

Dear Client

## MANDATE FOR TAXATION SERVICES FOR MR AB SMITH

We are pleased to confirm the arrangement for **OUR FIRM** to provide your taxation services. Please sign and date this mandate on the last page where indicated and return to us. This mandate letter covers a period of **one year** from the date of signature and has to be signed by you or a representative of the company in terms of the SARS eFiling terms and conditions. ***If we do not have a signed copy of this mandate in our possession, we will be unable to file any of your tax returns.***

### INTRODUCTION

You have requested us to assist you in the preparation and submission to the South African Revenue Services (SARS) of your income tax returns, to submit the returns according to the time specifications that SARS have stipulated and that we have arranged with you. We will also review related tax assessments for correctness and assist you with responses to queries from SARS and to deal with errors in assessments identified by our review and to lodge the appropriate objections where considered necessary.

The work to be performed will be based on our interpretation of the tax law and SARS practices and policies at the relevant time. These tax laws are subject to change occasioned by future legislative amendments, court decisions as well as changes in SARS policies. You are advised to keep abreast of such developments and are welcome to engage our services for this purpose. We confirm that it is your responsibility to provide us with complete, reliable and accurate information in respect of your tax affairs timeously in order for us to provide the required services. In the event that you miss an agreed deadline we cannot be held responsible for any penalties and interest levied by SARS.

Please note that if you are an individual provisional taxpayer tax returns have to be submitted by the end of January of the following year and if a company 12 months after the year end.

## EFILING TERMS AND CONDITIONS

It should be noted that all tax returns are filed on an electronic basis using either the SARS e-Filing system or our back-office internal tax system which are subject to the e-filing terms and conditions and relevant laws and regulations. In this regard we require your mandate for **OUR FIRM** to register as an e-Filer on your behalf. Once this is done the following terms and conditions in regard to e- Filing shall apply.

- **OUR FIRM** the e Filer acts as a duly authorised agent on your behalf.
- You will be liable to SARS for the due and timeous fulfilment of all your obligations towards SARS.
- Any information submitted by **OUR FIRM** to SARS by means of the e Filing service will be based on information received from you and you are responsible for ensuring that such information is true and correct.
- Before we submit any information to SARS by means of the E-filing service we will need your confirmation that the information being submitted is a true and correct reflection of what you have provided.
- **OUR FIRM** has disclosed the minimum conditions for the mandate to you;
- Where SARS changes the conditions of E-filing on their website, the effect of such changes will take three months. **OUR FIRM** will disclose any change and minimum conditions within the three-month period to you.
- You the taxpayer confirm that all liabilities, obligations and penalties due to SARS remain with you.

## PROVISIONAL TAX

In the event that you are a provisional taxpayer we will between 60 – 30 days prior to the provisional tax payment date communicate with you and if necessary, discuss with you the amount that is due to SARS for provisional tax.

We will be processing your provisional tax forms (IRP6) on an electronic basis, which means that at least ten days prior to the provisional tax payment date which will be

the 18<sup>th</sup> February, the 21<sup>st</sup> August and the 20<sup>th</sup> September of each year in the case of February year ends we require confirmation that you agree with the provisional tax payments to be made in regard to P1, P2 and P3 or top up payment respectively. In regard to other year ends we require confirmation 10 days prior to the payment date of the amounts to be submitted to SARS.

The payment in regard to your provisional tax returns remains your responsibility and must be paid by the due date. The payment reference necessary is indicated on the bottom of the IRP6 form that we email to you. In the event that you require us to generate the payment on your behalf we require instructions in a separate document. In the event that there is a payment failure because of bank failure or for any reason whatsoever the responsibility of missing the payment rests with you.

If we have not heard from you confirming your payments by the above-mentioned dates, we will not be able to process your provisional tax submission at all. Please bear in mind that you will definitely be penalised if a provisional tax payment is required by SARS and the payment is not made. In the event that you miss a payment or pay provisional tax one day late SARS will take your payment as zero and apply all the penalties legislated which of course can be quite substantial.

#### INCOME OVER R1 MILLION FOR PROVISIONAL TAX

In the event that your taxable income for the year in question is greater than **one million rand** we have to spend more time together with you to determine the actual figures so that your provisional tax payments comply with the legislation as it has to be within 80% of your final assessment otherwise understatement penalties will be added to your assessment by SARS. In the event that you wish to plan your cash flow in regard to provisional tax payments the onus is on you to advise us accordingly so that we can help you with the planning.

