

SARS to boost enforcement measures

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THE South African Revenue Service (SARS) is to toughen up enforcement measures in the wake of a deterioration of tax compliance levels largely blamed on the economic downturn.

SARS would refocus its enforcement and audit capacity, including modernising its systems, said the budget review yesterday.

SARS commissioner Oupa Magashula said recently that vigorous enforcement had reaped significant benefits and he expected this to intensify through greater international collaboration. Last year, SARS announced plans to hire about 1 000 new auditors with expertise to help unravel complicated tax structures.

"Our enforcement levels will be toughened up in a crisis, even more so as individuals take chances," said Magashula.

SA was moving towards closing the tax gap. However, there were still 3-million outstanding tax returns, although it was difficult to quantify how much money was owed.

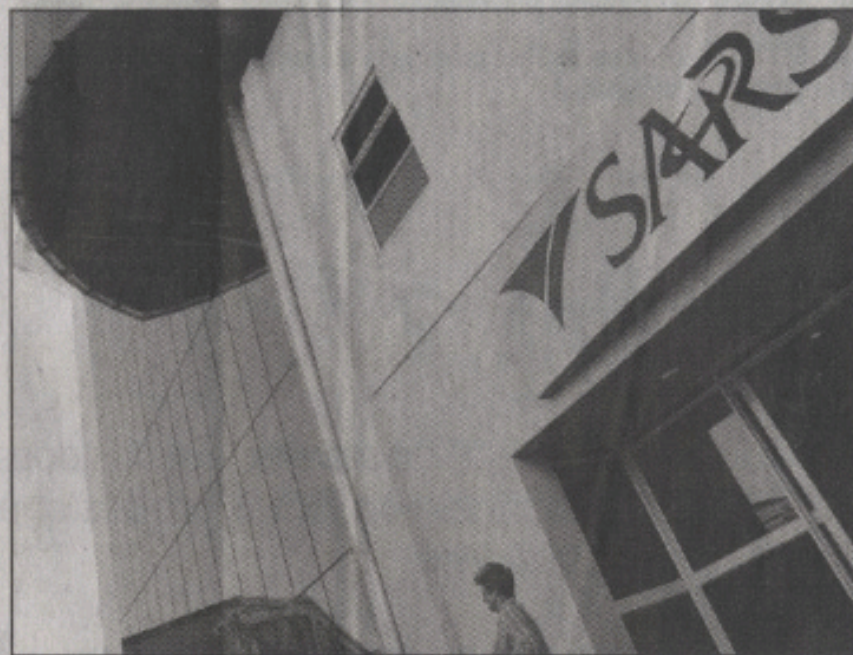
Last year, SARS published

proposals for new tax laws which included stringent search and seizure provisions, and provisions relating to secrecy and collection processes. The budget review pointed out several key areas for improved tax administration over the next three years.

These included: increased digitisation to enable self-service and voluntary compliance; further modernisation of personal income tax, pay-as-you-earn, corporate income tax and value-added tax (VAT) systems; the modernisation of customs systems; improved call centres, office operations and payment procedures; increased system infrastructure to process administrative penalties; and enhanced focus on large taxpayers and high-net-worth individuals.

Improved data analysis helped SARS in identifying taxpayers who were considered high-risk. The process would be further enhanced by the improved collection of third-party data that allowed for specific case identification, said the budget review.

Charles de Wet, a tax partner at PricewaterhouseCoopers, said yesterday the focus on enforcement measures was material.



BRANCHING OUT: SARS plans to increase digitisation to enable self-service and voluntary compliance.

"They should be fair and reasonable for taxpayers," De Wet said. Further, SARS should make procedures more efficient, he said. "Hopefully it will be a positive step."

Rob Stretch said the enforcement procedures were not new or unexpected. "The infrastructure is already in place. However,

SARS needs more resources to carry out effective audits on taxpayers," Stretch said. Further, SARS also needed more technology, he said.

Stretch said the time limits for assessments should be adhered to by both SARS and taxpayers so that matters could be resolved timely and expeditiously.

Ernie Lai King, head of Deneys Reitz Tax, said SARS would continue to concentrate on narrowing the tax gap, pursuing noncompliance and combating tax avoidance, particularly the use of complicated tax structures and offshore tax havens.

Hanneke Farrand, a director at corporate law adviser Edward Nathan Sonnenbergs, said it seemed that SARS would enhance its focus on large taxpayers and high-net-worth individuals over the next three years as an area for improved tax administration.

SARS had created a high-net-worth individual unit (for those individuals earning more than R7m a year or having assets that exceeded R7m).

Internationally, most governments were focused on countering aggressive tax schemes and the manner in which high-net-worth individuals abused the tax system to reduce their tax burden. Consideration might be given to making certain amendments to the provisional tax payment legislation to ensure that taxpayers with little or no provisional tax to pay were exempted, Farrand said.