

Taxing Times 2019

**A survey of corporate taxpayers' experiences
with SARS**

Tax Controversy and Dispute Resolution
August 2019



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Introduction

Much has happened in the area of tax since our first survey was released in October 2018, not least of which has been significant developments with regards to the South African Revenue Service (SARS).

Recent developments at SARS

July 2018	SARS issued a Service Charter outlining taxpayers' rights and obligations as well as service levels and time frames that it undertakes to uphold.
October 2018	The Tax Ombud's 2017/18 Annual Report was released. It highlighted the fact that the number of complaints referred to the Ombud has 'grown exponentially' since the Office was established in 2013.
December 2018	The Nugent Commission of Inquiry into Tax Administration and Governance by SARS issued its final report in December 2018. The report contains a range of recommendations regarding actions needed to be taken in the organisation.
April 2019	SARS missed its revised revenue target – this time by R15 billion.
May 2019	A new Commissioner, Mr Edward Kieswetter, was appointed on 1 May 2019.

Objectives

The aim of the survey is to gauge our corporate clients' experience when dealing with SARS and to use their feedback to support constructive engagement with SARS about how it can improve efficiency, trust and credibility.

This report presents an overview of key findings related to tax disputes and takes an in-depth look at the issues faced by clients managing disputes.

The 2019 results suggest that companies are seeing a slight improvement in verification audits and the pay out of refunds, but are experiencing a significant increase in tax audits, prolonged audits and delays in dealing with settlements as well as voluntary disclosures.

About the survey

An online survey was sent to 1 934 PwC South Africa clients who are in charge of tax functions (which include small, medium and large local companies as well as multinational companies operating in South Africa) across all industries.

The findings are based on feedback from the 162 respondents who completed the survey during June and July 2019. The values displayed per response represent the percentage of respondents who provided an answer for the specific question. Some questions are not applicable to all respondents, for example, transfer pricing is only applicable to companies that carry out cross-border transactions with connected persons.

The survey size is sufficient to provide a reasonably high level of confidence that the perceptions are representative of the broader corporate taxpayer group across small, medium and large local companies as well as multinational companies.

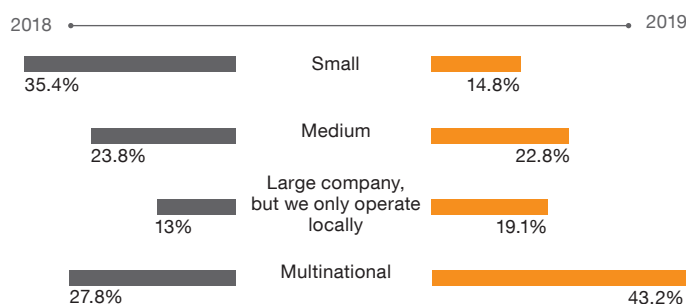
Survey questions were divided across five major clusters of experiences:

- Audit process:
 - Corporate income tax (CIT);
 - Value-added tax (VAT);
 - Pay-as-you-earn (PAYE); and
 - Transfer pricing (TP);
- Debt management process;
- Voluntary Disclosure Programme;
- SARS service delivery; and
- Taxpayer behaviours.

Respondent profile

Company size

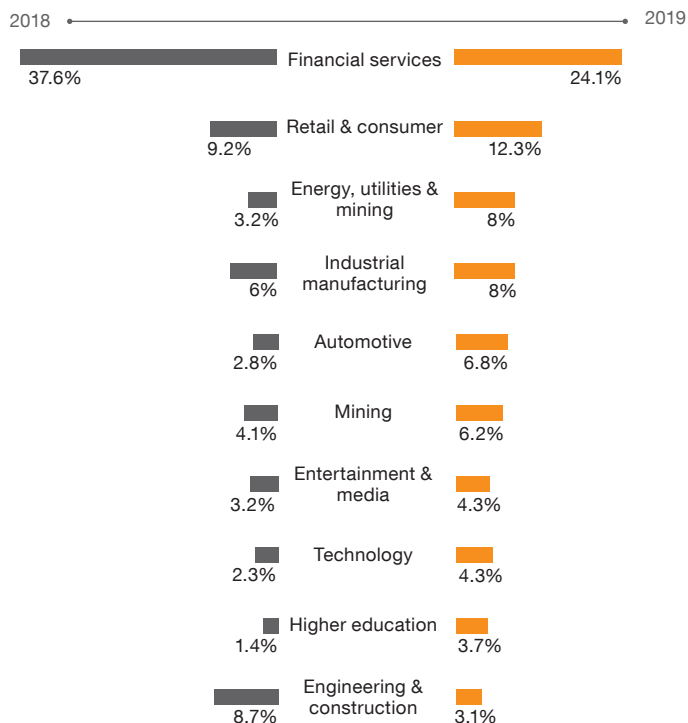
Q: What is the size of your company?



Industry

Companies from across 24 industries participated in the survey.

Q: Which industry is your company in?
(Top ten industries represented)



Survey findings

Corporate income tax

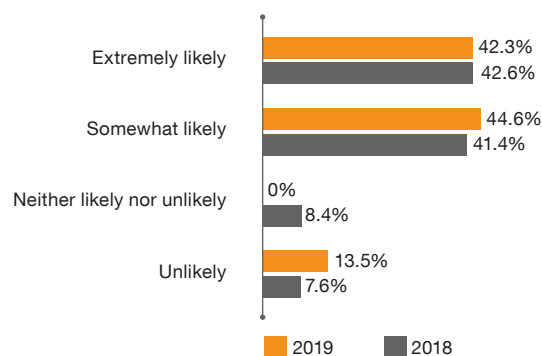
The usual procedure on filing of a return is that an assessment is issued based on the information submitted to SARS. Thereafter, SARS may require the taxpayer to verify information provided in the return.

Likelihood of an audit

We tested our clients' perception of the likelihood of them being selected for verification/audit following submission of their annual corporate income tax return.

The 2019 results are similar to those in 2018 and show that 86.9% of respondents believe it is likely or extremely likely that they will still be selected for verification/audit (2018: 84%).

Q: How likely is SARS to verify/audit your company post submission of the ITR14 return on an annual basis?

