

Assessed loss limitation amendment and your next provisional tax payment

- First provisional payment
 - Estimated TI may not be less than the basic amount unless the circumstances of the case justify a lower estimate.
- Second provisional payment
 - Final assessed TI
 - Does not exceed R1m: estimated TI may not be less than the lower of –
 - 90% of actual TI; or basic amount.
 - Exceeds R1m: estimated TI may not be less than 80% of actual TI.

Restricted use of assessed losses: s 20 amendment

- For companies: The set-off of an assessed loss brought forward is limited to the higher of
 - R1 million; or
 - 80% of current year's taxable income.
- Comes into operation on 31 March 2023 and applies in respect of years of assessment ending on or after that date.

“Thus companies with an assessed loss balance that matches or exceeds their current-year taxable income will need to pay tax on 20% of their taxable income... Smaller companies more likely to struggle with cash flow will be exempt from the proposed changes.”

Example 1

Company A has taxable income of R2 million for year ending 30 June 2023 and an assessed loss brought forward of R2,5 million.

Taxable income for the 2023 year:

	R
Taxable income for the year	2 000 000
Less: assessed loss b/f = R2 500 000 set-off limited to the greater of - - R1million; or - 80% of R2 000 000 = <u>(R1 600 000)</u> balance of assessed loss c/f to 2024 = <u>R900 000</u>	<u>(1 600 000)</u>
Taxable income	<u>400 000</u>
Tax @ 27% =	<u>108 000</u>

1st provisional return for the 2023 year:

	R
Estimated TI (basic amount)	(2 500 000)
No provisional tax payable	

2nd provisional return for the 2023 year:

	R
Estimated TI cannot be less than 80% of actual TI	
Estimated TI for the year (net of assessed loss set-off)	400 000
x 80% =	320 000
Minimum tax payment to avoid underestimate penalty (@ 27% tax rate)	86 400

Example 2

Company A has taxable income of R900 000 for year ending 30 June 2023 (before s 20).

2022 assessment issued 13 July 2023: assessed loss R1,5m.

2021 assessment issued 2 July 2022: TI R200 000.

Taxable income for the 2023 year:

	R
Taxable income for the year ending 30 June 2023	900 000
Less: assessed loss b/f = R1 500 000 set-off limited to the greater of - - R1million; or - 80% of R900 000 = R720 000, therefore set off R1m balance of assessed loss c/f to 2024 =	<u>(1 000 000)</u> <u>R500 000</u>
Taxable income/ (assessed loss)	<u>(100 000)</u>
Balance of assessed loss c/f to 2024 =	R600 000

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1st provisional for the 2023 year (31/12/22):	R
Latest assessment: 30/6/21 – TI R200 000 (not more than 18 months prior to 31/12/22: no 8% adjustment)	
Basic amount = R200 000	
Can justify estimated TI of Nil if the 2022 loss is known	Nil
No provisional tax payable	

2nd provisional return for the 2023 year (30/6/23):	R
Estimated TI cannot be less than the lower of – 90% of actual TI; or basic amount	
Latest assessment: 30/6/22 AL R1,5m: Basic amount =	(1,5m)
TI for the year = (R600 000)	
No provisional tax payable	Nil