

**FEEDBACK SUMMARY  
11 MARCH 2021**

**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 WESTERN CAPE (WC) RCB MEETING  
9 MARCH 2021**

**1. Tax practitioner compliance**

There is renewed focus by SARS to address taxpayer non-compliance given that compliance levels amongst registered taxpayers, are as low as 65%. SARS is of the view that much of the revenue gap could be filled if taxpayers were more compliant.

With reference to tax practitioners specifically, SARS has issued reports to RCBs indicating personal tax non-compliance of registered tax practitioner members as well as that of the clients of tax practitioners – this included outstanding returns as well as outstanding debt. SARS

acknowledged that with respect to outstanding debt, SARS is yet to analyse how much of this relates to debt in dispute.

The SARS WC regional team indicated that over the next few months, SARS staff will be engaging with individual tax practitioners regarding their personal tax non-compliance with a view to working together to remedy this. Should tax practitioners be uncooperative or fail to remedy the non-compliance within a reasonable timeframe, SARS will follow the process in terms of section 240(3)(d) of the Tax Administration Act, 2011, to deregister the non-compliant tax practitioner, including informing the relevant RCB of the intention to deregister specific tax practitioners, followed by a report by SARS of actual deregistration of tax practitioner members where non-compliance is not remedied by the date provided by SARS. Importantly, should a tax practitioner be deregistered due to tax non-compliance, that individual will not be able to practice for up to 6 months after the non-compliance has been remedied.

We encourage members to check your compliance status and where you are non-compliant, ensure that this is remedied as soon as possible. If in dispute with SARS, this will be addressed when SARS engages with specific tax practitioners.

SARS is working on a project to determine the compliance score of tax practitioners and their clients with a view to introducing a ranking system for tax practitioners, in future.

## **2. SARS requirements for the ID and POA uploaded by tax practitioners for virtual meetings**

A concern was raised that SARS is not consistent in terms of the documentary requirements for virtual appointments made by tax practitioners. In some instances, a selfie with the identity document (ID) is required together with a power of attorney (POA). In other instances, consultants request a selfie with the POA as well and/or certified copies of the POA.

SARS WC confirmed that the ONLY documentation required for verification of the tax practitioner, is the relevant power of attorney. There is no longer a requirement for an ID or selfie. However, it was noted that the requirement for verification of tax practitioner staff is still to be confirmed. SARS WC will check to ensure that the relevant guide and website is updated accordingly.

Note: Prescribed documentation relating to the relevant transaction/issue will still be required.

## **3. Assessments delayed due to 'manual interventions'**

Concerns were raised regarding delays in SARS issuing assessments for some taxpayers. In most instances, the eFiling system does not provide a reason for such delays and it is only on follow up with SARS, that one determines the delay is as a result of what SARS terms a 'manual intervention'.

Similar to other regions, it was noted that this occurs usually where there is a mismatch between third party data and that disclosed in the ITR12 return. In most instances, the mismatch relates to directives. A further issue identified is that this is impacting the tax compliance status of taxpayers subject to the manual intervention as it seems that the system does not acknowledge the submission, for the purpose of the TCS dashboard.

According to SARS, there was a fix implemented that may address this issue (see point below) and members must try to resubmit the affected tax returns.

SARS requested that long outstanding cases must be escalated and where a TCC is denied due to this issue, this must also be escalated. Members who would like to escalate such matters must log these on the SAICA Member Portal under the SARS Operational category, indicating the SARS branch and case reference number/s for initial follow up with SARS.

#### **4. Inability to file personal tax returns due to issues with directives**

In addition to the above, there are still cases where tax practitioners and/or taxpayers are unable to file personal income tax returns due to directive errors or mismatches. SARS directs the tax practitioner/ taxpayer to the retirement fund and the retirement fund directs them back to SARS.

SARS WC advised that a fix was implemented at the beginning of March and taxpayers should now be able to submit the affected returns, even if the system identifies a mismatch. The return will be processed and is likely to be subject to a verification to resolve the mismatch.

If members are still unable to submit and wish to escalate such matters, these must be logged on the SAICA Member Portal under the SARS Operational category, indicating the SARS branch and case reference number/s for initial follow up with SARS.

#### **5. SARS not complying with dispute timelines**

There are many instances where SARS are not complying with the timelines provided for in the Dispute Rules. These delays are experienced throughout the process, from objections through to the ADR process.

SARS acknowledged that there was a backlog with respect to objections and confirmed that there is a national project to focus on this and address the backlog. It was noted that SARS had prioritised resolving the delayed refunds and verifications and now that the backlog with respect to this has been cleared, it is shifting its focus to disputes.

With respect to appeals, these are dealt with by SARS' legal division. Within SARS WC, the team is working closely with the compliance division to resolve outstanding appeals. The region currently has a significant number of cases, with only 6 consultants to deal with these, in addition to other functions performed by the division. Where a case is outstanding for a year or more, SARS requested that these be escalated for urgent intervention. Other urgent cases may also be escalated.

What is concerning is that, according to SARS, a majority of appeals relate to objections which were disallowed because the taxpayer or tax practitioner failed to submit the request supporting documents. This results in unnecessary work for SARS and delays for the taxpayer, when this could have been avoided, if the requested documents were submitted. This also contributes to the high number of successful appeals as it is only at appeal stage that evidence is provided. It was acknowledged that in some instances, SARS' requests for documentation is not always clear or specific enough and SARS is working hard to make the requests for documentation more specific, but this is a work in progress. There is an improvement planned for the next filing season.