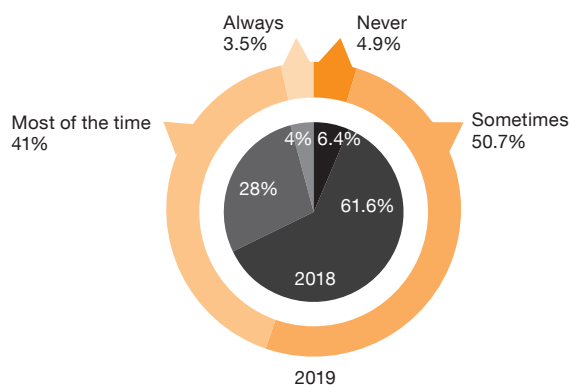


Requests for information

In line with the above question, the next step was to determine whether SARS' requests for information (Section 46) met the requirements as outlined in the Tax Administration Act No. 28 of 2011 ("TAA").

The vast majority (95.2%) of respondents felt that the requests sometimes, most of the time or always meet the required criteria, which is a slight improvement from the 2018 result of 93.6%.

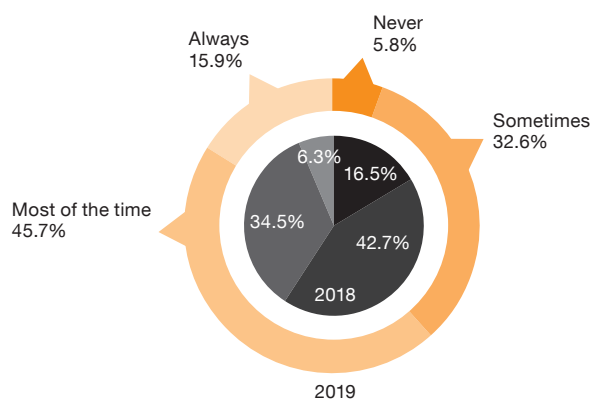
Q: Do section 46 requests from SARS for relevant material (i.e. relevant, identifiable, too broad, material maintained) usually meet the criteria set out in the TAA)?



Granting of extensions

It is not always possible to assemble and submit requested information within the time frame required by SARS. The responses indicate that SARS has become more accommodating (94.2%) in granting requests for extensions, which is a positive development.

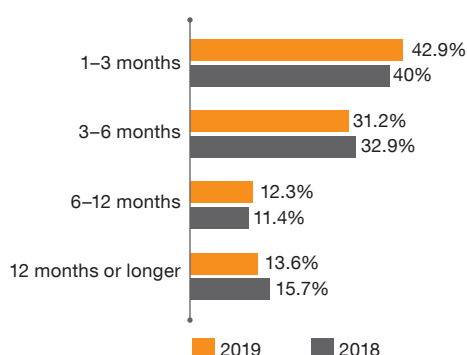
Q: How likely is SARS to grant extensions for submission of responses to section 46 requests for relevant material?



Time taken to finalise a verification audit

There has been a marginal improvement in respondents' experiences regarding the length of time taken to finalise a verification audit. There has been a 2.9% increase in the finalisation of verification audits within three months (as promised in the SARS Service Charter) and fewer respondents report experiencing extended turnaround times. This suggests that SARS is making progress in improving its verification processes through more specific information requests and speedier turnaround times.

Q: In your experience, how long does it typically take SARS to complete a verification audit?

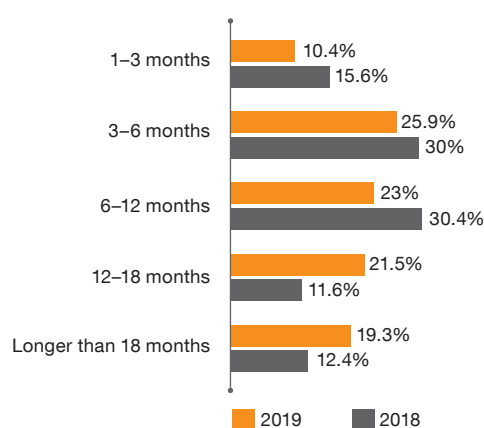


Time taken to finalise an investigative audit

Once the verification audit is complete, SARS retains the right to refer the matter for an investigative audit. We asked clients about their experience with investigative audits and the feedback was not encouraging. Just over a third reached finalisation within six months, while 19.3% say they take longer than 18 months.

Overall, investigative audits are taking longer than they did in 2018. These findings suggest that the audits may be complicated, that SARS is under-capacitated or perhaps lacks the skills and resources required to deal with these matters. Whatever the reasons, it results in additional costs, delays and uncertainty for taxpayers.

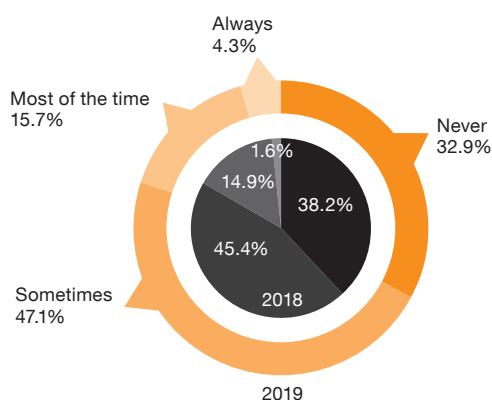
Q: In your experience, how long does it take SARS to complete an investigative audit?



Issuance of progress reports

Respondents are still overall reporting failure by SARS officials to issue progress reports during the conduct of the audit as required by the TAA, with 32.9% of respondents indicating that progress reports were not routinely received which is a slight decline from 2018 (38.2%).

Q: In your experience, does SARS comply with section 42 of the TAA (i.e. progress reports) as part of the audit process?

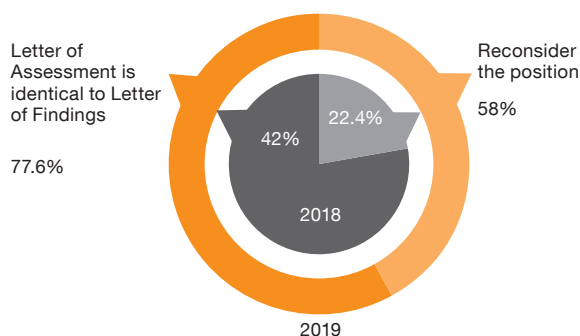


Audit Findings Letter

Once the audit is finalised, SARS is compelled to deliver an Audit Findings Letter as prescribed in the TAA. The taxpayer in turn has the right to respond to the Audit Findings Letter (usually within 21 days) outlining its position, either agreeing or disagreeing with SARS' findings and comprehensively outlining support for its position.

We asked respondents whether they believe SARS officials actually consider their responses and apply their minds to the merits of taxpayer responses. Whereas 22.4% of respondents in 2018 believed that SARS reconsidered its position, post submission of a taxpayer response. This number has increased to 58% in 2019. This suggests that there has been some improvement on an operational level at SARS.

