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# *Incorrect interest rates applied by SARS from 1 July 2016*

1 August 2017

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## *In brief*

The South Africa Revenue Service (“SARS”) applied the incorrect interest rates from 1 July 2016. Adjustments were made to the SARS system on 1 July 2017 with retrospective effect and as a result some taxpayers may be adversely affected.

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## *In detail*

On 1 July 2016 the interest rate for purposes of calculating a debt owing to the State or debts that should be paid into a Revenue Fund was increased from 10.25% to 10.5%. This interest rate applies to all debts owing including debts with regard to estates, settlements and compromises.

The increase in the interest rate was published in Government Gazette No 39960 of 2016 and should have applied from 1 July 2016. SARS however did not update its systems accordingly from 1 July 2016. The SARS system was only updated on 1 July 2017 with retrospective effect.

Taxpayers that paid SARS interest from 1 July 2016 will have an additional tax liability due to SARS, as a result of the late adjustment of interest rates.

It should also be noted that the prescribed rate of interest, which is applicable to all debts payable by SARS to a taxpayer, is four percentage points below such rate as the Minister may from time to time fix by notice in the Gazette. This effectively means that the prescribed rate of interest is calculated with reference to the 10.5% as announced in the Government Gazette.

In this regard, we advise taxpayers to ensure that the interest they received from SARS from 1 July 2016 was correctly calculated by applying the rate of 6.5%.

### *Going forward*

SARS is aware of the issue. They have indicated that they will not forgo the interest on ordinary debt but will do so with regard to estates, compromises and settlements. SARS

encourages affected taxpayers to reach out to them.

We understand that SARS is in the process of establishing a specific communications channel at its head office for affected taxpayers to contact. They advised that they will communicate further details in this regard during the course of this week.

### *Key take-away*

We advise clients to consider their statements of account to ensure that they have received and paid the correct amounts of interest. In the event that they feel the amount of interest was calculated with reference to the incorrect rate, they should reach out to their local PwC contact or contact SARS as soon as possible.

# *Tax Alert*

## National Tax Technical

### ***Let's talk***

For a deeper discussion of how this issue might affect your business, please contact:

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