SARS has requested that tax practitioners submit requested documents timeously and in a clear and understandable format. In SARS view, in most instances, the documentation should be on hand as it would have been required in the preparation of the related returns. SARS also raised concerns regarding a lack of understanding of basic tax principles, on the part of some tax

practitioners. It was requested that examples of these be sent to RCBs to provide more insight on this and intervention, if necessary.

Another concern raised is that there seems to be a trend where the taxpayer or tax practitioner only decides to dispute a matter where their debt management takes active steps to initiate collection on outstanding debt. SARS will be investigating this to determine the validity of such disputes as well as trying to identify what prompts it.

Regarding ADR meetings, members requested that these be held via Teams/Zoom instead of teleconference. SARS WC agreed that it would endeavour to use Teams going forward, given that licences had been rolled out within SARS.

## **6. Reminder to make payment – no taxpayer reference number**

Tax practitioners are receiving email reminders to authorise payments, presumably for their clients, but there is no taxpayer reference number or name indicated in the email. It is merely a payment reference number. SARS WC indicated that it would investigate and ensure that this is addressed.

## **7. Delayed Refunds**

Members are experiencing significant delays in payment of refunds due to their clients, by SARS, mainly in respect of personal income tax (PIT) and value added tax (VAT). This appears to be a national issue.

There seem to be various reasons that may give rise to such delays, including, *inter alia*:

- Bank verifications initiated by SARS, despite bank details not changing. What is concerning is that taxpayers or tax practitioners only become aware of this when following up on the outstanding refunds;
- Delays in SARS finalising audits or verifications. Where these relate to prior year returns, the SARS Service Charter provides no defined turnaround time for this and the process could be delayed indefinitely;
- Multiple requests for documentation by SARS as part of the verification/audit process;
- Subsequent to finalisation of a verification/audit, when following up on the outstanding refund, additional, new documentation is being requested by SARS;
- In some instances, issues with directives prevent the submission of returns or issuing of assessments and this delays assessment and subsequent payment of refunds where refunds are due.

Our concerns regarding refund delays, together with examples from SAICA and other RCBs, were submitted to SARS Head Office on 2 February and we await feedback in this regard.

From a SARS WC perspective, it was noted that SARS has been working on attending to outstanding refunds.

Regarding multiple requests for documentation, it was noted that this has been an issue in the past due to multiple staff working on individual verifications and there was also decentralisation of the function, sometimes resulting in regional auditors requesting documentation not previously requested by the 'central' audit team. Now that individual auditors are allocated responsibility for specific taxpayers, this issue should reduce significantly.

With respect to instances where new documentation is requested after SARS has already indicated that a matter had been finalised, SARS WC noted that this sometimes happens if the risk engine determines that there is more risk with respect to the taxpayer and the case is sometimes referred to investigative audit. If this is the case, the formal audit process should be followed by SARS, including a letter on intent to conduct an audit, as well as compliance with timelines and regular progress updates.

On the matter of finalization of reviews of prior year returns, SARS noted that in the past, verifications of current year returns were prioritized given that those taxpayers had submitted timeously. However, SARS has changed its approach and now deals with verifications on a FIFO basis, regardless of the tax year.

If members experience significant delays, please follow up with SARS directly via one of the escalation channels and should the matter remain unresolved after the SARS turnaround time of 21 business days, please log the issue on SAICA's Member Portal under the SARS Operational category. Ensure that you include all details including the relevant SARS branch and case reference number/s.

#### **8. Delays with processing of FIA**

A progress report was requested regarding interventions within the region to address delays that were reported in the previous meeting. SARS WC indicated that the standard turnaround time for FIA applications is still 21 days. However, within the region, the actual turnaround time has improved and is now approximately 10 days, provided all information required is submitted timeously.

Where there are additional requests for information, the turnaround time applies from date of submission of documentation.

#### **9. Submission of IT144 returns**

In the past, IT144 forms could be submitted at SARS branches and tax practitioners were allowed to submit these in batches and were contacted by SARS once these had been processed. Due to branches being closed as a result of COVID19, taxpayers and/or tax practitioners were then required to submit these returns via email.

However, the process has again changed and we understand that now tax practitioners are requested to make virtual appointments for the submission of the IT144 forms and may only submit a single form per appointment. In our view, this may not be the most practical process. We request that SARS explain the rationale for this change in process and consider more efficient alternatives.

SARS WC acknowledged that the process is not clear, even based on information on the SARS website and there was confirmation that this will be escalated and clarity provided to RCBs.

#### **10. Branch appointments**

According to communication from SARS, branches reopened on 17 February and taxpayers and tax practitioners could visit branches after making an appointment online. The booking form,

however, does not allow for booking of a branch appointment – the only options are telephonic or video.

There seems to be a strategic decision made in that walk-ins are not supported. The SARS WC region is escalating this to address the fact that the booking form is updated to accommodate branch bookings.

Importantly, tax practitioners must familiarise themselves with electronic channels which have been significantly enhanced within the last 12 months and use these channels as far as possible.

#### **11. SARS Contact Centre not assisting tax practitioner if not linked to the taxpayer's profile**

SARS WC confirmed that the Contact Centre has stopped assisting tax practitioners telephonically if the tax practitioner was not linked to the relevant taxpayer's profile. This would usually be the case where the tax practitioner provides advisory services and is not the nominated compliance service provider.

The reason for this is that the Contact Centre agent cannot see the tax practitioner's power of attorney and therefore cannot verify the tax practitioner unless he/she is linked. It was noted that RCBs did raise this with SARS Head Office, but no response has been received. It was agreed that SARS WC will escalate this to Head Office again to follow up.