

Tax Alert

11 November 2011

SARS aiming to identify mismatches between various taxes

New corporate tax processes and procedures

The South African Revenue Service (“SARS”) is aiming to enhance tax compliance of companies and close corporations by verifying and reconciling the various declarations made to SARS for the various taxes administered by it.

The intended verification and reconciliation calculation will be performed between Pay-As-You-Earn (“PAYE”), Income Tax, Value-Added Tax (“VAT”) and Customs Duties.

The IT14SD form

Part of this process will involve a Supplementary Declaration for Companies and Close corporations (“IT14SD”) that has to be submitted by taxpayers. Taxpayers will be selected by SARS and such selected taxpayer’s will have to reconcile and submit the IT14SD form to SARS.

An e-filer taxpayer, identified for verification, will be notified by an initial verification letter displayed on the e-filing profile and the IT14SD will be made available on the e-filing system. A taxpayer not on the e-filing system will receive the notice by post. The completed IT14SD form can be submitted through e-filing, at any SARS branch, drop boxed at SARS branches or by post.

Implications of revised IT14 returns

SARS has emphasised that a taxpayer who chooses to submit a revised return of income (IT14) and as a result has been identified for an audit, might be required to submit an IT14SD.

However, SARS will not allow a taxpayer to submit a revised IT14 once an IT14SD form has been submitted.

Reconciliation process

The taxpayer will be required to reconcile the IT14 with the yearly totals in respect of the VAT201 returns, the EMP201 and/or EMP501 and the SAD500 and/or SAD504 and SAD544 forms. Where reconciliation differences exist the taxpayer would have to explain such differences and reconciling items. The reconciliation is done per taxpayer and where branches with separate VAT and/or PAYE registrations exist, the aggregate of those amounts must be included in the reconciliation as disclosed in the IT14 of that taxpayer.

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Fields often omitted on returns in practice should be avoided; for example, the VAT disclosure fields often omitted by taxpayers (such as zero-rated supplies, exempt and non-supplies as well as goods imported and exported) are now crucial disclosure requirements to enable the taxpayer to perform the required reconciliation.

Recommended controls to be implemented

Taxpayers will need to ensure that their accounting systems provide sufficient detailed information to enable them to populate the relevant forms accurately and to be able to reconcile these.

It may also be advisable to ensure that reconciliations between the accounting records (trial balance, signed financial statements and general ledger) and the tax forms as well as reconciliations between the various tax forms be incorporated into standard internal controls.

Should you require assistance please contact one of our tax experts.

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