

**FEEDBACK SUMMARY  
1 OCTOBER 2020**

**GENERAL**

SAICA attends various discussions and meetings on behalf of members with National Treasury (“NT”), South African Revenue Service (“SARS”), the Office of the Tax Ombud (the OTO) and other stakeholders (internal and external). These meetings represent an opportunity for them to obtain further information on any tax matter from the public and discussions and views expressed do not represent policy or decisions. Furthermore, these discussions 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 discussions and of any proposals that were made during such discussions.

**SARS NATIONAL STAKEHOLDER FORUM  
30 SEPTEMBER 2020**

As a result of the nationwide lockdown, whilst we have met with SARS on a regional level and head office on the 2020 Filing Season, the SARS National Stakeholder Forum took place for the first time this year on 30 September 2020. We are grateful to SARS for the opportunity to engage on high priority matters of importance to members.

Some of the issues discussed and the outcomes thereof are highlighted below.

**Lack of adequate communication on various levels**

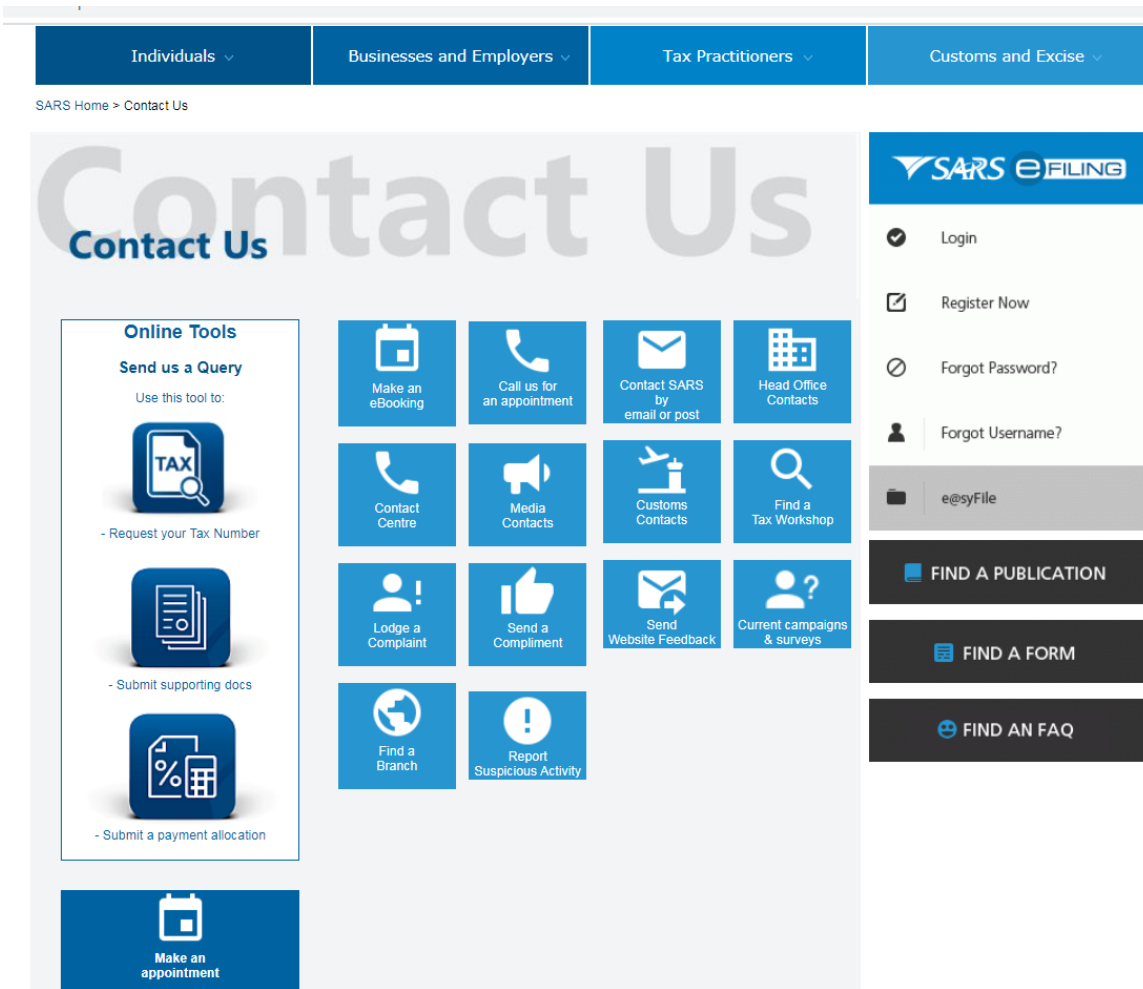
1. Whilst noting that there had been some improvement in communication over the last few months and especially in the initial stages of the nationwide lockdown, SAICA raised various concerns