#### INCOME LESS THAN R1 MILLION FOR PROVISIONAL TAX

In the event that your income is less than a **one million rand** for the year in question we will be obliged at the very least to use the **Basic Amount** which is the basic

amount subject to various adjustments in terms of the law. It's important that you understand what these adjustments are. The Basic Amount is the last assessment received 14 days prior to the submission date which is the date that the IRP6 form is filed. In the event that you are behind with tax returns the basic amount will be increased by 8% for each year behind subject to certain rules.

In the event that we use an estimate lower than the Basic Amount in order to calculate a provisional tax payment we require a proper motivation from you as SARS may query the lower amount and ask for a justification of the income used.

### PARAGRAPH 19 (3)

In regard to any provisional tax calculation, Paragraph 19(3) of the Fourth Schedule permits the Commissioner to increase any provisional tax estimate to an amount that SARS considers reasonable. In certain cases, the Commissioner will request you to justify your Basic Amount estimate and in the event the commissioner is not satisfied with the justification the estimate will be increased by SARS. This decision by SARS may be used whenever enough information is available to substantiate the increase. Should you be aware of any reason why the last taxable income should not be used as the Basic Amount, you need to contact us.

### RISK OF UNDERSTATING THE INCOME

Where you are using the Basic Amount for the calculation (below R1 million) for the second period (P2) provisional tax payment there is a risk that if you reduce this payment and the final assessment is not within 90% of the estimated income used for provisional tax then you will be subject to an understatement penalty. Where the estimated income is over R1 million it is necessary for the assessment to be within 80% of the estimate used for P2, otherwise there will be an understatement penalty.

### COVID-19 RELIEF

Owing to Covid-19 SARS has granted provisional tax deferment on provisional tax payments. Provisional tax is calculated in exactly the same way as it has always

been done in the past using the same laws and provisions and making an estimate based on your situation. The relief is in the way the payments are made, by SARS giving deferments on the payments depending on when the year end is and when the provisional tax payments fall due. SARS is making no change to their provisional tax systems as the submission of provisional tax will be exactly the same as it has always been.

It is important for you to advise us what your situation is in regard to the Covid-19 relief.

### CAPITAL GAINS

It is imperative that if a **capital gain** is earned during the tax year, that the gain is included in provisional tax in order to avoid an understatement penalty. In the event that you do not advise us of a capital gain that should be included in provisional tax an understatement penalty will definitely be levied by SARS on assessment.

We would like to point out that if you are not a provisional taxpayer and you earn a capital gain that it is imperative that provisional tax is paid on the gain. If this situation arises please consult with us.

### INDIVIDUAL PROVISIONAL TAXPAYER

If you are an individual provisional taxpayer please note that if **PAYE, foreign tax credits and medical credits** are to be deducted from your income for provisional tax purposes. We require this information timeously in order for us to calculate the provisional tax payment correctly. We will remind you of this with our provisional tax letter that we will send you advising you of the calculation.

### TOP UP PAYMENT

Please also be advised that around the payment of the P1 provisional tax return in any year you will need to consider if there is a top up payment for the previous year if you have underpaid tax in the previous year. In order to avoid interest payments to SARS and you wish to make a top up for any year please advise us accordingly.

## ITR12 ITR12TRUST ITR14

Please note that well before the time of the submission of your tax return we will advise you what information we require in order to file your tax return timeously and by the date we need the information. If you are unable to comply with this date please advise us beforehand so that we can re-schedule your work. If you cannot provide us with the necessary information on time, we cannot guarantee that there will not be penalties for late submission.

After we have prepared your tax returns for submission which will be done on a totally electronic basis, we will provide you with a set of reports which will indicate the income declared and after you have confirmed in writing or by signature that you are happy with the income figures we will then proceed with the electronic submission of your tax returns.

**Please be advised that we will not file any of your returns unless you have signed and returned a copy of this mandate letter to us as well as a signed copy of the tax return facsimile specifying your net income.**

## DIGITAL SIGNATURES

In the event that **MY FIRM** adopts a digital signature system you will have no objection to confirming and signing documents like this mandate and tax returns to be filed by way of a digital signature. We will advise you how to set up and sign the documents where the need arises.

## ISSUE OF ASSESSMENTS

Please take note that on receipt of an assessment notice from SARS with either tax to pay or a refund due it does not necessarily mean that the tax return is finalised as there may be additional requirements based on queries that SARS specifies which may only be communicated by SARS after the assessment is issued. In the event that SARS requires us to perform additional work on your behalf because there are queries, this work will be chargeable at our standard tax rate charges.

