

*This guide has been prepared by an independent third-party law firm.*

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## **SOUTH AFRICA – TAX CONSIDERATIONS ON SHORT-TERM LETTINGS**

The following information can help you get started in learning about some of the tax requirements that might apply to you when providing short-term accommodation in South Africa.

Tax can be tricky and it is important to ensure that you keep up to date with your tax obligations and remain tax compliant. The timely preparation, filing and payment of taxes are your responsibility.

If you are supplying short-term accommodation in South Africa, you should make sure that you understand each of the following types of taxes, and pay the ones that apply to you;

- Income taxes
- Value added tax (VAT)

Please understand that this information is not comprehensive, and is not intended to be legal advice. If you are unsure about your local tax obligations, we encourage you to check this with official local sources, or to seek advice from qualified professionals, especially if the property constitutes your primary residence.

Please note that this information is not updated in real time, therefore you should confirm that there have not been recent changes to the laws or procedures.

We draw your attention to the fact that Airbnb may have an obligation to report income earned by users of the platform to the tax authorities. Therefore, if there is a mismatch between the information reported by Airbnb and the income you reported in your annual income tax and/or VAT returns, the tax authorities may ask you questions.

### **INCOME TAX**

If you earn income in South Africa, it is likely that you will be required to pay a percentage of the tax on this income to the South African Revenue Service (SARS). Below is a brief outline of the tax that may arise on income earned from short-term lettings in South Africa and some information on how this tax can be paid over to SARS.

**South Africa's tax year** runs from 1 March to 28 February for *individuals* and *trusts*. For *companies*, the tax year runs from the 1st day of its annual financial year to the last day of its annual financial year.

### **Being subject to income tax in South Africa**

You are required to pay income tax in South Africa if you:

- Are a resident in South Africa;
- Work in South Africa;
- Have assets in South Africa;
- Have a company in South Africa; or
- Have income from sources in South Africa.

As an individual, you do not have to file a Personal Income Tax (PIT) return if your total annual income, consisting of salary income only, is below ZAR 500 000. You are however still required to pay income tax on this amount. Therefore, even if you earn less than ZAR 500 000 for the year but this income also includes rental income, you will be required to submit a PIT return, unless your income is less than ZAR 91 250 (if you are under the age of 65; ZAR 141 250 if you are over 65 and ZAR 157 900 if you are over 75), in which case you are not required to submit a PIT return.

Depending on your individual circumstances, you may qualify for tax credits including, amongst others, the primary rebate of ZAR 16 425 if you are younger than 65 years of age. A secondary rebate of ZAR 9 000 is also available to those over the age of 65 and a tertiary rebate of ZAR 2 997 for those over the age of 75, irrespective of your taxable income (2021/23 figures).

A company must file a Corporate Income Tax ("CIT") return irrespective of the value of its income.

A taxpayer who receives income other than salary income, or who is a company, is required to file and pay provisional tax twice a year, thus spreading the annual tax payable over two or three payments.

### **Reporting tax in South Africa**

A person, irrespective of his residency, who is required to pay tax in South Africa may register on SARS' electronic filing portal (eFiling). Returns may also be filed at a SARS branch, but SARS encourages taxpayers to file returns on eFiling.

### **Reporting tax - filing deadline**

The PIT return filing deadline is usually around October/November of each year. The deadline is announced by SARS at the beginning of the tax filing season, which generally commences in July of each year.

Therefore, an income tax return for the 2023 tax year (i.e. the period 1 March 2022 to 28 February 2023) must be filed between July and 24 October 2023.

Provisional tax returns for individuals and companies with a February year end are due by the last day of August and February each year. For companies with a year-end other than February, the first provisional tax return is due within six months of the beginning of the financial year and the second provisional tax return is due on the last day of the financial year.

## Reporting tax - payment deadline

Once your tax return has been filed, SARS will process the return and issue an assessment notice. This assessment notice will contain the ultimate payment date, which is in principle six weeks after the date of the assessment.