regarding inadequate communication between SARS and RCBs and SARS and tax practitioners/taxpayers on specific matters.

2. Some examples where communication or collaboration required improvement include, inter alia:
  - The current filing season changes;
  - Auto assessment communication including SMSes;
  - Inadequate testing of the auto assessment process by tax practitioners;
  - Errors related to the application of the COVID19 relief;
  - Lack of notification in some cases where important correspondence is issued by SARS on eFiling profiles, resulting in additional assessments, final demands for payments and in some cases third party appointments;
  - Inadequate communication during the audit and dispute process;
  - Delay in communication of new SARS structure, especially for escalation purposes;
  - VAT verification letters and IT14SD completion letters sent in error and not followed up by direct communication to specifically impacted taxpayers.
3. SARS acknowledged that it needed to improve on communication and will continue to work on this, together with its internal support structures to ensure matters are addressed and feedback provided timeously.
4. Regarding the SARS structure, SARS is working on the communication in this regard and hopes to release this shortly.
5. SARS noted all RCBs concerns regarding filing season and acknowledged the bulk communication (VAT and IT14SD letters) sent in error. SARS acknowledges this was problematic and apologised for this and will work towards ensuring that this does not recur in the future.
6. Regarding the audit process, SARS advised that it is working on a system whereby taxpayers will easily be able to check the status of audits as well as the status of refunds due, online and this should alleviate some concerns regarding lack of communication in respect of this.
7. With respect to tax exempt institutions and delays or inefficiencies experienced, SARS is aware of the challenges. It was agreed that the RCBs will work together with the segment leader regarding improvements that need to be made, automation being one of the more crucial improvements required.
8. From a SARS perspective, concerns were raised regarding delays by tax practitioners when documentation is requested during the audit process, in respect of the current year return submitted. In SARS' view, the documentation requested at the initial stage is expected to be readily available on the basis that this minimum information would have been used in preparation of the relevant tax return. SARS has experienced multiple requests for extensions from tax practitioners claiming that they do not have the documentation on hand and need more time to request this from the taxpayer. We urge members to ensure adequate records are retained so that in the event of a documentation request, this can be dealt with timeously to avoid delays in the process.

## Tax practitioners not making use of electronic platforms and sometimes insisting on branch visits

1. Due to COVID19, SARS had to implement various electronic platforms to assist taxpayers and tax practitioners remotely as far as possible, thereby significantly reducing the risk of the spread of the virus.
2. SARS raised concerns regarding the fact that despite sharing communication on electronic platforms available and/or how specific issues were addressed, it still receives multiple queries from tax practitioners in respect of matters already addressed and some tax practitioners insist on branch appointments or request to be assisted on visiting branches, in respect of matters that can be dealt with online.
3. The [SARS Contact Us webpage](#) has more information regarding its electronic platforms. We urge members to familiarise themselves with these platforms and to use these as much as possible.