Q: When you lodge a response to the Letter of Findings, do you find that SARS truly reconsiders its position (including submissions on understatement penalty) or does it seem as if SARS automatically defaults into a Letter of Assessment?

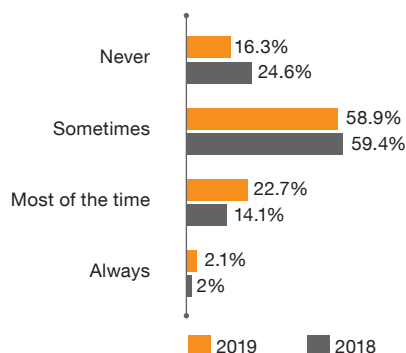


Letter of assessment

Once SARS has considered the taxpayer's response, it will issue an assessment. This requires SARS to set out the particular type of assessment, the basis for the adjustment(s) as well as reasons why the assessment is levied beyond prescription limit and/or if an understatement penalty has been levied. The letter of assessment must accordingly convey sufficient information to enable the taxpayer to lodge an objection, should they wish to do so.

The findings of our survey this year suggest that the provision of reasons for assessment is improving (2019: 83.7%). However, the practice is by no means consistent with most respondents suggesting the provision of reasons for assessment remains inconsistent.

Q: As part of the outcome of a SARS investigative audit, does the Letter of Assessment give sufficient grounds to understand the basis for the assessment raised?

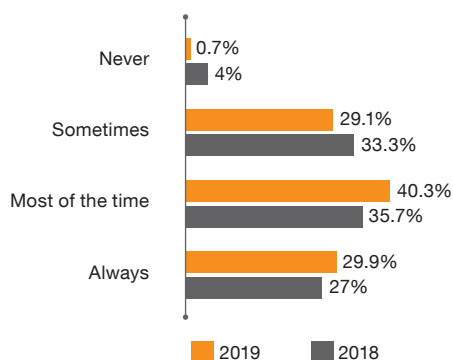


Understatement penalties

The Letter of Assessment needs to make clear reference to whether SARS has raised an understatement penalty. SARS also needs to ensure that the percentage of penalty is matched with the appropriate behaviour as outlined in section 223 of the TAA. The onus lies on SARS to prove the taxpayer guilty of a particular behaviour that justifies the imposition of the requisite percentage penalty.

More than two-thirds of respondents in 2019 (70.2%) believe that SARS is usually overly aggressive in raising understatement penalties most of the time or always. There is no clear indication why this proportion has increased since 2018 (62.7%), but the pressure to achieve revenue targets may have had some influence.

Q: Is it your perception that SARS is overly aggressive in raising an understatement penalty in relation to the particular behaviour that they deem the taxpayer to be guilty of?



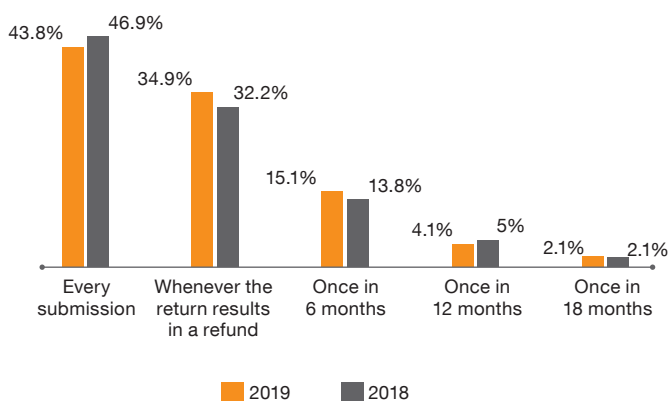
Value-added tax

VAT refunds are a potential drain on SARS' revenues if they are subject to dishonest practices and the verification process is a vital first step in combating fraud. That said, it should become apparent over time whether the information submitted by a vendor is reliable.

VAT201 verification

The fact that the VAT returns of a significant proportion of respondents are selected for verification every time they are submitted or whenever the return results in a refund calls into question the purpose of the verification process. It would be expected that if a vendor's track record shows their returns are always compliant, the vendor should be reclassified for periodic verification.

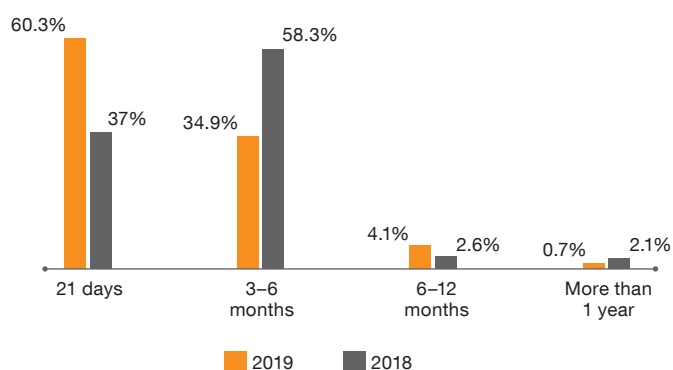
Q: How often does your VAT201 get selected for verification?



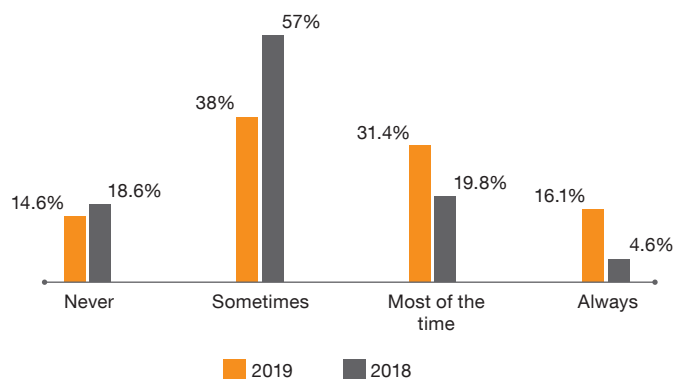
VAT verification and payment of refunds

The finalisation of verification and payment of refunds has improved significantly since the 2018 survey. This may be partially explained by the findings of the Tax Ombud, as well as the recommendations of the Nugent Commission, and the practical improvement in turnaround is evidence of SARS' positive response to the findings, i.e. 21 days (60.3%).

Q: When submitting documentation in support of a VAT verification, how quickly does SARS finalise the verification?



Q: Does your VAT refund get paid in 21 days, or shortly thereafter?

