

**FEEDBACK SUMMARY
25 AUGUST 2022**

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 stakeholders 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/RCB GAUTENG NORTH STAKEHOLDER ENGAGEMENT
18 AUGUST 2022**

Below is a summary of some of the SAICA agenda items raised with SARS as well as SARS feedback on such issues. The matters raised are determined through engagements with members via the various committee structures and discussion groups, as well as queries logged by members on the SAICA Member Portal and those raised in the tax seminars held during the course of the year.

Online appointment booking system

1. Although most compliance functions are automated and many SARS services are available via online platforms, there is still a need to engage with a consultant either telephonically or by appointment. The ongoing strike action has severely impacted this.

2. There has been difficulty booking appointments online with some practitioners reporting seeing error messages regardless of which branch they are trying to book.
3. It would be appreciated if SARS could advise as to the current status of appointment bookings and the tax practitioner contact centre, given that the strike action has been suspended.

SARS Feedback:

4. RCBs to escalate any new errors to SARS as and when it happens.
5. There are currently still backlogs in the system as a result of the strike and this may result in rescheduling of appointments based on availability of the tax practitioner and/or the taxpayer.
6. In terms of booking new appointments, there may be a two week waiting period on appointments.
7. Tax practitioner appointments for Gauteng North registered taxpayers are still only available at the SARS Pavilion branch, based on a regional decision. The other branches are reserved for appointments with taxpayers.

Rescheduling of appointments

8. In addition to the above, it has been noted that SARS sometimes changes appointment times on short notice. It is not always possible to accommodate this change, especially where taxpayers need to be present at the meeting.
9. Whilst we do understand that rescheduling may be unavoidable in some cases, we have been advised that in a recent case, the tax practitioner was informed that SARS did inform RCBs that some appointments may be rescheduled and RCBs approved this.
10. In our view, this statement is misleading as whilst we understand that rescheduling may happen, we expect this to be rare and acceptance of the possibility is not the same as approving such.

SARS Feedback:

11. There will be advance notice of rescheduling and this would usually only happen where there is unplanned leave and is not expected to be a common occurrence.
12. However, due to the strike, there was an increased need to reschedule appointments.
13. It is acknowledged that the communication that RCBs approved rescheduling of appointments is incorrect and will be addressed.

Update required on removal of ex-clients from eFiling profile

14. For some time now, practitioners have requested a mechanism to remove taxpayers from the tax practitioner profile, without the eFiling transaction history being lost. SARS noted that it is working on a solution. However, it is not clear when this will be resolved.
15. This is creating an issue with respect to auto assessments. Practitioners receive a large number of auto assessments for clients who are still on their profile, but with whom the practitioner has had no contact for a long time.

16. An update in terms of a proposed solution and the timing thereof, would be appreciated.

SARS Feedback:

17. No feedback has been received from the SARS national stakeholder team. Branches are assisting individual taxpayers to create their own profiles where they are requesting such and this should alleviate the issue to some extent.

Auto-assessments incorrect

18. We note that there were a number of errors reported soon after auto assessments were issued. Many of these were resolved. However, some errors remain, such as:

- a. Foreign tax credits are not auto-populated on the ITR12 form. This is an issue for some time now and despite reporting this each year, the issue still remains.
- b. Small amounts of investment income are not prepopulated, even though SARS has the related tax certificates on hand. It is not clear if the taxpayer needs to revise the return for these amounts in circumstances where the income is, in any event, exempt.
- c. Medical fund contributions are sometimes not prepopulated and when the estimated return is edited, this results in a manual intervention, which in our experience, takes an inordinate amount of time to finalise.

19. SARS input in terms of potential solutions for the above would be appreciated.

SARS Feedback:

20. The process is fully reliant on the third party data received by SARS. There is a possibility that the third party data was sent late

Functionality to delete returns requested in error

21. It would be extremely useful if eFiling had functionality to delete or remove returns that were requested in error, rather than having these returns appearing as outstanding for an indefinite period.

