



DTBB/14/2016

**Domestic Taxes Business
Brief 14 (2016): How to
complete a SME Annual
Income Tax Return**

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Purpose

This Business Brief guides Small and Micro Enterprise (SME) Taxpayers in completing the SME Annual Income Tax Return.

Who should read this?

- Small and Micro Enterprise Taxpayers
- Petty Traders
- Authorised Preparers and Accountants
- Students

Background

Since the enactment of the Income Tax Act in 2000, all businesses, no matter the size, used the normal rules for Income Tax purposes. However, this was a big challenge for SME Taxpayers as most of them struggled to comply as the obligation to report to the NRA entailed filing of a long and complicated return form and submission of annual accounts which was stringent, expensive and time consuming. In 2013, the Finance Act 2013 introduced a simplified Income Tax Regime for SME Taxpayers.

The aim of the **new SME Tax Regime** was to reduce the burden on SME Taxpayers in terms of reporting to the NRA.

In 2016, the NRA revised the ***SME Annual Income Tax Return*** to make it simple and easy to complete by SME Taxpayers. This Business Brief illustrates how the ***SME Annual Income Tax Return*** will be completed. Also see ***DTDBB/013/2016 - An Introduction to Taxation of Small and Micro Enterprises***.

Who is a SME Taxpayer?

A SME Taxpayer is a resident taxpayer whose Gross Sales/Turnover from all business or income generating activities by such a person in a year is less than Le350 Million but not less than Le10 Million.

What does the SME Annual Income Tax Return look like?

The return form is just one sheet with a few boxes to complete. On the reverse are notes on how to complete it.

A sample can be seen at ***Annex A*** to this Brief.

Where can you get hold of this return?

You can get a SME Return from your local NRA office or download it from our website www.nra.gov.sl.

What records should I keep to help me complete the return?

Daily record of Sales/Turnover for all businesses or income received by a SME Taxpayer should be kept. See ***DTDBB/013/2016 – An Introduction to Taxation of Small and Micro Enterprises*** for more information.

What information is required on the SME Return?

- Your TIN, your name and your address
- Your Sales/Turnover for each month and a total for the year (January to December)
- Your calculation of Income Tax
- Your declaration and if appropriate, the Preparer's declaration

Where and when to file a completed SME Return?

The SME Return should be filed at the SME Taxpayer's local NRA office by ***30th April*** the following year. For example, for the 2016 year of assessment, the SME Return is due by ***30th April 2017***. If you are unable to meet the deadline immediately contact the local NRA office.

Where can I get further information?

For further information, please contact the Domestic Taxes Helpline on Telephone Numbers: [078/025/030/044 - 970844](tel:078025030044).

The Domestic Taxes Helpline is available Monday to Friday, 8am to 5pm.

We can also be contacted through dtd@nra.gov.sl.

Information on Domestic Taxes and other taxes can be found on the NRA website www.nra.gov.sl.

Notes:

1. What law covers this SME Income Tax Return?

Income Tax Act 2000 (as amended)

2. Should I be using this annual return to declare my turnover (income/ gross receipts) and tax?

Yes, if you are not a property owner or employed person or company AND your turnover is between Le10 million and Le350 million, you use this form to pay income tax on your turnover. You can instead choose to use the normal Income Tax return and pay income tax on your net profit (ask at NRA office)

3. Can I get someone else to complete the return and sign it?

You can get someone to help you complete it but they must complete the 'preparer's details'. Only you should sign the declaration, unless your helper is an **NRA approved** SME Income Tax Return Preparer, in which case, they can sign it as preparer and you don't need to sign it at all.

4. What rate of tax must I pay:

	Gross Turnover (Le)	Marginal Rate of Tax (Le)		Gross Turnover (Le)	Marginal Rate of Tax (Le)
1	Under 10,000,000	Nil	4	100,000,001 to 200,000,000	3,500,000 + 5% of the amount above 100,000,000
2	10,000,001 to 20,000,000	100,000 + 2% of the amount above 10,000,000	5	200,000,001 to 350,000,000	8,500,000 + 6% of the amount above 200,000,000
3	20,000,001 to 100,000,000	300,000 + 4% of the amount above 20,000,000	6	Over 350,000,000	Must use normal Income Tax return

4. When and how do I pay my tax and file my return?

There are 7 easy steps:

Step 1 - You send an estimate of what your tax will be for next year to your local NRA office

Step 2 - NRA sends you an assessment (based on that estimate) of how much tax to pay next year in instalments (payments due in March, June, Sept and Dec). This is an estimate of your annual tax divided by 4, for the 4 payments due.

Step 3 - For each instalment payment, do the following in order:

- Go to your local NRA office and obtain a Lodgement Slip (it has a unique reference number)
- Take the Lodgement Slip to your bank and pay. The bank will give you a payment receipt
- Take the bank payment receipt to your NRA office and collect your NRA receipt (this confirms payment to NRA)

Step 4 - Before the tax year end (31st Dec), you collect a blank return from your local NRA office (or download it from the NRA website at www.nra.gov.sl)

Step 5 - After 31st Dec and before 30th April, you complete your annual return and file it at your local NRA office (use the NRA office you collected the blank return from). NRA gives you a Lodgement Slip for any final payment due

Step 6 - For any final tax amount calculated at the return's step 5 (section C), you take the Lodgement Slip to the bank and pay

Step 7 - You take the bank receipt for the payment to NRA office and collect your NRA receipt (this confirms payment to NRA)

5. What if I need help to complete my return?

The form is designed for easy completion but if you need help, call into your local NRA office

6. What happens if I don't pay my tax or file my tax return by the right time?

You will be charged interest and possibly a penalty

7. What if my turnover falls below Le10 million?

If you stay registered, you must file your return and pay your tax. If you expect your turnover to remain below Le10million or you cease to trade, you should contact your NRA office to discuss deregistering from Income Tax

8. What records do I need to keep?

You should keep a simple record of your total daily income for each of your businesses, such as this:

Date	Total daily turnover

And you must keep this record for at least 6 years so that NRA can inspect your returns

10. What if my personal details change?

If any of the following details change, you must tell your local NRA office:

Home address:

Contact name(s):

Contact telephone number(s):

Contact email address(s):

11. Where can I get more information?

You can get more information from Business Briefs **DTDBB/013/2016 - An Introduction to Taxation of Small & Micro Enterprises** and **DTDBB/014/2016 - How to complete a SME Annual Income Tax Return** from www.nra.gov.sl and from your local