The screenshot shows the SARS Contact Us webpage. At the top, there are navigation tabs for 'Individuals', 'Businesses and Employers', 'Tax Practitioners', and 'Customs and Excise'. Below the navigation is a breadcrumb trail: 'SARS Home > Contact Us'. The main heading is 'Contact Us'. On the left, there is a section titled 'Online Tools' with three sub-sections: 'Send us a Query' (with a 'TAX' icon and a note 'Use this tool to:'), 'Lodge a Complaint' (with a document icon and a note '- Submit supporting docs'), and 'Submit a payment allocation' (with a document and percentage icon and a note '- Submit a payment allocation'). Below this is a 'Make an appointment' button. The central area contains a grid of 14 service icons: 'Make an eBooking', 'Call us for an appointment', 'Contact SARS by email or post', 'Head Office Contacts', 'Contact Centre', 'Media Contacts', 'Customs Contacts', 'Find a Tax Workshop', 'Lodge a Complaint', 'Send a Compliment', 'Send Website Feedback', 'Current campaigns & surveys', 'Find a Branch', and 'Report Suspicious Activity'. On the right side, there is a 'SARS eFILING' section with links for 'Login', 'Register Now', 'Forgot Password?', and 'Forgot Username?'. Below this is an 'e@syFile' search bar and three buttons: 'FIND A PUBLICATION', 'FIND A FORM', and 'FIND AN FAQ'.

4. We have requested that SARS list those exceptional matters in respect of which a branch appointment is necessary as this will assist in guiding tax practitioners as to when a branch appointment is appropriate.

5. We also encourage members to read the Integritax Weekly mailer every week and follow the SAICA Integritax Facebook page for regular updates on SARS operational and tax legislative matters, to avoid unnecessary queries that result in loss of time for all parties concerned - i.e. where matters raised have already been dealt with in communication by SARS and/or RCBs.

### **Auto assessments and Pre-population of data**

1. Many concerns were raised regarding the auto assessments and general pre-population of data in the 2020 Filing Season.
2. SARS acknowledged that there were issues that needed to be addressed and committed to engaging in a 'lessons learnt' workshop with RCBs to unpack the challenges and concerns and propose improvements to the filing season going forward.
3. Some of the specific pre-population issues that were discussed:

- The interest reflected on the IT3(b) is not captured on the taxpayer's return, in some instances  
SARS advised that this could happen where some of the information provided in the third party certificate does not match the information that SARS has in its records, for example, where there has been a change in surname or the third party data provided a passport number, whereas the form of identification on the SARS system is a South African ID. SARS noted that it would only prepopulate data that it was 100% certain of. Therefore, where data mismatches occurred, amounts would not have been disclosed. Taxpayers must ensure that the information provided to third parties and SARS are the same to avoid these pre-population errors. Where amounts were not included, these may be added in the tenth line in the tax return.
- There are only ten lines to capture interest and when pre-populated it is difficult to determine the specific amounts included

SARS acknowledged the challenges that have arisen as a result of this and will look at extending the fields/allowing for creation of additional fields for future years.

- Medical aid contributions captured on the incorrect individual's tax return

Members noted examples of cases where an adult child, for example, is paying the contributions on behalf of his/her parents - which is clear on the certificate. Despite this, the rebate is still reflected on the main member's return (i.e. the parent) and not that of the person (adult child) making the payment and it is not possible to change this.

SARS advised that there has been a system fix for this and that the format of the form has been changed as a result of the fix. Members who still encounter difficulties must please log this on the SAICA Member Portal under the SARS Operational 'Area'. Include the tax reference number, your tax practitioner number and branch at which the taxpayer is registered to facilitate efficient escalation of the error.

- Withdrawals from tax free investments are not disclosed and it is not possible to edit this field in the return

Currently, this field is not pre-populated, because although disclosed on the certificate sent to the taxpayer, it is not included in the third party data sent to SARS. This will be addressed via an update effective in December and will therefore only impact the 2021 filing season. SARS will advise regarding the remedy where it is not possible to edit this field on the tax return.

- For spouses married in community of property, the one spouse's interest is not populated on the other spouse's return

SARS have advised that as was the case in prior years, both spouses must include 100% of the interest income received or accrued, by each spouse on both spouses' tax returns. The SARS system will then determine the 50/50 split. To ensure that this is calculated correctly, affected taxpayers must indicate that they are married in community of property in the Wizard.

- Spouses using a joint bank account - manual adjustment on return not possible

Where spouses use a joint account, in prior years, the system allowed manual adjustment of interest income. However, this adjustment is not possible in the current year as a result of the auto assessment process.

SARS advised that where the income is reflected on only one return, this is due to the fact that the bank reports the account as 'belonging' to only one of the spouse's. There is therefore no way that the SARS system would identify it as a joint account. Given, that one is unable to reduce the pre-populated interest income, for now, SARS advises that affected taxpayers will need to submit the return as is and lodge a dispute on receipt of the ITA34 assessment.