22. For example, returns could be requested for the incorrect VAT month – i.e., an odd month instead of an even month or the incorrect provisional tax return or even annual income tax return may be requested and there is currently no option to delete or remove.

23. In one case, a 2022-05 VAT return was requested instead of the 2022-06 return (the two monthly period is in respect of even months). SARS refuses to pay the VAT refund as the 2022-05 return, which should not even be required, is 'outstanding' as per the system. It seems that the only solution may be to submit a return for that period. However, this seems an unreasonable solution in the circumstances and it is not clear how the SARS system will deal with what is effectively an 'extra' return.

24. It appears that there is also no manual process to facilitate the correction of this error, but if there is such a process, we would appreciate insight on this as an interim measure.

SARS Feedback:

- 25. Currently there is no option to delete the return requested incorrectly. However, one may click on the 'submitted manually' option (if available) to change the status to submitted.
- 26. Specific cases may be escalated to SARS, for example if the 'submitted manually' option is not available.

Amendment of VAT 201 for increased input

- 27. VAT 201 forms, once submitted can be corrected only by decreasing input / output or increasing output. The form does not allow for one to increase input tax.
- 28. We understand that SARS recommends the practice of adjusting the input tax in the subsequent period. However, this is not correct in terms of the legislation. Our understanding is that the only time a taxpayer should claim input tax in a subsequent period is if the taxpayer did not have a valid invoice at the time of supply, in which case the taxpayer has up to 5 years to get a valid invoice and claim the related input tax.
- 29. Even if taxpayers adopt the practice suggested by SARS – that is, correcting the error by claiming the input tax in a subsequent period – this could result in penalties and interest being imposed. For example, if one needs to increase output tax in a period, this will result in an underpayment of VAT for that period, which may have been reduced if the input tax adjustment was allowed in the same period.
- 30. It is understandable that SARS does not want retrospective adjustments and increases in input tax claimed after a specific deadline. However, where there is a valid need to make a correction, there needs to be an appropriate option on the VAT 201, to ensure that the input tax is recorded in the correct period. SARS can consider whether to allow this only where the deadline for submission has not lapsed.
- 31. Currently, in order to fix this error one must lodge a manual dispute, given that there is no dispute option on eFiling due to no assessment being issued in the circumstances. In our view, this is an unnecessary waste of resource for SARS, taxpayers and tax practitioners.

SARS Feedback:

- 32. The taxpayer must make an application for a reduced VAT assessment under section 93 of the Tax Administration Act, 2011.
- 33. SAICA does not agree with the proposed approach as it appears that this kind of adjustment may not be what is envisaged in terms of section 93. It was agreed that the matter would be escalated to SARS head office again both by RCBs and the SARS GN region.

Outstanding Debt by Gauteng North Tax Practitioners

- 34. SARS noted that there has been an improvement in terms of the compliance of tax practitioners in the region as compared to the last quarter.

35. As at June 2022, there were 175 non-compliant tax practitioners with total debt owing of R155m. Currently, there is R97m owing by +/- 90 tax practitioners, which is approximately 1% of all tax practitioners in the region.
36. SARS did not break down this number between recognised controlling bodies.
37. Whilst the improvement is commendable, we encourage tax practitioner members to ensure tax compliance in all aspects.
38. SARS is taking active steps to address non-compliance. This includes sending letters to non-compliant tax practitioners requesting that they remedy the non-compliance or prove compliance within 21 days, failing which, such tax practitioner may be deregistered by SARS.

**SARS/RCB GAUTENG NORTH STAKEHOLDER ENGAGEMENT
21 JULY 2022**

SARS Contact Centre delays

1. SAICA has received complaints of challenges with the SARS Contact Centre, including long waiting times, calls dropped after waiting up to 2 hours and call backs either not honoured or made a few hours after being requested.
2. It must be noted that often tax practitioners call the Contact Centre as a last resort – i.e., if there are no other clear channels of engaging with SARS on the particular matter. SAICA understands that some may use the Contact Centre even where alternative channels are available and we have communicated with members to remind them to use other channels.
3. There are many instances where the agent will advise that a matter will be escalated to a supervisor. However, there seems to be no specific turnaround time within which feedback will be provided. Whilst tax practitioners appreciate that the regional team is happy to deal with escalations on long outstanding matters, it was respectfully noted that this is not a long-term solution.

