

**FEEDBACK SUMMARY
18 FEBRUARY 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 GAUTENG NORTH RCB MEETING
16 FEBRUARY 2021**

1. 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). The issue is not limited to the Gauteng North (GN) region.

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

1. 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;

2. 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;
3. Multiple requests for documentation by SARS as part of the verification/audit process;
4. Subsequent to finalisation of a verification/audit, when following up on the outstanding refund, additional, new documentation is being requested by SAR;
5. 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 GN perspective, the stakeholder team noted that they were not aware of an increase in complaints regarding delayed refunds, but specific cases must be escalated to the team.

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 case reference numbers.

2. Delays in finalisation of verifications

Members noted delays with respect to finalisation of SARS verifications.

SARS GN acknowledged that there is a backlog nationally, specifically with respect to PIT and to address this, SARS has allocated additional capacity. SARS further acknowledged that it is unable to maintain the turnaround times in terms of the Service Charter until the backlog is cleared. Following the intervention by SARS head office, there has been a significant improvement in finalisation of verifications related to individual taxpayers as this is now being handled nationally. Within the last two weeks alone, the backlog has been reduced by almost 50%.

SARS GN advised that every effort is being made to ensure that all refunds currently delayed due to delayed verifications will be paid out, by the end of the financial year.

With respect to verifications in relation to prior years, concerns were raised that there is no defined turnaround time to finalise these. In some instances, refunds due in respect of the current period seem to be withheld by SARS due to verifications for prior periods not being finalised as there is uncertainty as to whether or not the prior periods will result in tax due to SARS.

SARS GN advised that this should not be the case and requested examples to validate this. Members must please use the Member Portal to log examples if you have specifically experienced this in relation to your personal taxes or that of your client/s.

3. Delays with processing of FIA

Concerns were raised regarding the delays in processing of applications for the FIA. These concerns were also raised in the prior year and in November 2020, SARS acknowledged that there was a backlog and indicated that it had implemented interventions to address the backlog.

SARS also noted that in addition to the significant increase in FIA applications putting a strain on capacity, there were also challenges due to taxpayers or tax practitioners not following the correct process. For example, there were still instances of the same bank statements being used as proof of funds for more than one application and taxpayers not sending the correct information timeously. There had also been an increase in FIA applications in relation to crypto-currency.

SAICA requested a progress update regarding the effectiveness of SARS' interventions to work through the backlog and we await feedback in this regard.

Note: the standard turnaround time for processing of FIA applications is 21 business days. However, due to fewer applications having been made in the past, the turnaround time was shorter.

4. 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 GN advised that the requirement is for certified copies of both the ID and POA and selfies are no longer a requirement.

SARS GN agreed that it will liaise with the relevant team to ensure that the website is updated accordingly and that SARS staff are all aware of the requirements, to ensure consistency across branches.

5. Transferring of e-filing profiles

Members noted that there are still challenges with respect to the transferring of e-filing profiles for individual taxpayers with tax practitioners sometimes needing multiple branch appointments and/or calls to the SARS Contact Centre to finalise the transfer. This seems to be the case mostly in relation to deceased estates, foreign individuals and body corporates.

SARS advised that when registering a new profile, there are sometimes issues as the individual would not receive the OTP on request of the transfer.

With respect to foreign taxpayers, where tax practitioners use their own contact details (instead of the taxpayer's), the SARS system flags this on the basis that the contact number used is linked to other profiles. The details of the foreign individual taxpayer should instead be used and in such an instance the OTP would be sent to the email address of the individual as the SARS system cannot send the OTP to the foreign number. It is important that the email address of the individual is selected as the preferred method of contact for OTPs.

There were also concerns raised that the 3 minute time limit for the OTP is too short and a request was made to perhaps increase this to 10 minutes. SARS advised that this was not best practice from a security perspective and increasing the limit would create more opportunity for a breach in security. Importantly, the taxpayer should trigger the approval and do it at a time most convenient, in which case the OTP time limit should not be an issue. Tax practitioners were reminded that the approval should not be triggered by the tax practitioner.

In conclusion, SARS noted that where there are exceptional cases requiring intervention, these must be escalated to the SARS eFiling Support team.

6. Application of COVID relief measures problematic

There appear to be systemic issues where calculation of relief is an issue.

In some instances, the SARS system is not calculating the relief on submission of the IRP6 form – even though the taxpayer qualifies in all respects.

In other cases, after the relief has been granted on the statement of account and payment of the reduced amount is made, there seems to be a manual review where the SARS consultant calculates the relief that should have applied and penalties and interest are imposed on the basis that there has been late or under-payment of the first or second provisional tax payment due. Based on some examples reviewed, the SARS formula used to calculate the tax due does not appear to be in line with the legislation. Examples were sent to SARS and we await feedback in this regard.

