

Directors and shareholders		Yes	No
Have you compared gross remuneration in IRP5 and IT3(a) certificates to ledger accounts to check if full disclosure has been made?	<i>Non-disclosure of income may lead to SARS imposing additional tax, penalties and interest.</i>		
Do IRP5 and IT3(a) certificates issued to directors match the ledger accounts.	<i>In the case of small businesses, SARS focuses on directors.</i>		
Have you reviewed your cashbook for possible payments to directors or shareholders?	<i>Prevent oversight of cash payments not being communicated to payroll, by introducing a formal reporting procedure.</i>		
Have you checked if salaries are paid to relative/s of directors or shareholders and verified whether such remuneration is reasonable for the services rendered by the relative/s?	<i>Section 7(2)(b) of the ITA contains an anti-avoidance measure aimed at preventing 'income splitting'. The remuneration received by a relative of a director must be reasonable having regard to:</i> <ul style="list-style-type: none"> • <i>the nature of the relevant trade;</i> • <i>the extent of the recipient's participation therein; and</i> • <i>the services rendered by the recipient or any other relevant factor.</i> 		
Have you thoroughly checked expenditure incurred on company credit cards by directors or shareholders?	<i>Private expenditure must be taxed through payroll.</i>		
Do directors receive salaries from more than one entity in the group? <ul style="list-style-type: none"> • If so, establish on what basis salary splits are determined. • Establish whether IRP5 or IT3(a) is issued from each entity. 	<i>Salaries paid to directors that have no bearing on services rendered, may lead to an inference that the salary is excessive and point to profit extraction.</i>		
Have you established what the directors' obligations are to the various companies from which they earn salaries? Have you also checked whether the remuneration is reasonable in relation to the services they render?	<i>Salaries paid to directors that have no bearing on services rendered may lead to an inference that the salary is excessive and point to profit extraction.</i>		

Source: [Tax Bulletin](#) – For more tax and VAT tips from some of SA's top tax experts.