SARS Vision 2024: Greater efficiency in collections, but questions remain

Author | Joon Chong, Partner, Webber Wentzel and member of the SAICA Tax Administration Act Subcommittee

SARS plans to implement Vision 2024 with the objective of collecting taxes from individuals on a real-time monthly basis, but several practical issues need to be addressed.

SARS announced in February 2020 that it was taking the first steps towards becoming a future revenue authority informed by data-driven insights, self-learning computers, AI and interconnectivity between people and devices. The SARS "Vision 2024" is to be a smart and modern organisation, "*with unquestionable integrity, trusted by government, the public and our international peers*," Commissioner Edward Kieswetter concluded at the time.

According to a recent SAIT / SAGE payroll tax update webinar, Vision 2024 aims to, among others:

- enable accurate and timely withholding of taxes from employees and their payments to SARS
- reduce the payroll administration for employers, payroll administrators and SARS
- enable employees to monitor their tax obligations during the tax year
- simplify the annual returns process for employers
- relieve, in the long term, the necessity for most salaried employees to file annual tax returns.

In a recent meeting with tax practitioners, SARS outlined its Vision 2024 to do away with "filing season" in the 2025 year. (Our sense is that this will be for the 2024/2025 year of assessment.)

Vision 2024 anticipates using third-party data from third-party returns to pre-populate an "assessment" for the individual through a SARS app where near real-time tax liabilities will be shown. There will be enough information on the "assessment" in the app to constitute a valid assessment in terms of the Tax Administration Act.

Currently, banks, financial institutions (such as long-term insurers, retirement funds and collective investment schemes), medical schemes, attorneys, estate agents, and issuers of bonds, debentures and financial products are required to file third-party returns to SARS. These third-party returns are filed with SARS once a year after the end of the year of assessment and contain information on interest, dividends, or capital gains on disposals in the year of assessment which accrued to a taxpayer in that year. (For example, the third-party data annual submissions for the year of assessment ending 28 February 2022 will be open from 1 April 2022 to 31 May 2022.) These third-party returns, together with the IRP5 certificates issued to employees and EMP 501 returns filed with SARS by employers, are currently used to pre-populate the ITR12 annual tax returns for individuals.

Vision 2024 envisages a data analytics environment where third-party data will be provided to SARS on a real-time monthly basis which will then be used to generate an "assessment" on a SARS app. It appears that the third-party data could be used by SARS to generate an "effective tax rate" for each taxpayer. Through a "push directive" or the IRP3e directives issued by SARS to "employers", SARS can then require employers to withhold employees' tax (PAYE) using the higher effective tax rate rather than the lower calculated rate based on the actual remuneration paid by the employer. This process is already in effect for annuitants who receive income from more than one stream of annuities. Annuitants can elect to have their PAYE withheld at the lower calculated rate rather than the rate in the IRP3e directives.

Trust distributions and section 18A donations are not currently reported through third-party data reporting to SARS. It appears that Vision 2024 may also require third-party data on these transactions.

What about the business income of sole proprietors, rental income, and capital gains which are not subject to third-party data reporting? How will SARS collect the tax due on these amounts? There is no information on this yet. It appears that these taxpayers will need to update the app with these amounts and monitor and pay their monthly tax liabilities on the app as they arise. The example used by SARS in the recent discussion with practitioners was that if tax is triggered in March and only paid in January, interest will be payable for the ten-month delay between the due date and payment date.

We anticipate that the Tax Administration Act and various other tax statutes will need to be amended to accommodate the implementation of Vision 2024.

We also note that the Budget 2022 contains a proposal that the provisional tax system would be reviewed given changing circumstances and international developments and that there would be a discussion document published for comment in due course. It appears that the timing of this review would coincide with the implementation of Vision 2024.

SARS will be circulating information on Vision 2024, especially on the implications for employers and employees, and on all those required to file third-party data with SARS. The IRP3e regime to implement the paragraph 2(2B) directive process for annuitants has faced a few practical issues in implementation. We hope that the solutions developed through this process will pave the way for a smoother implementation process for Vision 2024.