7. 'Virtual' appointments

Whilst there have been improvements in the virtual appointments process, there are still instances where appointments are not honoured timeously.

SARS acknowledged that there are times where the consultant's connectivity is a challenge resulting in delayed or missed appointments. This is being addressed with the relevant service provider. It was also agreed that where a consultant experiences such challenges, this will immediately be escalated and an alternate consultant will be sought to honour the appointment. SARS will also make every effort to contact the affected tax practitioner to reschedule appointments missed.

There is also a concern regarding the timing of review of documents uploaded. Whilst these are required to be uploaded up to 48 hours prior to the appointment, it appears that in some instances the consultants are only reviewing these during the appointment and therefore not making the most efficient use of the scheduled time, which is limited to 45 minutes. SARS indicated that it will consider alternatives, but given that documents are only uploaded a maximum of 48 hours before the appointment, prior detailed review will impact SARS' capacity for appointments which could mean fewer appointments are available per day and tax practitioners may need to wait longer to secure an appointment.

8. Confirmation of banking details

Members have complained about requests to verify banking details multiple times for the same taxpayer, in some instances even where banking details have not changed. Members also receive SMS notifications for bank confirmations with only the last 4 digits of the income tax number, making it impossible to identify a particular taxpayer. In some instances, the taxpayer or tax practitioner only finds out that a bank verification is required when following up on an outstanding refund.

SARS agreed to investigate these concerns. However, with respect to the amount of detail included in the SMS notifications, SARS advised that the SMSes are set up this way to ensure security of taxpayer's details as there is a risk, albeit small, that the SMS may be sent to the incorrect number.

It was proposed that instead of only SMS notifications, SARS should send email notifications to the tax practitioner with more complete details or send SMS notification directly to the taxpayer. SARS agreed that it would look into these proposals. However, SARS also suggested that tax practitioners maintain a list of clients, for example on MS Excel or MS Word, where they can easily use the 'Find' function to find the taxpayer.

9. SARS not complying with dispute timelines

Concerns were raised that SARS is still not complying with dispute timelines, in many instances. Again, this is a national issue, but examples specific to SARS GN were submitted to the region for intervention. SAICA requested insight from SARS as to the actions that are being implemented to address the backlog and more efficiently resolve disputes within the timelines.

Unfortunately, no feedback was provided at the meeting in respect of Requests for Reasons and Objection timelines. From an appeals perspective, SARS noted that is working on a national project to address the appeals backlogs. However, SARS also advised that delays are sometimes caused by taxpayers and tax practitioners who, in some instances, fail to provide a timeous response to SARS requests for information.

Whilst we acknowledge that delays are mainly caused by SARS – as per the Tax Ombud's 2020 systemic investigation into SARS not complying with dispute timelines – we also urge members to ensure that they do comply with timelines in all respects, as far as possible.

We await further feedback from SARS which will be communicated in due course.

10. Submission of IT144 forms

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, it appears that the process has again changed. Recently, on making submissions via the PCC mailbox, tax practitioners were informed that they would need to make virtual appointments for the submission of the IT144 forms and may only submit a single form per appointment. In our view, this is not be the most practical process and SAICA requested that SARS explain the rationale for this change in process and consider more efficient alternatives.

SARS noted, firstly, that the cancellation of branch submissions was temporary and that once branches re-open, this will change. (Note: the reopening of SARS branches effective 17 February, was announced after this meeting).

Furthermore, SARS GN advised that the email facility is still available and confirmed that they would investigate those cases where tax practitioners were referred to the virtual appointment process.

11. Provisional tax returns

Some members complained that IRP6 returns are still being issued without names and/or prepopulated basic amounts, in some instances, especially in respect of trusts and companies.

Examples were previously sent to SARS, however, no response was provided at the time. It was agreed that these examples would be sent again for SARS to investigate.

12. Audit communication sent to the taxpayer instead of the tax practitioner

Members noted instances where the letters indicating SARS' intention to commence an audit is sent directly to the taxpayers and not to the tax practitioners who have submitted the returns. This is the case despite the tax practitioner being the nominated contact for the taxpayer client.

We await feedback from SARS in respect of this point.

13. Virtual ADR meetings

At the previous SARS GN stakeholder meeting, a request was made for SARS to host ADR meetings via virtual meeting platforms, instead of via teleconference. This was on the basis that the virtual meeting platform like MS Teams or Zoom would facilitate a more effective process allowing for sharing of documents during the proceedings.

SARS confirmed that ADR meetings for this region can now be held via MS Teams, as all the GN facilitators have access to Teams and will include links in all ADR meeting invites going forward.