

Filing your first corporate tax return (1/29/18)

Friday, 20 July, is the deadline for filing your first corporate income tax return. This article includes some important suggestions and reminders about completing it.

Online filing assistance

The new form of the tax return created in the Electronic Declaration System is interactive, i.e. taxpayers answers certain questions and get to see the fields and tables they need to complete.

A monthly tax return view will open to a company that is completing its first tax return for the first six-month period to keep out any data that does not need filing until the last tax return for the period.

When completing your tax return, you can use the button "Request values from SRS database," which will be especially useful in later periods to carry forward any data from earlier months. The new model for calculating CIT will give companies far more indicators that can be carried forward for use in the next tax periods.

Remember that all values on the tax return should be entered without applying a coefficient of 0.8 – the system will calculate it automatically.

The main lines of the tax return

The first tax return should be filed only by companies that generated taxable income for the period. Below is an outline of what we see as key points in completing the lines of the first tax return.

Company data as at 31 December 2017 (Tables 1.1-1.3)

Along with their the first tax return, companies should submit indicators as at 31 December 2017, which can be used as a reduction in the tax base in later periods (i.e. retained earnings, tax losses, and provisions).

If profit was distributed at the beginning of 2018, the transaction should be disclosed in Table 1.1. The same should be done where a loan was made to a related company without paying CIT through an exemption available under the transition rules (paragraph 34), or where a receivable available as at 31 December 2017 that meets the criteria laid down by section 9(3) of the CIT Act (paragraph 31(1) of the transition rules) was written off directly to costs.

Any large company that has yet to file its financial statements for 2017 is allowed to file the information to appear on tables 1.1-1.3 (retained earnings, tax losses and provisions as at 31 December 2017) at a later date – after the financial statements are approved.

When completing Table 1.2 for accrued tax losses, remember that it should disclose 15% of the amount of tax loss, which can be claimed as a tax credit in the next five years.

In Table 1.3, it is important to note that it should exclude any provision for doubtful debts and any increase

in the general provision that exceeds the provision for 2016 as at 31 December 2017. Please also remember that any available provision that was reduced in the tax period should be multiplied by a coefficient of 0.75.

Non-business expenses (line 6.1)

This is a line that companies are likely to use the most, because it should be completed each month. This line should disclose all non-business expenses, including any excess donations when using the first or the second type of donation relief specified by section 12(1)(1-2) of the CIT Act, as well as any excess of representation expenses and staff sustainability event expenses over the 5% cap. These caps or amounts exceeding them do not need a separate breakdown anywhere on the tax return, with only the total appearing on line 6.1. At the same time, separate accounting records should be kept for representation expenses and staff sustainability event expenses, allowing the company to trace them and tell exactly when the 5% cap is exceeded.

Given the SRS's strict approach to classifying staff sustainability events, we suggest that companies should prepare their internal guidelines on the staff sustainability events they use and their tax treatment.

We wish you good luck in completing the new tax returns and encourage you to reach out to us if you need any help.