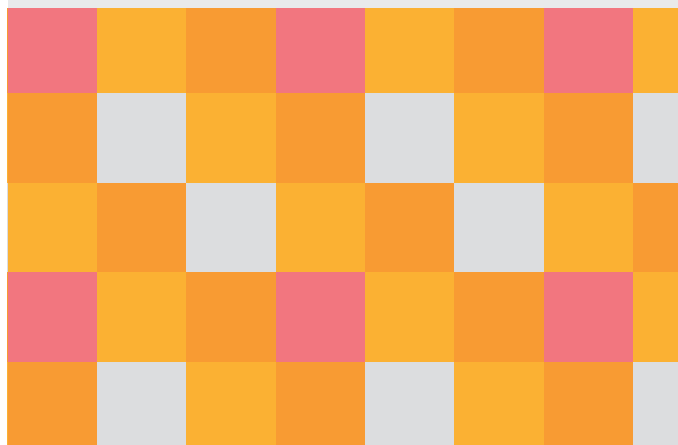
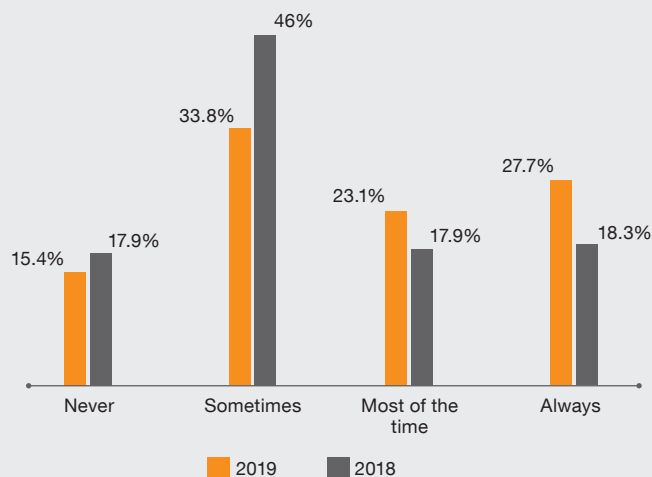


Pay-as-you-earn

Problems with PAYE accounts

Respondents were generally of the view (2019: 84.6%) that PAYE administration has not improved and the perception is that companies are encountering even greater difficulty than before in dealing with SARS in relation to PAYE accounts.

Q: Are you experiencing issues in relation to PAYE account/s with regards to multiple journal entries or difficulty in unpacking the account?



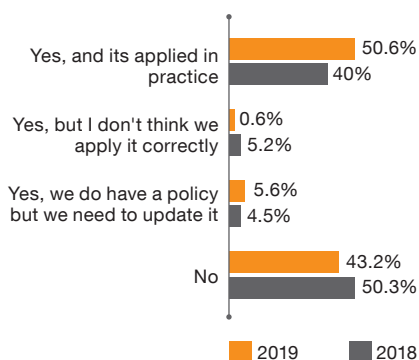
Transfer pricing

SARS has stepped up transfer pricing risk reviews (and ensuing audits) since October 2017 and we expect this trend to continue. In the context of base erosion and profit shifting (BEPS), multinationals should review their transfer pricing policies, document appropriately, and expect to be audited. Therefore, for those taxpayers engaged in cross-border transactions, the need to have documentary evidence ready for a transfer pricing audit is a necessity.

Company transfer pricing policy

A minority of respondents in last year's survey said their company had a transfer pricing policy that is applied in practice. This year, this proportion has increased to just over half, perhaps reflecting the greater scrutiny their companies are facing in this area.

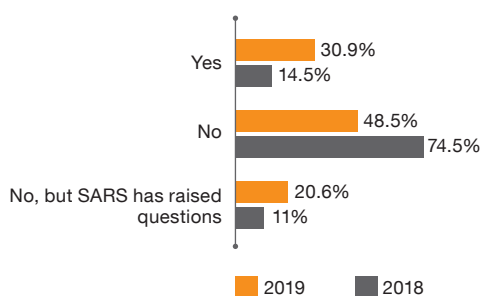
Q: Does your company have a transfer pricing policy?



Frequency of transfer pricing audits

In line with SARS' increased focus on transfer pricing, respondents this year reported an increased frequency of audit (up from 14.5% in 2018 to 30.9% in 2019) and the raising of queries concerning transfer pricing (up from 11% to 20.6%). There is clearly a renewed focus on transfer pricing which could be driven by the need to drastically raise and meet revenue targets.

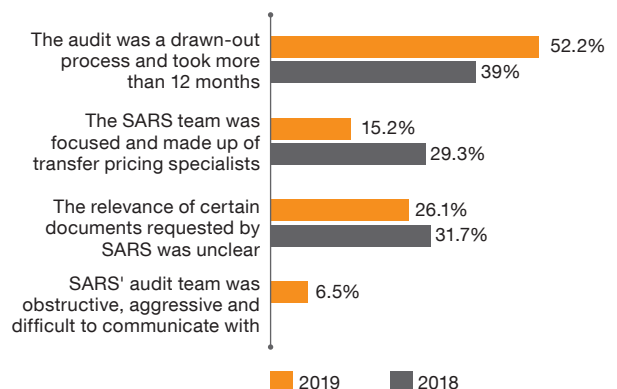
Q: Have you been subject to a SARS audit relating to transfer pricing?



Experience of transfer pricing audits

Respondents were generally negative about the transfer pricing audit process (52.2% said audit took longer than 12 months), particularly with regard to the time it took to complete audits. Disturbingly, fewer respondents regarded the audit personnel as a focused group of specialists than in 2018, while 6.5% had difficulty dealing with the SARS personnel.

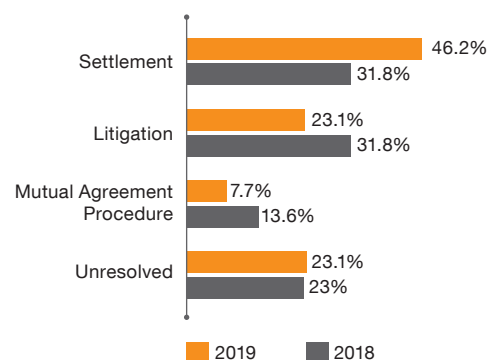
Q: If your company has been subject to a transfer pricing audit, what was your experience? (Select all that apply)



SARS transfer pricing assessments

The resolution of transfer pricing disputes appears to be migrating away from adversarial options towards seeking settlement (46.2%). The reduction in litigation and mutual agreement procedures is indicative of an improvement in the climate for settlements and suggests that the gulf between taxpayer and tax collector is narrowing, making settlement more possible. The alternative explanation could be that neither revenue or taxpayer want to litigate transfer pricing disputes.

