

SARS PENALISES TAX-PAYERS

In a scandal-weary nation such as South Africa, the latest revelations in the Gupta state capture saga, the implication of key South African Revenue Services (SARS) employees, and the delivery of Finance Minister, Malusi Gigaba's, mid-term business speech have shocked even the most jaded of South Africans.

The admission by Gigaba that SARS is facing a R50 billion tax shortfall was nothing short of bleak. These sentiments were echoed in the subsequent tanking of the rand against the dollar and the confirmation by ratings agency, Moody's, that it will downgrade SA's credit rating to junk status at its next review on November 24, saying that last week's medium-term budget policy statement signalled a change in policy direction that was credit negative.

Arnoux Maré, Managing Director of Innovative Accounting Solutions, a subsidiary of Innovative Solutions Group™ says SARS has to recoup the R50 billion shortfall from somewhere and it seems the beleaguered taxpayer is in its sights. "With approximately 7 million people (roughly 3% of the population) contributing about 80% of income tax*, it appears inevitable that personal income tax is likely to increase. This is not desirable, but certainly seems unavoidable."

Recent reports support this assertion. Tax practitioners suggest that roughly 80% of salaried workers are being audited by SARS – up from around 20% previously. Most employees who are in line to receive tax refunds are now being audited and SARS is requesting supporting documentation such as medical aid contributions and annuities, which are indicated on individuals' existing IRP5 information.

While SARS' thoroughness in preventing fraudulent claims is to be applauded, it would appear that this is merely a tactic to buy time and delay the payment of refunds.

"With Innovative Accounting Solutions' extensive experience and knowledge of tax procedures and regulations, it has always been our understanding that SARS' guidelines for completion of auditing processes would be completed in 30 days. This was recently altered to 30 working days, which is somewhat concerning," continues Maré.

In addition, SARS has become more threatening on matters of non-compliance. Certain practitioners have cited examples of over-zealous collections, with day-late payments being hit with an automatic 10% penalty fee.

Of further concern is that if any tax amount is outstanding, or in dispute, SARS is refusing to issue tax clearance certificates, without which business owners are unable to submit tenders. With this threat hanging over them, many businesses pay the outstanding amount, purely to acquire the certificate.

One thing most tax practitioners agree on is that taxpayers are becoming increasingly dissatisfied about high taxes and progressively punitive actions on the part of SARS.

"Companies face constant pressure to reduce costs, pay more tax, create standardised processes and systems as well as provide resource flexibility when required, all within a strict compliance framework. Simplifying and standardising finance, taxation and accounting processes is a key characteristic of well-run companies. At Innovative Accounting Solutions, we ensure our clients do not pay one cent more than they are legally obliged to, thereby freeing up companies' all-important cash flow," concludes Maré.

***Source: Ernst Roets / EWN**