

REDUCE YOUR TAXES – THE LEGAL WAY

Rather than taking the risk of tax evasion and avoidance, learn how to reduce your tax bill, the Legal&Tax way.

“Not paying your taxes may seem easy, but breaking the law can end up costing you a lot more than you bargained for, including steep fines and even jail time,” says Johan Swart, tax manager at Legal&Tax.

There are two ways of avoiding tax payments: tax avoidance and tax evasion.

TAX AVOIDANCE

Tax avoidance means trying to reduce or delay paying taxes by finding ways around tax regulations.

Examples of this include:

- Getting your company to pay your salary into a trust account, so you can split the income among different companies and individuals, thereby benefiting from a lower tax rate.
- Getting your income from rental and capital gains held in family trust accounts.

The South African Income Tax Act contains anti-avoidance clauses, which aim to prevent taxpayers from avoiding tax payments. This law means SARS can ignore any arrangement or agreement entered into for the sole purpose of creating a tax benefit, and force you to pay the full tax amount owing.

TAX EVASION

Tax evasion means using illegal actions to evade paying tax, such as failing to declare your income from all sources, including salaries, commissions, rentals, interest and income earned from offshore investments. Tax evasion also includes declaring false expenses or inflating expenses to benefit from a tax deduction.

The penalties for tax evasion can be steep: Up to 200% of the amount of tax evaded. That means if you receive R25 000 in foreign interest, the tax payable would be R4 000. If you don't declare this income, the penalty will be R8 000, on top of the tax payable, making the amount due to SARS R12 000.

sources, you still need to file a tax return even if your total income is less than R350 000.

REDUCE YOUR TAX BILL, THE LEGAL&TAX WAY

There are, however, legal ways to reduce the amount of tax that you pay. According to tax legislation, taxpayers are allowed to claim back money that was paid for certain expenses, known as deductions.

These deductions include:

- Retirement annuity contributions.
- Income protection premiums (insurance against injuries or disabilities that leave you unable to work).
- Donations to registered charities.
- Medical aid contributions and medical expenses.

Speak to your tax consultant to find out how to take advantage of these tax benefits.

For more info on tax laws or for guidance on how to pay your taxes simply and quickly, contact one of our tax experts on **0860 587 587**, email tax1@legalandtax.co.za or SMS 'tax' to **31690** and a consultant will call you back.

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