SAICA and other RCBs did raise concerns that it would be prejudicial to taxpayers to have to engage their resources to follow the dispute process as a result of a system error. SARS agreed to consider other means of correction and we will update members should we receive further feedback in this regard.

- Where the amount of the interest on the IT3 is less than R50 or R100 (differing reports from members) it is not included in the return

SARS confirmed that interest amounts of below R100 would not pre-populate. The taxpayer/practitioner must include these amounts in the additional fields for interest on the return.

- Gross interest populated on return instead of net interest

In the current year, gross interest has been populated on the return, instead of the net interest i.e. after brokers' fees, administration costs. This results in the taxpayer having to create the 'Other income' and 'Other expense' containers as a means of claiming the fees related to the earning of the interest income. In prior years, only net interest was populated.

According to SARS, this seems to be a third party reporting issue and SARS has agreed to engage with financial institutions to address this. SARS will discuss potential solutions in the interim. For now, it would appear that the dispute process may be the only solution available.

- Inability to file returns where a lump sum payment has been received during the tax year

SARS has addressed various issues relating to this in its [Auto Assessments FAQs](#). Members are encouraged to read through these to identify if there are solutions to specific issues encountered.

SARS did note that in almost every case that it dealt with, the taxpayer had a directive submitted by a different entity and that entity did not submit the IRP5 to SARS. Further, in many instances, the taxpayer did have the IRP5 on hand and can manually capture it on his/her return by creating an additional IRP5 on the form. This will apparently address the issue.

SARS further advised that in terms of lump sum related issues - some of these were fixed until 11 September. If issues occurred thereafter, SARS requires examples for this. Members who still encounter difficulties must please log this on the SAICA Member Portal under the SARS Operational 'Area'. Include the tax reference number, your tax practitioner number and branch at which the taxpayer is registered to facilitate efficient escalation of the error.

- Non-residents interest income reflected as being received by an SA tax resident

According to SARS, the pre-population of interest income is determined based on the residency status of the individual on the SARS system. Therefore, regardless of how the financial institution reports the interest income, the SARS system should make the final determination as to whether the interest is attributable to a resident or non-resident.

However, it is important that the registered address on the system reflects the foreign address of the taxpayers and that taxpayers indicate that they are non-resident for SA tax purposes.

SAICA did raise concerns that the question regarding change in residency refers only to the current year of assessment and does not take into account changes in residency status in prior years.

SARS indicated that the question regarding residency will be changed to accommodate instances where residency status changed in a prior year. What will also change is that the system will automatically override interest being populated where the person is non-resident - currently this is a manual process. Should members still encounter issues related to this, please log this on the SAICA Member Portal under the SARS Operational 'Area'. Include the tax reference number, your tax practitioner number (unless you are the taxpayer) and branch at which the taxpayer is registered to facilitate efficient escalation of the error.

### **Extension of deadlines for submission of returns for different taxpayers**

1. Given the multiple system errors impacting taxpayers' and tax practitioners' ability to submit complete, accurate tax returns, as well as the later opening of filing season this year, SAICA and other RCBs proposed that SARS should give consideration to extending the filing season deadlines.

SARS indicated that it has no intention to extend the deadline, but will work with RCBs to address issues identified, as escalated by members.

### **COVID-19 Provisional tax relief - penalties and interest**

1. Due to numerous system errors in the application of the COVID-19 relief, interest and penalties were imposed in respect of what the SARS system viewed as 'underpayments'. Affected taxpayers who were compliant immediately before applying the relief, were automatically rendered 'non-compliant' as a result of these system errors.
2. SARS was very responsive in trying to rectify the situation promptly following escalation of the various issues identified, which we are appreciative of. However, due to the timing of when issues were escalated and the number of issues identified, the system was not 'fixed' in time for the August provisional tax deadline for individual taxpayers impacted by this.
3. SARS advised that these errors have now been fixed on the statements of account and if taxpayers or tax practitioners request new statements of account, the account should be correct.
4. Should members still encounter issues related to this, please log this on the SAICA Member Portal under the SARS Operational 'Area'. Include the tax reference number, your tax practitioner number (unless you are the taxpayer) and branch at which the taxpayer is registered to facilitate efficient escalation of the error.
5. SAICA also raised concerns that where penalties and interest appear only on a statement of account and no assessment is issued reflecting the adjustments, there is a risk that the taxpayer will not be aware of the adjustments and more important, the eFiling system does not provide functionality to lodge a dispute as there is no assessment against which to object.
6. SARS acknowledges that this is a challenge and is working on implementing a system update where any adjustments on a statement of account will trigger communication to inform the taxpayer of the changes, as well as to accommodate the dispute functionality which is currently not available.