Q: If you received a transfer pricing assessment, how was it resolved?



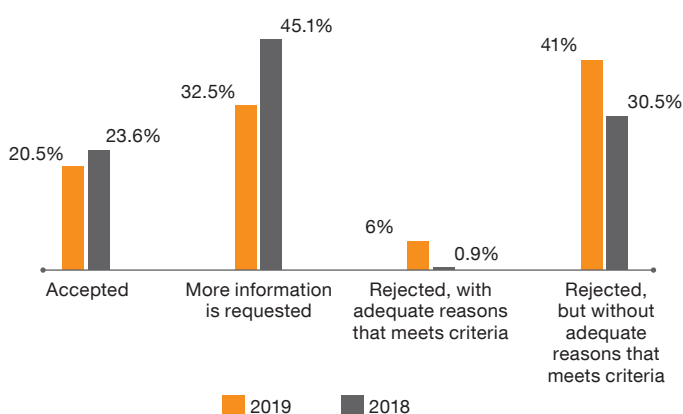
Debt management process

The “pay now, argue later” rule can only be suspended by a senior SARS official if there is an intent to dispute the assessment as well as an adherence to the criteria contained in section 164 of the TAA.

Response to suspension of payment requests

The 2019 results in respect of requests for suspension of payment are of concern with 41% of respondents indicating that their requests were rejected without adequate reasons (2018: 30.5%) and only 20.5% having their applications accepted (2018: 23.6%). This may be a further sign of the increased pressure on SARS to collect revenue rather than grant deferments.

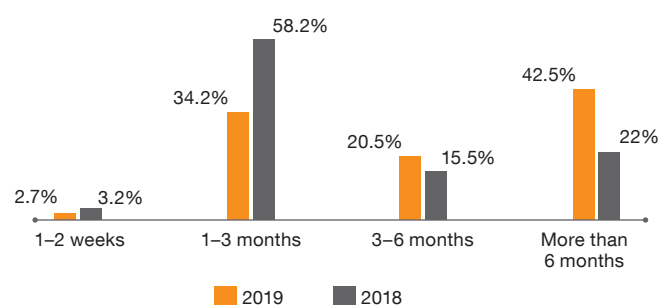
Q: When you submit a section 164 suspension of payment request to Debt Management, what response do you get from SARS? The suspension of payment is...



Time taken to get feedback on settlement proposals

Surprisingly, 42.5% of respondents (2018: 22%) report that SARS takes more than six months to consider their settlement proposals. SARS should not be expected to accept every settlement offer, but the lengthy delay of recoveries where settlement may be justified does have a detrimental effect on revenue collection.

Q: How long does it typically take to get feedback on settlement proposals (section 146 of the TAA) made to SARS?

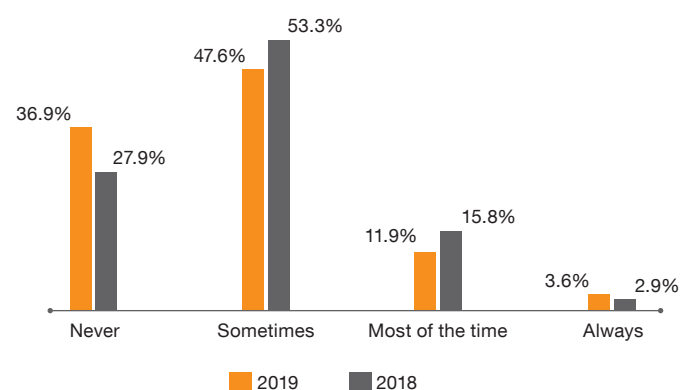


Reduced assessment applications

The reduced assessment remedy is provided in the TAA as a method to correct returns that contain errors of a non-contentious nature. The threshold is that the return was erroneous due to a “readily apparent undisputed error”.

Lobbying for a less restrictive threshold has not been successful. SARS appears to interpret the threshold narrowly and the results of our survey speak for themselves with 63.1% of respondents confirming that their applications were rejected by SARS.

Q: Have you been successful with a section 93 reduced assessment application and accordingly able to convince SARS of a readily apparent and undisputed error?



Voluntary Disclosure Programme

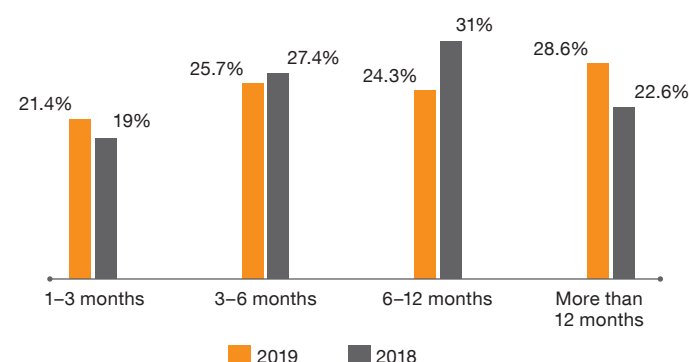
VDP applications

The Voluntary Disclosure Programme ("VDP") is a valuable means of revenue collection for SARS. Where taxpayers voluntarily disclose prior defaults/understatements and make full disclosure, this relieves SARS from engaging in time-consuming audits.

For taxpayers, VDP provides the opportunity to correct compliance defaults without incurring potentially significant penalties. In 2019, 42% of respondents (2018: 35.9%) said they had made use of the VDP process.

It is worrying that 28.6% of respondents (2018:22.6%) say that the VDPs take more than 12 months to finalise.

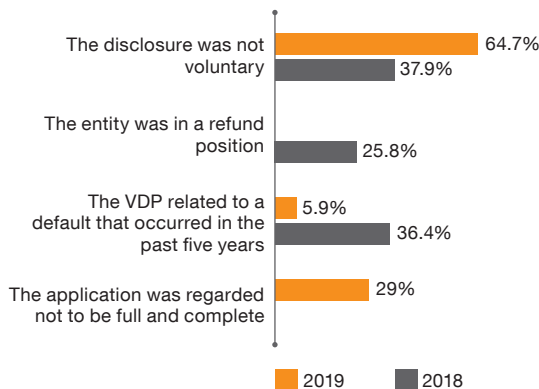
Q: What is the current turnaround time for a VDP application to be finalised?