## SARS contact details

The contact details for SARS are as follows:

- 0800 007 277 if you are calling from South Africa, and
- +27 11 602 2093 if you are calling from abroad. Details can also be found on the SARS [website](#).

SARS may also be contacted via email: [contactus@sars.gov.za](mailto:contactus@sars.gov.za)

## South African income tax rates.

The 2022/2023 PIT rates for individuals are as follows:

<b>Taxable Income (ZAR)</b>	<b>Rate of Tax (ZAR)</b>
1 - 226 000	18% of taxable income
226 001 - 353 100	40 680 plus 26% of taxable income above 226 000
353 101 - 488 700	73 726 plus 31% of taxable income above 353 100
488 701 - 641 400	115 762 plus 36% of taxable income above 488 700
641 401 - 817 600	170 734 plus 39% of taxable income above 641 400
817 601 - 1 731 600	239 452 plus 41% of taxable income above 817 600
1 731 601 and above	614 192 plus 45% of taxable income above 1 731 600

Companies pay a flat tax of 28% (27% for years of assessment ending on or after 31 March 2023) and trusts (other than special trusts) pay a flat tax of 45%.

Please note: These guides may be updated from time to time, but please check the [SARS website](#) for the latest income tax rates and information.

## South African rules applicable to income earned in relation to short-term lettings.

If you rent out a property (generally a residential accommodation) and receive rental income, the amount received will be subject to income tax (either in your personal capacity or in the relevant trust or company that owns the property).

The rental income you receive should be added to any other income you may have, but will also be reduced by certain permissible expenses incurred (see below).

## Typical expenses that can be deducted from an individual's income in relation to short-term lettings.

The rental income may be reduced by any permissible expenses incurred during the period that the property was let. Only expenses incurred in the production of that rental income can be claimed. Any capital and/or private expenses won't be allowed as a deduction.

Permissible expenses that may be deducted from rental income include:

- property taxes paid to local municipalities ("rates and taxes")
- cleaning costs
- bond interest
- advertisements
- Airbnb host fees
- agency fees of estate agents
- insurance (only homeowner's insurance and not insurance for household contents)
- garden services
- repairs in respect of the area let and
- security and property levies

Expenses that are capital in nature or that are not in the production of rental income will not be allowed. These can include, for example, costs for improvements made to the property. Improvements should not be confused with repairs and maintenance which are allowed as a deduction. Repairs and maintenance would usually take place when a person attempts to restore an asset to its original condition as a result of damage or deterioration. Improvements would usually result in the creation of a better asset. To determine whether a repair, maintenance or improvement has taken place, the specific facts and circumstances of each case must be examined.

While improvements are not allowed as a deduction against rental income, the value thereof can, however, be included in the base cost of the property, to effectively reduce the capital gain (or loss) on the eventual disposal of the property, for capital gains tax purposes.

### **South Africa income tax obligation for non-resident individuals.**

If you are a non-South African resident, you may have an obligation to file an income tax return if one of the following points is satisfied:

- you work in South Africa;
- you have assets in South Africa;
- you have a company in South Africa; or
- you have income from other sources in South Africa.

Rental income earned from property in South Africa is taxable in South Africa on the basis that it is South African sourced. Only a double tax agreement which exists between South Africa and your country of residence can potentially provide relief.

### **South African income tax obligations for a South African resident in receipt of foreign rental income.**

If you are an individual and a South African resident, you must report your worldwide income. Such income is taxable in South Africa as well, unless the country where the income originates from has exclusive taxing rights in which case you may be able to claim tax deductions/rebates in respect of the foreign taxes paid.

