deduct any excess from salary income.

# Travel Expenses

- **A valid log book must contain the following information:**
  - Opening kilometres
  - Closing kilometres
  - Total kilometres travelled
  - Date of travel
  - Reason for travel
  - Nature of business



# Travel Expenses

- If a logbook is kept, the portion of motor vehicle expenses deductible would be calculated as follows: **( no logbook no claim)**

$$\frac{\text{Business kilometres travelled}}{\text{Total kilometres travelled}} \times \text{Total Expenses} \\ = \text{Allowable Travel Deduction}$$

# Travel Expenses

## Expenses calculated as follows:

Fuel	R 13 000
Maintenance & Services	R 2 000
Licences	R 240
Insurance	R 3 600
Finance Charges *	<u>R 2 400</u>
	<u>R 21 240</u>

- Finance Charges: Purchase date 1 March 2018,

Total Finance Charges = R12 000

R12000 X 12/60 (term)

R 2 400

# Travel Expenses

**Tax deduction for the year ended 28 February 2019**

Total Cost	R 21240
Wear & Tear (R 91 200/7years)	R13 028
Total Expenses:	<b>R 34 268</b>

# Example - Logbook

20 000 km (business) X R34 268  
35 000 km (total)

**Allowable Travel Deduction = R19 581**

# Laptop Computer - Depreciation

- Price of Laptop: (purchased 1/9) R 18 000

## Depreciation

$$R\ 18\ 000 \times 33.3\% \times 5/12 \qquad R\ 2\ 500$$

$$R\ 18\ 000 \times 33.3\% \times 12/12 \qquad R\ 6\ 000$$

$$R\ 18\ 000 \times 33.3\% \times 12/12 \qquad R\ 6\ 000$$

$$R\ 18\ 000 \times 33.3\% \times 7/12 \qquad R\ 3\ 500$$

- Allowable Deduction **R 2 500**

# Computer Consumables

## Software programs

- Worth less than R7 000 (Full deduction)
- Worth more than R7 000 (Written off over 2 years)

## Any loose parts

- Power cables
- Batteries
- Memory Attachments
- Worth less than R7 000 (Full write-off)
- Worth more than R7 000 (Written off over 2 years)

# Deemed Private Expenses

- Expenses also utilised for personal/ private purposes
- No clear records were kept of private expenditure
- Percentage not prescribed by the Commissioner
- Determined by Taxpayer
  - Realistic apportionment
  - Actual Expense

# Deemed Private Expenses

## CELL PHONE EXPENSES

- Amount Claimed R 24 000

## Provision for Private Use

- Deemed 10% private Expenses
- R 24 000 x 10% = R2 400
- Allowable Deduction R 21 600



# Record Keeping

- Documentary proof are essential to enable you to claim actual expenses incurred
- Expenses may be overlooked, unless you record them at the time they are incurred
- To enable you to complete your tax returns accurately
- All documents must be kept for a period of 5 years

# Compliance

- Register within specified time frames
- Attach all necessary and requested information to ensure swift registration
- Attach certified copies of all documentation where requested
- Do not deduct or charge any taxes until registration has been confirmed

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*Thank you*  
*Re a leboha*  
*Re a leboga*  
*Ndza Khensa*  
*Dankie*  
*Ndi a livhuwa*  
*Ngiyabonga*  
*Enkosi*  
*Ngiyathokoza*