### **New single SARS mailboxes for taxpayers and tax practitioners**

1. Following the introduction of the new mailboxes for taxpayers and tax practitioners, there were complaints that the [pcc@sars.gov.za](mailto:pcc@sars.gov.za) mailbox is often 'full' and the emails sent are undelivered. SARS indicated that this issue has been addressed and to alleviate such issues in future, SARS is working on an online query form which will assist in escalation of queries online, rather than by email. This form will also enable better capturing of essential information.
2. Another issue was that the confirmation email sent by the SARS system provides only a case reference number and does not indicate the taxpayer name or tax reference number. When tax practitioners send multiple emails within a short space of time, it is almost impossible to determine which confirmation email and related case reference number relates to which taxpayer issue escalated.

SARS advised that this has now been addressed and that the subject line of the confirmation email will now include the tax reference number and/or taxpayer name.

3. From a member perspective, as per prior correspondence, we encourage you to include the relevant tax reference number and taxpayer name in the subject line of emails that you send to SARS as this will make the tracking process easier for all parties.

### **Power of Attorney - PIT tax type transfer**

1. Whilst we welcome SARS' efforts to ensure greater security while at the same time preventing tax practitioners from failing to release a profile when a new practitioner is appointed in respect of PIT tax type transfers, we did note that there are circumstances where this is not the most feasible process. For example, this may present a problem for foreign taxpayers, much older taxpayers who do not use eFiling and those taxpayers with intermittent internet access - for example, in farming/rural areas.
2. SARS has also noted that where the new tax practitioner approves the transfer on behalf of the individual taxpayer, SARS views this as fraud. Based on our understanding, the new process enforces the use of an electronic POA irrespective of whether or not a manual POA, for the new tax practitioner, is in place.
3. We note that the eFiling Terms of reference provides that users may not share profiles, but section 237 of the TAA provides that it is a criminal offence if a person:  

'b) uses an electronic or digital signature of another person in an electronic communication to SARS without the person's consent and authority; or...'
4. In terms of the above, a tax practitioner may use a taxpayer's eFiling with the relevant consent or authority, which could potentially include authority to transfer the profile 'on behalf of' the taxpayer. In an email dated 21 May 2020, we requested clarity on this point. However, no clarity has been provided.
5. Whilst it would be ideal if all parties follow the new process as described, SAICA proposed that it would be useful if there are concessions available for exceptional cases like the examples provided, whilst still ensuring security of the individual's profile.
6. SARS agreed that it would consider alternatives for exceptional circumstances. This will be communicated as and when feedback is received.

### **EMP501 reconciliations in light of the various COVID-19 relief mechanisms**

1. Members have raised concerns regarding the impact of the COVID-19 relief mechanisms on the 2021 interim EMP501 reconciliation process, given that some of the relief may have been processed manually due to payroll systems not having had sufficient time to update for electronic application of the relief. Relief referred to includes the extended ETI allowance as well as TERS relief provided by the UIF.
2. SARS confirmed that it will be issuing guidance in this regard, but it does not anticipate any issues. As soon as guidance is available this will be shared with members. Please ensure that you read the Integritax Weekly mailer every week and follow the SAICA Integritax Facebook page.



### **SARS VDP process**

1. There has been ongoing engagement between SARS and industry bodies and SAICA regarding issues related to the VDP process.
2. SAICA has made a detailed submission in this regard, which is accessible [here](#) for ease of reference.
3. SARS advised that it will be issuing more clarity regarding some of the issues raised, which will be shared with members when received.