SARS Feedback:

4. The SARS Regional Director apologised for the challenges that tax practitioners are experiencing with the SARS Contact Centre and confirmed that SARS is aware of the issues and is working on addressing these.
5. SARS is on a recruitment drive and has hired a significant number of agents and is planning on hiring a further 200 employees.
6. For this region specifically, the team will try to come up with an alternative channel to deal with certain queries and will provide an update in due course.

VAT refunds – Proof of payments

7. Members have noted instances where SARS is withholding refunds and extending VAT audits on the basis that they require Proof of Payments for input VAT claims from vendors who are

registered on the invoice basis. Refunds are sometimes withheld even after the verification has been finalised.

8. In one example, SARS requested proof of payment for ALL input claims and full bank statements. Given that payment is irrelevant in the circumstances, the vendor provided invoices for input claims together with a letter and sample of transactions. SARS then issued a VAT217 "3 - Burden of proof not discharged" and raised output VAT under Other and imported services - Disputed and adjusted in vendor's favour. This resulted in VAT refunds being effectively delayed more than one year.
9. In another example, the refund was withheld due to a verification. The case was eventually referred to the Tax Ombud and the audit/verification was finalised without adjustments. The VAT refund has still not been paid.

SARS Feedback:

10. SARS acknowledged delays within the refund space.
11. SARS also requested additional examples representative of the issues noted above, to determine if there is a trend and if there needs to be education in this regard. Members may log queries on the SAICA member portal under the SARS Operational 'subject'.

Refunds withheld – Bank account verification

12. SARS pulls through interest income directly from banks for returns and the interest from these bank accounts form part of the automatically populated data.
13. Bank accounts were verified and approved by SARS previously. When the return is issued the taxpayer verifies that the details are correct.
14. When an assessment is issued, SARS blocks the refunds on the basis that 'Bank details are not verified'. These were all accounts that have already been verified before. Some during the current year and during the prior year. It seems that every time a refund is payable, verification is required and this just delays the refund due. There is a perception that this is intentional.

SARS Feedback

15. This arises when the details that SARS has doesn't correspond with the details that the bank has. It could be something as small as having different initials on the bank account as compared to that reflected on the SARS system.
16. Apparently if the branch is changed to 'Universal', this may solve a lot of the issues. However, it is not clear as to how effective this is.

Requests for information

17. Requests for supporting documents are standardised templates and not reasonably specific. For example, it is a request for all supporting documents, all transactions, all invoices etc – 'if relevant'. If any document cannot or is not supplied it is disallowed regardless that it was pre-populated information obtained from third parties.

SARS Feedback

18. SARS has introduced more specific information request letters for the current filing season and is working on refining these over the next few months.

VAT input and output adjustments

19. Once the VAT returns have been submitted SARS, does not allow any adjustment to the return to correct an error.
20. It was noted that it is a common problem for a bona fide error to occur, for example a group of companies where the wrong company's VAT information is filled in on another entity in the same group's VAT return or an incorrect period is selected.
21. SARS does not allow changes to the return even if it is before the due date for submission. The branch also say that they cannot assist and call centre just says "fix it in the next return" which is a ridiculous proposal.
22. SARS will allow you one increase the VAT payable, but not decrease. It was submitted that a request for correction of a bona fide error should not limit on how one may correct the error.
23. It was proposed that SARS to allow all fields on VAT returns to be adjusted and resubmitted prior to due dates. To mitigate any perceived risk associated with this, SARS may adjust the risk engine accordingly.
24. Failing the above, it was proposed that SARS should provide an effective alternative channel to easily adjust returns (all fields) for bona fide errors such as these.

SARS Feedback

25. SARS agreed to look into this. However, this is a matter for the national stakeholder team. SAICA is working on a related submission.