VDP applications denied

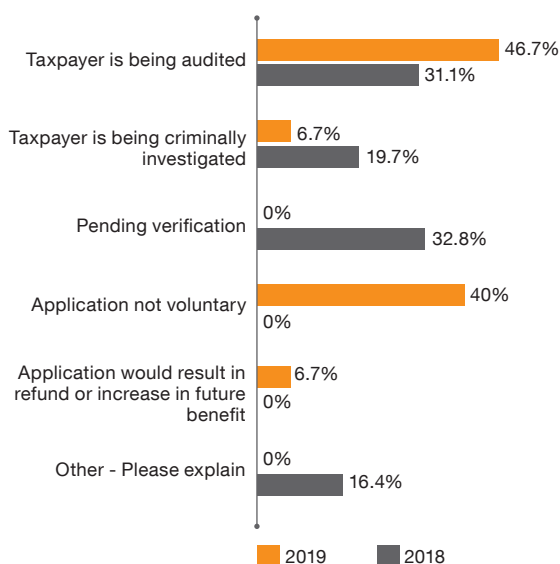
Where VDP applications have been denied, the principal reason (in most instances) given by SARS for rejection has been that the application was not voluntary. The primary reason given for this interpretation was that the applicant is under audit or investigation. In 2019, this was the reason for approximately 64.7% of rejected applications. SARS has since expanded the “voluntary” definition to include the IT14SD as a further element to deny VDP.

Q: When a VDP application is denied, what do you find is the most likely reason given?



The below result affirms the above view on rejection of VDP based on "voluntary".

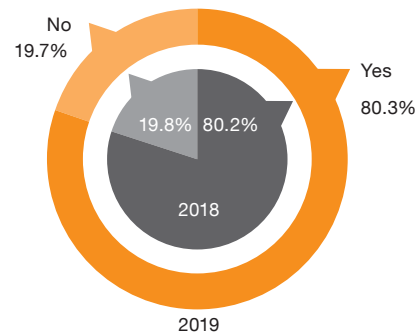
Q: If the VDP was denied on the basis of not being voluntary, what is the most common reason given?



Value of VDP relief

Surprisingly, more than three-quarters of respondents who had obtained relief considered that the VDP process had contributed to their company declaring its defaults properly and correcting assessments free of understatement penalty.

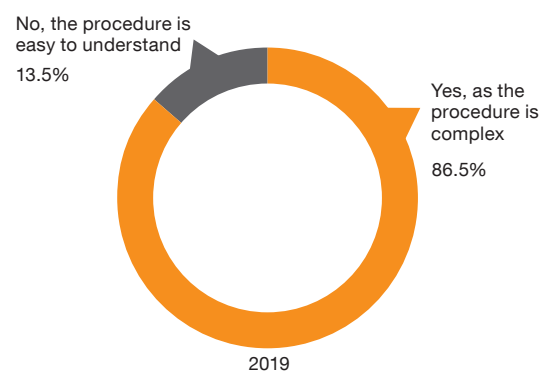
Q: Do you believe that VDP relief has assisted your company in declaring its defaults properly and thereby correcting assessments and avoiding understatement penalties?



VDP guidance

Most respondents (86.5%) consider the VDP process to be complex and expressed the view that an interpretation note would assist them in preparing and submitting an application for VDP relief.

Q: Would you find an Interpretation Note helpful when considering, drafting and finally submitting a VDP?*



* Question not asked in 2018

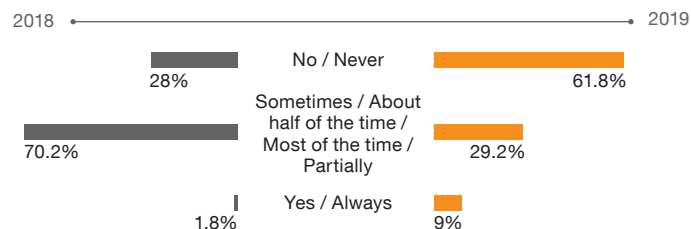
SARS' service delivery

SARS Service Charter

Quality of service

Respondents' sentiments about the SARS Service Charter, issued in July 2018, are not encouraging. Whereas 28% in 2018 believed the Charter would not make a difference to the quality of SARS' service delivery, 61.8% held this view in 2019.

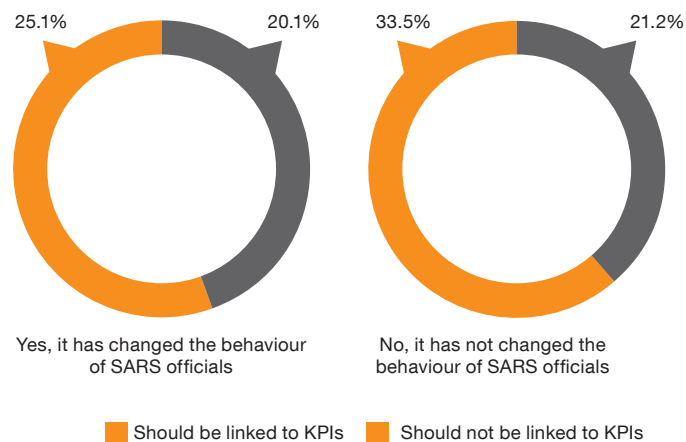
Q: Do you think the SARS Service Charter makes a difference to the quality of service delivery to taxpayers?



Behaviour of SARS officials

This year we also asked respondents about the behaviour of SARS officials following the publication of the Service Charter. While a significant number of respondents identified a change in behaviour and a request to link the service charter to SARS officials KPI's, the majority considered that there had been no change in behaviour.

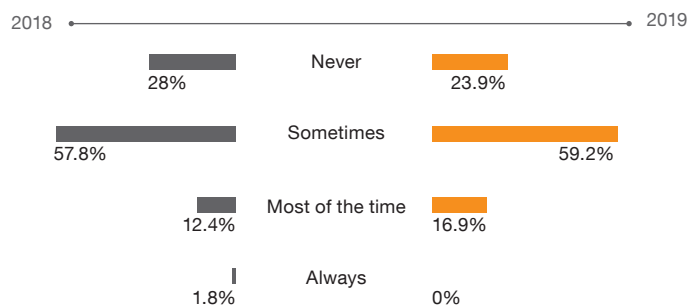
Q: Do you think that the SARS Service Charter has changed the behaviour of SARS officials and do you believe it should be linked to their key performance indicators (KPIs)?



SARS' compliance with time periods

SARS' compliance with published response time periods was generally unsatisfactory and not one respondent reported that SARS always complied with the timeframes published in the SARS Service Charter.