Sample Tax Computation		
Jane owns a 1 bedroom apartment which she rents out on an ad hoc basis.		
Jane received ZAR 600 000 in rental income in 2021		
Jane incurred the following expenses in relation to the apartment in 2022: house insurance ZAR 5 000, local property tax ZAR 3 500, online commission payments ZAR 24 000, and electricity/gas/ water ZAR 60 000.		
		<b>ZAR</b>
Gross rental income		600 000
<i>Less allowable expenses:</i>		
	Online Commission	(24 000)
	Electricity/gas/water	(60 000)
	House insurance	(5 000)
	Local property tax	(3 500)
<b>Taxable rental income*</b>		<b>507 500</b>

\*does not take into consideration any rebates available

### **VALUE ADDED TAX**

Value-added taxes can be complicated and you should take time to understand the rules as they may apply to you and your particular situation.

Broadly speaking, Value-Added Tax (VAT) in South Africa is a tax on consumption. Most goods and services supplied in South Africa are subject to VAT.

A person who supplies goods and/or services in, or partly in, South Africa may have to charge and collect VAT and remit this VAT to SARS. As with all taxes, we encourage you to consult with a tax advisor regarding your potential VAT obligations in South Africa.

If you are currently letting a room to guests, you may be required to apply VAT to your rental charge and to remit this VAT amount to SARS. As Airbnb is not supplying the rental service itself, it is the responsibility of the host to consider local VAT obligations of the rental charge.

### **Do I need to collect any VAT from guests if I am letting short-term accommodation in South Africa?**

In general, persons (individuals and companies) who are considered to be carrying on an enterprise in South Africa need to charge VAT on their supplies once they meet the threshold for VAT registration. Whether a person will be considered to be carrying on an enterprise for VAT purposes depends on the circumstances of each case. As a general rule, an individual providing short-term lettings on a continuous or regular basis will be considered to be carrying on an enterprise.

Currently, a person is required to register for VAT in South Africa if the total value of the taxable supplies (supplies of goods and/or services that are considered to be subject to VAT in South Africa) exceeds ZAR 1 million in any consecutive 12 month period. A person is required to register for VAT within 21 days of meeting the VAT registration threshold. A person may also register for VAT voluntarily provided the total value of taxable supplies exceeds ZAR 50 000 in any consecutive 12 month period. This applies to South African and foreign Hosts. Once you are VAT registered, you are allowed to deduct input tax in respect of allowable expenses incurred in making supplies of goods and/or services in South Africa.

We encourage you to consult a tax advisor if you need assistance in determining whether you need to register for and charge South African VAT and whether you are allowed to deduct input tax.

For further guidance on registering for VAT, please see the SARS [website](#).

### **VAT applies to me. How do I determine how much tax I need to collect from my guests?**

VAT rates differ per country and change periodically. We recommend you to check on a regular basis with the local tax authority to get the most up to date VAT rates for the country where you are required to pay VAT.

For example, at the date of issuance of this document, the South African VAT rate applicable to supplies of holiday accommodation (i.e. short-term letting) is 15%.

However, under certain circumstances, for example long term rental of accommodation, VAT is only payable on 60% of the fees charged. Therefore, we recommend that you confirm with a local tax advisor the VAT rate applicable to your supplies.

### **VAT applies to me. How do I collect VAT from guests?**

If you determine that you need to charge VAT on the services that you supply to guests, please keep in mind that you have to collect this VAT from your guests and report and remit this VAT on a periodic VAT return. In South Africa, the VAT return typically covers a two month period (e.g. January/February, or February/March, depending on your category of registration which is allocated to you by SARS).

You are required to file your VAT returns by the last day of the month following the last business day of your tax period (e.g. the January/February VAT return is due to be filed by the 31st of March, provided that day is a business day. If that day is a Saturday, Sunday or Public Holiday, the return must be filed on the last business day before the 31st of March). The VAT has to be remitted on the same day that the VAT return is required to be filed.

Once VAT registered, your pricing to guests should always include VAT. You would also be required to issue tax invoices to your guests.

. Please find more information on this [here](#).

For further guidance on South African VAT, please see the SARS VAT404 guide on the SARS [website](#).

We recommend that you check your VAT related obligations and the applicable invoicing requirements with a local tax advisor.