

## SARS tightens process systems

*With the recession and financial difficulties being experienced in many sectors of the economy, it is certain that the budget chase will be a lot tougher for the South African Revenue Service (SARS). SARS has embarked on a number of amendments to its internal processes and systems - the reconciliation process and the introduction of the new penalty system for non-compliance, e.g. late filing of EMP201 monthly returns, being two of them.*

### Outstanding returns – penalty

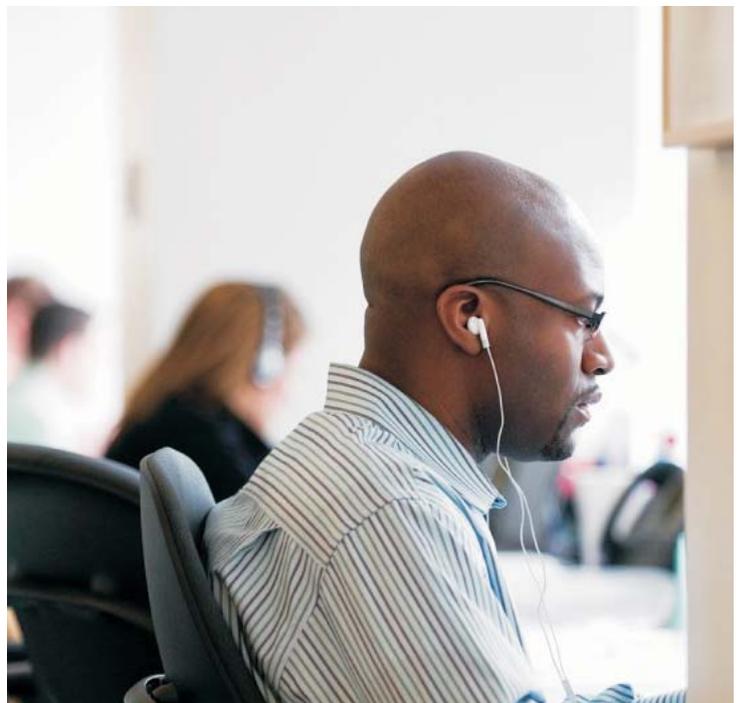
The new penalty regulations introduced with effect from 1 January 2009 introduced a monthly penalty for non-compliance, in an effort to compel employers to ensure that all their returns have been submitted and captured on time by SARS. Our information suggests that, to date, SARS has not yet imposed these monthly penalties- although it is clear that they have the authority to start imposing them at any time in the future. The new penalty can be imposed on outstanding returns for the past five year period. The old 10% penalty leviable on late rendition of payments to SARS still applies.

### The reconciliation process and the 10% penalty

Employers who failed to render their annual reconciliations timeously by 31 May 2009 were recently issued with letters informing them of a 10% penalty levied on the total amount of employees' tax withheld from remuneration of employees during the 2009 tax year (1 March 2008 – 28 February 2009).

What is most interesting is that in some cases, employers who submitted their annual reconciliations on time were also issued with the penalty letters due to their submission failing SARS's validation process.

It is unlikely that objection to the former penalty will be entertained unless valid reasons are given for non-rendition of the PAYE reconciliation. In the latter case employers have to ensure that their 2009 PAYE



reconciliation has been accepted by SARS, and where penalties have been levied, an objection needs to be lodged with SARS to remit the penalty incorrectly imposed and a new form, the EMP506 (Employer Reconciliation Penalty form), needs to be completed to accompany the objection.

### Statement of accounts – interest and penalties

It is crucial that employers obtain their statements of account for PAYE, UIF and SDL from SARS to ascertain

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whether there is anything outstanding on these accounts. This is particularly important when applying for a tax clearance certificate.

SARS typically only notifies taxpayers should there be a debit balance (amount owing to SARS) but taxpayers often never receive this notification. Should there be a credit balance (amount owed by SARS), however, there is seldom any notification sent to taxpayers. In many cases,

taxpayers only become aware of outstanding amounts in their PAYE, UIF and SDL accounts when SARS withholds their VAT refunds to perform a debt equalisation.

The benefit of obtaining a statement of account on a regular basis is that taxpayers can identify and attend to any outstanding information on time rather than only finding out when interest has accumulated to significant amounts.

*With our experience in resolving some of the most difficult account maintenance cases for our clients with SARS, we pride ourselves on our people and their commitment to client service by putting themselves in our clients' shoes.*



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