

Ref #:

FEEDBACK SUMMARY – 8 November 2018

GENERAL

SAICA attends various workshops/training on behalf of members with National Treasury (“NT”), South African Revenue Service (“SARS”) and other stakeholders (internal and external). These workshops/trainings provide an opportunity for them to educate taxpayers on tax matters and systems. Discussions and views expressed during such workshop do not represent policy or decisions. Furthermore, these workshops do not represent an undertaking by SARS, NT or other stakeholders, but merely statements of their understanding or how they perceive or anticipate a particular matter to be addressed.

The below Feedback Summary should be seen in the above context as merely attempts to inform SAICA members of the workshop/training and of any proposals that were made during such discussions.

MINERAL & PETROLEUM RESOURCES ROYALTY TAX RETURN

SARS TRAINING WORKSHOP SESSION

5 November 2018

Below are some of the matters discussed at the SARS training workshop. The purpose of the workshop was to engage with taxpayers and tax practitioners in the mining industry to understand their challenges and concerns when going through the new MPR3 return, step by step.

Overview and important facts

The [new manual MPR3](#) return has merged the old MPR3 return and the Mineral & Petroleum Resources Royalty payment advice (MPR2) into one. Currently there is no signature block for purposes of declaration, but taxpayers should still sign off and date the MPR3 return – otherwise SARS will not accept it.

SARS is in the process of rolling out a new electronic MPRR system. On **7 December 2018** SARS will do a master data migration of registered and subscribed MPRR taxpayers’ information and transactions. A unique MPRR 814 reference number will be created for each MPRR taxpayer and MPRR taxpayer **opening balances as at 1 January 2017** will be captured.



SARS will communicate the MPRR 814 reference number and opening balances. MPRR taxpayers will be required to validate the opening balances to ensure that the opening balance is captured correctly to avoid future disputes occurring.

From 1 February 2019 payments can only be made via eFiling. When taxpayers select the *ad hoc* payment option on eFiling they need to ensure that they select the **Mineral Royalty (MINR)** and NOT the Mining Royalties for payment.

Registration for Mineral & Petroleum Resources Royalty (MPRR)

Currently taxpayers need to complete the [MPR1](#) application form and email it to mineralroyalty@sars.gov.za to register for Mineral & Petroleum Resources Royalty (MPRR).

However, from **7 December 2018** onwards taxpayers will need to register via the RAV01 form. The RAV01 form is an online form that is used to perform the legal entity information changes at the SARS branch or on SARS eFiling.

New MPR3 Return

SARS has introduced a new form for MPRR return and payment advice from **1 October 2018**. Existing MPRR taxpayers need to complete the new MPR3 return and payment data form when they declare royalties.

The [new MPR3](#) return incorporates both the old MPR3 return and the MPRR payment advice (MPR2). It has also been updated to request for the mineral type, unit of measure and volume transferred (quantity) of minerals sold.

The new MPR3 return is similar to that of taxpayers provisional tax return, catering for all the attributes (i.e. filing, payment and return obligations) as noted below:

MPR3 Form	Filing	Payment
1st Estimate	First Estimate return must be submitted before the end of six months, after the start of the year of assessment.	First payment – 50% of estimated total liability for the year of assessment – six months after start of financial year.
2nd Estimate	Second Estimate return must be submitted before the end of the year of assessment (therefore before the end of 12 months after the start of the year of assessment– applicable if no change was made to the financial year end).	Second payment – balance of estimated total liability for the year of assessment – at financial year-end (therefore before the end of 12 months after the start of the year of assessment – applicable if no change was made to the financial year end).
3rd Optional/ Top - up	An optional third top-up return, referred to as the “Return of Excess”, can be used to declare additional liability for the year of assessment, that was not catered for in the first and second estimate returns (therefore, if required, before the end of 18 months after the start of the year of	Optional Top-up Third Payment – Amounts not catered for in first and second estimate for the year of assessment (therefore, if required, before the end of 18 months after the start of the year of assessment



	assessment – applicable if no change was made to the financial year end).	– applicable if no change was made to the financial year end).
Final Settlement	An annual return must be submitted twelve months after the end of the year of assessment for final reconciliation purposes.	Final liability settlement – 12 months after year-end, where final return liability exceeds the payments made for 1st and 2nd, estimate and optional 3rd payment.

Completion of the new MPR3 return

Taxpayers will be required to complete the risk profiling questions on the return, especially when submitting the annual return.

Where taxpayers have both refined and unrefined minerals, both categories would need to be selected in order for taxpayers to be allowed to access it.

The summary section of the MPR3 return will add all the net royalties payable for each mineral type that has been completed.

A reconciliation section has also been added on the MPR3 return, however the workings thereof still needs to be refined.

Submission of MPR3 return and payments

Currently the filing process of the MPR3 return is manual, i.e. a MPRR taxpayer needs to complete it and send it to mineralroyalty@sars.gov.za. Going forward MPRR will be integrated via eFiling.

It is important to note that the new MPR3 return does not provide for a signature block for purposes of declaration. However, SARS advised that taxpayers should still sign of and date the MPR3 return – otherwise it will not be accepted.

Taxpayers should also ensure that they have the necessary supporting documents in support for the completed MPR3 return that is submitted.

Each payment must be accompanied by a completed MPR3 return.

Payments can be made via the SARS [eFiling](#) channel using the additional payment option, which creates a unique payment reference number (PRN). Payments can also be made via bank channels until 31 January 2019 utilising the taxpayer's income tax reference number followed by ...155 as reference.

When taxpayers select the *ad hoc* payment option on eFiling they need to ensure that they select the **Mineral Royalty (MINR)** and NOT the Mining Royalties for payment.

Note that bank deposit channels will be discontinued for MPRR payments on **31 January 2019**, which implies that all MPRR payments thereafter will only be payable via SARS eFiling. Taxpayers therefore need to ensure that they are registered on eFiling from **1 February 2019**.



The new MPRR 814 reference numbers that will be issued as discussed below should be used from 1 February 2019 going forward.

Underestimation Penalties and Administrative Penalties

SARS noted that underestimation penalties will be levied where the actual royalty excess payable is greater than 20% of the royalty to be paid. Such penalty will be payable within 30 days from the date on which it was imposed.

Administrative penalties will also be levied for non-submission or late submission of the MPR3 return. Taxpayers should therefore ensure that they timeously submit the MPR3 return, even Rnil returns where applicable.

It was noted that the late payment of the royalty tax liability will also be subject to a penalty.

Phase in of the new Mineral & Petroleum Resources Royalty (MPRR) on SAP

SARS will follow a staggered approach in order to introduce MPRR on SAP over the period 1 October 2018 to September 2019.

SARS will roll out a light version of MPRR on 7 December 2018 by doing a master data migration of registered and subscribed MPRR taxpayers' information and transactions.

A unique MPRR 814 reference number will be created for each MPRR taxpayer, similar to that of taxpayers' value added tax (VAT) reference numbers. This unique MPRR number will be sent to the taxpayers together with the opening balances. The details as to how this will be sent still needs to be stipulated, for example via email by relationship manager, etc. The unique MPRR number is however only required from 1 February 2019.

Taxpayers should therefore ensure that the opening balance as at 1 January 2017 is captured correctly to avoid disputes going forward. SARS noted that taxpayers will need to sign off on these opening balances.

Going forward the MPRR taxpayers' data will be prepopulated once the MPRR system is up and running, but currently taxpayers' need to re-capture it on the new MPR3 form.