Q: Does SARS comply with the time periods provided in general (including lodging complaints with the CMO)?



Taxpayer behaviour

Factors driving tax compliance

Having a better understanding of the behaviours of taxpayers and their attitudes towards taxation can improve both voluntary compliance and the efficiency of tax administration. Evidence suggests that at least five factors drive tax compliance:

- **Deterrence:** The likelihood detection and the severity of punishment for non-compliance.
- **Social norms:** The degree to which tax evasion is widespread and socially acceptable.
- **Fairness and trust:** The perception of the tax system and how taxes are collected as being fair.
- **Complexity of the tax system:** The degree to which taxpayers understand and are able to navigate the tax paying process
- **Broader economic and external social factors:** Difficult economic conditions may affect compliance. Social factors such as responsible government spending and level of perceived corruption within the government also affects tax compliance. These factors are referred to as external, since they are beyond the control of the tax administration.

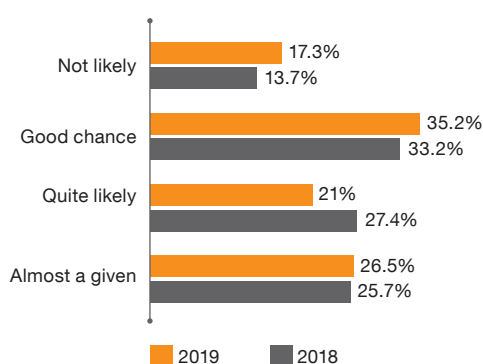
This section summarises the responses of 162 corporate taxpayers to questions around these drivers and compares them to last year's responses.

1. Deterrence

The perceived likelihood of detection and the severity of punishment are among the key considerations driving tax compliance behaviour. Thus, revenue services across the world use deterrence to dissuade individuals from doing what they should not be doing, through increasing the chances of being found out and the associated negative consequences.

Almost 83% of respondents (2018: 86%) considered that there was a 'good chance' or better that their company would be audited by SARS.

Q: In any given tax year, how likely is it that your company will be audited by SARS?



Improving tax compliance through deterrence

Increasing the probability of being caught, as well as the magnitude of the punishment can raise the cost of tax evasion, which can dissuade taxpayers from non-compliance. Examples of this could be to increase the number of audits, improving evasion targeting capabilities, as well as the imposition of harsher penalties on those who evade tax. It is to be noted that while increased audits and more severe punishments are generally associated with increases in tax compliance, these interventions may also backfire if they are too severe and erode taxpayers' trust and sense of fairness in the tax system.

Evidence

- The penalty rate and probability of audit have a positive impact on tax compliance. Meta-analysis of laboratory experiments, Blackwell (2007)
- A higher perceived audit probability generated through a threat-of-audit letter can lead to higher compliance. Field experiment in the US, Slemrod et al. (2001)
- The risk of public exposure can increase compliance. Laboratory experiment, Coricelli et al. (2010)
- A higher number of audits leads to greater compliance up to a point, after which it decreases compliance in an inverted U-shape. Cross-country econometric analysis, Mendoza et al. (2017)

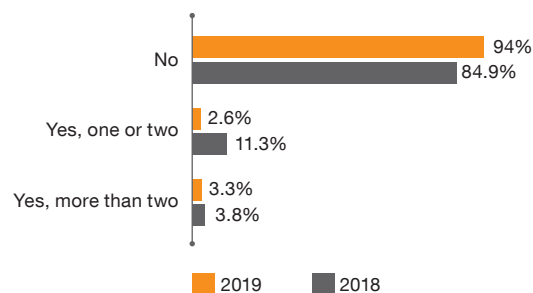
2. Social norms

In many areas of our lives, we want to conform to social norms and the behaviour of others strongly influences our own choices. Taxpayers often have a desire to comply because they do not want to be out of line with societal expectations, not necessarily because of fear of punishment. If there is a perception that the majority of fellow taxpayers are compliant and tax evasion is limited, people are less likely to evade taxes themselves.

Knowledge of others evading tax

The overwhelming majority of respondents in our survey believe taxpayers in their particular industry do not evade tax. This could influence respondents' own decisions to be tax compliant.

Q: Do you know of any companies in your industry that evade taxes?



Improving tax compliance by appealing to social norms

Tax administrations can stress the importance of compliance by educating taxpayers and thereby fostering strong societal norms around compliance. Tax administrations can also strengthen social norms through smart messaging, such as sending letters to taxpayers indicating that 9-in-10 taxpayers had filed their tax in their area. If people believe that non-compliance is more prevalent than it is in practice, correcting misperceptions regarding the scale of evasion is also a good way to reinforce compliance.

Evidence

- Taxpayers' own personal moral beliefs, the beliefs of those close to them (e.g. friends and important others) and societal views of proper behaviour help to explain the outcome in a hypothetical compliance decision, which was part of a survey conducted in Australia, Singapore and the US. Survey evidence, Bobek et al. (2007)
- Reminder letters with a statement that the majority of people have already paid taxes were more effective than standard letters. Field experiment in UK, Hallsworth et al. (2014)
- The more other taxpayers are perceived to be honest, the more willing individuals are to pay their own taxes. Thus, tax morale is linked to perceived prevalence of tax evasion. Survey evidence, Frey and Torgler (2007)

Improving tax compliance through trust and fairness

The key to establishing trust is to frame the collection of taxes in a transparent manner and emphasise the fairness of the approach taken. The more respectfully taxpayers are treated by the tax administration, the less likely they are to evade taxes, and this contributes to the desire to "do the right thing".

Evidence

- Tax compliance can rise if the tax system is viewed as fair and equitable by taxpayers. Laboratory experiment, Fortin et al. (2007)
- Tax compliance is higher for Swiss cantons where tax authorities treat taxpayers more respectfully. Survey evidence, Feld and Frey (2002)

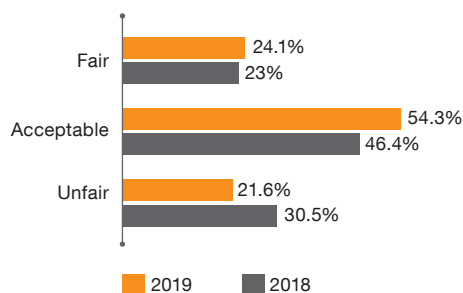
3. Fairness and trust

How a taxpayer is treated by the tax administration, as well as the perception of fairness of the tax system in general are important factors that influence behaviour. If taxpayers do not trust the tax administration to collect taxes fairly, this can increase non-compliance.

