SOUTH AFRICAN INSTITUTE OF PROFESSIONAL ACCOUNTANTS™

YOUR WEALTH

3rd August 2020

Treatment of auto-assessment: Message to all SAIPA members

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SARS briefed the Recognised Controlling Bodies (RCBs) on 3 August 2020, on concerns arising from the auto assessment currently issued by SARS to taxpayers.

They explained that auto assessment was ultimately aimed at taxpayers whose PAYE payment was sufficient to cover their tax liability, however there are more taxpayers who fall outside of this original intention that have been auto assessed. The auto assessment is based on the information received from 3rd party

The new auto-assessment procedure is for non-provisional taxpayers.

What is an automatic assessment?

Where SARS has received all relevant third-party data necessary to determine a taxpayer's liability, they will use this information to generate an automatic assessment for the taxpayer, eliminating the need for the taxpayer to complete/ submit a return. Hence there will be little need to visit a SARS branch during the pandemic.

This implies that SARS system automatically completes a tax return and does the calculation of the tax liability (if any). The taxpayer has a choice to accept or edit the return should there be additional data that has not already been included in the auto assessment. However, it is noted that a tax practitioner can view the auto assessments via efiling only for their clients listed on their profiles. This was not possible for the 2019 tax year.

For those taxpayers auto-assessed, SARS will notify them via SMS of their assessment results. We have requested SARS to look at the possibility of informing the Tax practitioner when a taxpayer registered with them is being auto assessed. They have promised to investigate this, and they will advise in due cause if at all possible. The concern they have raised is that there are taxpayers who have not updated their details about their current tax practitioners and notices might be sent to old tax practitioners.

Choices confronting a taxpayer: `Accept' or `Edit'

Taxpayers when in receipt of a SMS informing them that they have been auto assessed, will be asked the following questions

`You can accept or edit your return through the SARS digital channels. Failure to do so may result in SARS raising an estimate assessment'.

The questions:

- how do a taxpayer respond to the sms received? and
- What is the role of the tax practitioner within the context of `auto-assessment?

The tax practitioner must inform the taxpayer to select the **`edit'** option if any of the following applies to your client:

- The pre-populated information recorded in the assessment is incorrect, or
- "should the taxpayers wish to claim any deductions not reflected in their IRP5, such as deduction for amounts donated to a PBO as per section 30 of the ITA (the 18A certificate deduction), business kilometres if received travelling allowances or use of company car (and must be in possession of a valid travel logbooks),claim legitimate interest expense, out-of-pocket medical expenses paid by taxpayer but not reflected in the automatic assessment.
- Section 12J Venture Capital Company Investment deduction,
- a commission earner as defined in the act, may want to claim expenses generally not available to other taxpayers,
- A taxpayer may want to disclose other income not recorded in the auto assessment such as rented income (plus expenses associated with the earning of rental income).

Alternatively, since it is possible for the tax practitioner to view the auto assessment, tax practitioner may elect the `edit' options if any of the abovementioned transaction applies to their clients who are listed on their profiles.

Therefore, the auto assessment, under these circumstances, benefits all stakeholders, that is, taxpayers, tax practitioners and the revenue authority. If a taxpayer, or tax practitioner selects the `edit' option, he/she is able to file an `amended' tax return immediately after selecting the `edit' function. The taxpayer does not have to wait until 1 September 2020 to file an amended tax return.

SARS also confirmed that taxpayers that have not been auto assessed and use the SARS mobi app for filing can file their returns on their mobi-apps.

Other concerns of taxpayers

Taxpayers raised a concern that the amount stated in the SMS (either due to SARS or refunded by SARS) is often not the same as the amount listed on SARS efiling. SARS responded that 3rd party due date for submission of 3rd party data was the end of May 2020. However, SARS has observed a number of 3rd parties have gone and changed the taxpayer details after 1 July and hence the data extracted by SARS is now different to what is in the taxpayer's data. This is an anomaly as the

3rd parties had the entire month of June to make their changes where there is a need but, in these cases, its being done long after this date.

Conclusion

For the sake of simplicity, it is best to understand the above by saying that any item either, an expense, or an income, that is not recorded in the auto-assessment and should have been included in a tax return, then the taxpayer must select the `edit' option.

It is advisable that a tax practitioner informs their clients, in advance, the circumstances under which clients may elect the `edit' option. Tax practitioners need to have a system in place whereby clients, who are in receipt of auto assessments, first approach the tax practitioners before selecting an option.

The `edited' tax return can be submitted immediately and nor wait until the close of the relevant taxpayers filing season which is 16th of November 2020, for online submissions, and 22 October 2020, for branch filings

Individual income tax return filing dates

- 1 September to 16 November 2020: Taxpayers who file online
- 1 September to 22 October 2020: Taxpayers who cannot file electronically can do so at a SARS branch by appointment
- 1 September 2020 to 29 January 2021: Provisional taxpayers who file electronically.