

News release from Grant Thornton

New Act will keep onerous TABs on SA's "Golden Goose"

Tax Administration Bill (TAB) brings added pressure and compliance to tax payers

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Although speculation abounds as to what surprises Finance Minister Pravin Gordhan may spring on the economy in his annual National Budget Speech taking place on 27 February 2013, the real focus for tax payers this year should be on compliance with the new Tax Administration Act (TAA) that came into effect on 1 October 2012, because penalties for non-compliance are onerous to say the least.

"Corporate tax levels are expected to be unchanged this year, dividend tax amendments are already well underway following last year's announcements and we may see slight bracket creep in some of the changes from this year's Budget Speech, but overall we're not expecting any huge surprises," says Willem Oberholzer, tax partner at Grant Thornton Pretoria. "However, SA's 'golden goose' will be expected to take on more of an administrative tax burden when new legislation forces individuals to be extra vigilant and responsible in order to avoid new burdensome penalties for non-compliance."

The 'golden goose' refers to the small minority of taxpayers (roughly 2.2%) who earn more than R1 million annually, and who contribute in excess of R71 Billion (over 25%) of personal tax income to sustain the rest of the country and keep the wheels of the state turning.

2012 BUDGET REVIEW

Table 4.5 Estimates of individual taxpayers and taxable income, 2012/13

Taxable bracket	Taxpayers		Taxable income		Income tax payable		Personal income tax relief	
	Number	%	R million	%	R million	%	R million	%
Below R60 000	4 864 000		99 957					
R60 001 to R160 000	1 792 100	29.0%	187 031	12.1%	12 630	4.3%	-1 333	14.1%
R160 001 to R260 000	2 711 200	43.9%	563 174	36.3%	78 387	26.5%	-3 784	39.9%
R260 001 to R600 000	1 396 200	22.6%	471 950	30.4%	94 582	32.0%	-3 018	31.8%
R600 001 to R1 000 000	175 500	2.8%	130 603	8.4%	38 355	13.0%	- 730	7.7%
> R1 000 001	102 050	1.7%	198 826	12.8%	71 782	24.3%	- 618	6.5%
Total	6 177 050	100.0%	1 551 584	100.0%	295 735	100%	-9 483	100.0%

With the introduction of TAA, effective 1 October 2012, mandatory penalties will now be levied on individuals who may be knowingly declaring below expected revenues or perhaps mistakenly claiming for invalid expenses.

Oberholzer warns that these penalties will vary from between 5% and 200% depending on a number of important factors.

"The TAA states that if there are any penalties and interests accruing for an individual as a result of late filing, non-submission, or incorrect claiming, a compulsory penalty has been declared," adds Oberholzer.

He advises that voluntary disclosure by tax payers will be given amnesty at this stage, but if the admission of guilt is accompanied by a written audit letter, evaders could expect to pay anything between 5% and 75% of their taxable income as a penalty, depending on the degree of avoidance in question. Worst case scenarios will see penalties of up to 200% of an individual's taxable income being imposed

on serious offenders who choose not to declare appropriately and who are deemed to be negligible on all accounts.

“What’s important is for the flock of golden geese to ensure that due care is taken in a preventative effort to reduce the penalty risk exposure,” continues Oberholzer. “When the tax burden on this group of individuals is already so onerous, extra care should be taken to ensure that no additional funds are lost due to carelessness.”

In order to avoid penalties on under declaration of income when completing provisional tax returns, Oberholzer recommends that individuals keep an up to date record of income and expenses incurred, at all times – not just at year end.

“Regular discussions with your tax advisors will also help to ensure that personal accounting records are accurate and well maintained at all times,” says Oberholzer. “Overall it’s about taking greater care to complete your income tax returns so that any variances, omitted information or errors which are identified can be declared voluntarily to SARS, thereby ensuring that penalties of any kind are reduced to the absolute minimum.

“The above could go a long way to ensure that our flock of golden geese can in fact still afford their well-deserved breaks to the coastal regions of our fine country, as opposed to seeing the SARS getting hold the goose’s last remaining savings due to errors which could have been avoided, on our income tax returns,” Oberholzer concludes.