SARS may withhold refunds until they are satisfied with the outcome of any verification, query or audit! Please bear in mind that SARS uses methods of risk aversion which may result in your tax return being selected for verification or audit. We have no control over this and in the event that this happens we have to comply with the request. Such requests may happen because your tax return is measured against industry statistics or changes in the return from previous years. The cost incurred in doing this work will be charged at our standard tax charge rate.

A tax return is not finalised until SARS sends a letter indicating that the return is finalised.

### ITR14SD – SUPPLEMENTARY DECLARATION

Where we file an ITR14 we would like to advise you that as part of SARS risk control procedures there is a possibility that they will request that we provide them with an additional return called an **ITR14SD supplementary declaration**. This form will involve the following:

- a VAT output reconciliation
- PAYE Reconciliation
- a Customs and Excise reconciliation
- A VAT input reconciliation

It is therefore imperative that before we submit your ITR14 that all the necessary abovementioned reconciliations be completed by your accounting staff or **MY FIRM**. If you have difficulty with this the onus is on you to liaise with our staff so that we can deal with any issues you may have. It is absolutely imperative that all the reconciliations be done before we e-file as differences found after the filing of the ITR14 tax return will lead to difficult explanations being offered to SARS and may result in penalties.

If you require us to handle the ITR14SD this will be chargeable at our standard tax rates.

## PENALTY REGIME

You may well be aware that SARS now have administrative penalties which results in SARS imposing a penalty on a monthly basis based on a table of income. This penalty may be imposed every 30 days provided the non-compliant act is not sorted out. It is therefore imperative that you provide us with the information that we require timeously so that we can attend to your tax affairs properly and timeously.

Compliance now means that simple things like having the correct physical address on your tax return or the correct e-mail address could result in a penalty if incorrect. In the event that any of the information changes and you do not advise us of these changes timeously we cannot be held responsible for the imposition of any of these penalties. This would also apply to the latest information required for the completion and submission of your tax returns.

## OUR FEE

Our fees which may be billed as the work progresses are based on the degree of responsibility and skill involved and, in the time, necessary to conduct the work plus reimbursement of our expenses and VAT.

You shall pay our fees without any right of setoff on presentation of our invoice. We will be entitled to charge interest at the prevailing overdraft rates on a monthly basis on all amounts outstanding on our fees for whatsoever reason older than 30 days from the date reflected on our invoice.

In the event that there is a damage claim against us the damages computed cannot be more than twice the fee we charge for tax services.

Without prejudice to any other rights that we may have in law we reserve the right to suspend or terminate the performance of our service or any part thereof to you immediately, at any time, without notice, should payment of any of our fees be overdue or in the event that you do not comply with our requests.



## DISCLAIMER AND LIMITATION OF LIABILITY

To the extent permitted by law, **OUR FIRM** (including our employees, suppliers, internet service providers, partners, affiliates and agents) shall not be liable for any damage, loss or liability of any nature incurred by any person and resulting from-

1. access to the SARS e-Filing website;
2. access to websites linked to our service providers websites;
3. inability to access the SARS e-Filing website;
4. services available from the SARS e-Filing website
5. service available from our service providers effecting the e-Filing website;
6. errors by SARS and errors on the SARS e-filing website;
7. notices not received or indicated in our systems;

Owing to the fact that SARS makes no representations, warranties or guarantees that the SARS e-Filing website shall be accessible at all times. We acknowledge that the SARS e-Filing website may be inaccessible due to maintenance activities or due to circumstances beyond the reasonable control of SARS, including, but not limited to virus infection, unauthorised access (hacking), power failure or other instances of force majeure beyond SARS' reasonable control and in this case, we can't be held liable if we cannot process your returns or payments due to any one of these occurrences.

Yours faithfully

**MY FIRM**

**MY FIRM**

***DISCLAIMER ON SIGNING A TAX RETURN***

***Prepared by My Firm based on information received from you. You confirm that you have signed the letter of mandate and confirm that you agree with all the terms contained in the mandate. You also confirm your agreement with the net income as displayed in this documentation and confirm that the figures are supported by the information and supporting records that you have supplied to us by signing this page. You also confirm that you have retained all the supporting information in connection with this tax return. On signature of this page we confirm that we will proceed with the electronic submission of your tax return.***