

Penalties for outstanding corporate income tax returns to kick in soon

The South African Revenue Service (Sars) will soon impose administrative non-compliance penalties for outstanding corporate income tax (CIT) returns.



Administrative non-compliance penalties will be imposed on companies that fail to submit an income tax return as required under the Income Tax Act, 1962, for years of assessment ending during the 2009 and subsequent calendar years, where Sars has issued that company with a final demand, and where the company fails to submit the outstanding return within 21 business days of the final demand.

Penalties will range from R250 to R16 000, depending on the company's assessed loss or taxable income, for each outstanding return, and will increase by the same amount for every month that the non-compliance continues after the first penalty has been imposed. This is in accordance with Chapter 15 of the Tax Administration Act, 2011.

It is compulsory for all registered companies – small or large – to submit their income tax returns within 12 months of the end of the company's financial year. This can be done on eFiling.

Corporate income tax (CIT) is payable by companies resident in South Africa, companies that derive income or have a capital gain or loss in South Africa, or that maintain a permanent establishment (branch) in South Africa.

Importantly, dormant companies - as an example, registered companies that have no receipts or assets - are also required to file outstanding returns prior to 2018, to prevent a penalty being imposed.

Sars will impose penalties by means of a penalty assessment which, if not paid, will be followed by debt recovery steps. A company may seek remittance of the penalty from Sars and where not granted, the company has the right to lodge an objection on eFiling against the decision not to remit.

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