Perceptions of fairness in tax rates

In this year's survey, approximately 78% of respondents considered the corporate rates of tax to be acceptable or fair, compared to 69% in 2018. This may indicate a higher conscience around the need for taxation and government revenue among respondents. Current corporate tax rates alone are also unlikely to give rise to evasion.

Q: How fair do you think the corporate tax rates (CIT, VAT etc.) that your company faces are?



4. Complexity of the tax system

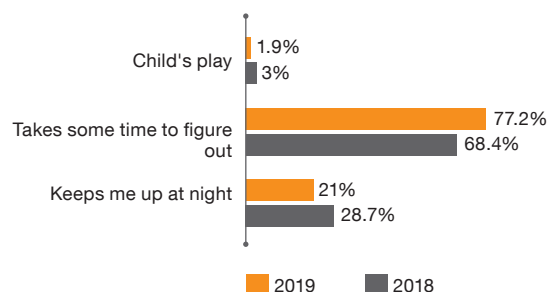
Tax is a complex matter for many people and evidence suggests this complexity contributes to non-compliance. Tax complexity is generally quantified in terms of number of payments made and time (hours) needed to comply with the tax system.

While South Africa ranks in the top 50 countries globally in PwC's *Paying Taxes 2019* report with regard to its overall 'paying taxes' score, the time needed to comply is approximately 210 hours, which ranks us 103 out of 189 countries.

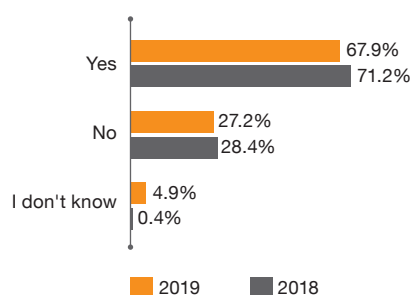
Difficulty complying with tax requirements

Complexity can overwhelm taxpayers, making it more difficult for them to pay their taxes. More than three-quarters of survey respondents indicated that it takes them some time to figure out the TAA and SARS' processes. This suggests that there might be too much complexity in the tax system and insufficient knowledge among taxpayers.

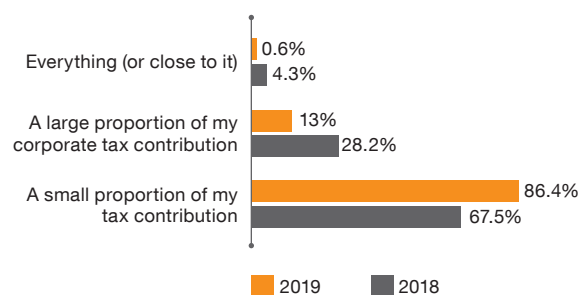
Q: How do you feel about the TAA and SARS' processes?



Q: Do you use the services of tax consultant/advisor to assist your company in navigating the tax administration process with SARS?



Q: What portion of your corporate tax contribution do you think is effectively deployed to various spending priorities?



Improving tax compliance by decreasing complexity

Tax authorities can reduce the complexity of the process and make it easier to comply by using plain language in communications and simplifying forms and tax laws where possible.

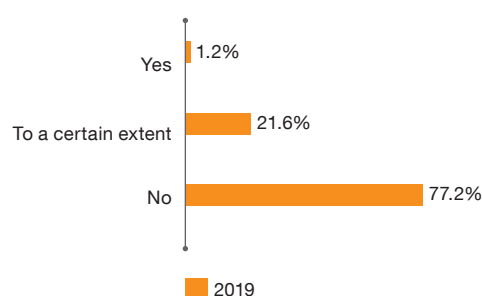
Evidence

- Tax knowledge is an essential element in voluntary tax compliance and by educating young people one can address the perception that taxes are complicated. Tax Knowledge, Tax Complexity and Tax Compliance: Taxpayers' View, Natrah Saad (2014)
- A shift from an enforcement-oriented tax authority to a more service-oriented approach, which offers information and assistance to taxpayers, can increase tax compliance. Social norms and conditional cooperative taxpayers, Traxler (2010)

Satisfaction with public infrastructure and services

Most respondents (77%) are also not satisfied with public infrastructure and services. Although these factors are beyond the tax administration's authority, these drivers will need to be addressed by the responsible parties to avoid deterioration in tax compliance.

Q: Are you satisfied with public infrastructure and services (such as health, education, roads, water and sanitation)?



5. Broader external economic and social factors

Higher tax rates have been linked with higher levels of tax evasion if they incentivise taxpayers to move into the shadow economy. Research by the IMF suggests the shadow economy made up 22% of the total economy in 2015.¹

Government spending

A link has also been established between tax compliance and the ability of a government to spend tax revenue in a responsible way. If government spending is associated with social indicators (such as schools, hospital beds, doctors and low-income housing), then taxpayers are more willing to comply.

Most respondents (86%) in this year's survey feel that only a small portion of their tax contribution is effectively deployed, an increase of approximately 19 percentage points since last year.

Improving tax compliance in difficult economic circumstances

Although these drivers are beyond a tax administration's control, it should acknowledge the difficulty of paying taxes in a challenging economic environment and publicise the positive impact that tax contributions make in enabling socio-economic progress, even in difficult times. An administration can also emphasise responsible spending in awareness campaigns to counter negative perceptions regarding irresponsible spending and corruption.

Evidence

- Tax compliance, including in war times, can give citizens a patriotic 'warm glow'. Revenue oriented governments may have an incentive to utilise educational and communication policies to instil a sense of patriotism associated with tax compliance. Survey evidence, Konrad and Qari, (2012)
- A higher degree of satisfaction with a country's democratic institutions can lead to higher tax morale. Thus, tax morale is associated with the perceived quality of institutions. Survey evidence, Frey and Torgler (2007)
- If there is a perception that the government spends tax revenue wisely, this should encourage tax compliance. Understanding taxpayer behaviour, Walsh (2012)

¹ IMF Working Paper WP/18/17 Shadow economies around the world. <https://www.imf.org/~media/Files/Publications/WP/2018/wp1817.ashx>

The way forward

We asked respondents to share their views on SARS and what they think SARS should do to improve its service to taxpayers. There have been a number of changes in the organisation in the last year, including the reviving of the Large Business Centre and the appointment of a new Commissioner. There is still much to be done, but there are signs that these changes are beginning to have a positive impact on client experience.

Improving services

Respondents identified three key areas in which SARS can improve its services:

- Improving people by employing more staff and providing strong technical training;
- Improving facilities to communicate with SARS; and
- Reviving the Large Business Centre.

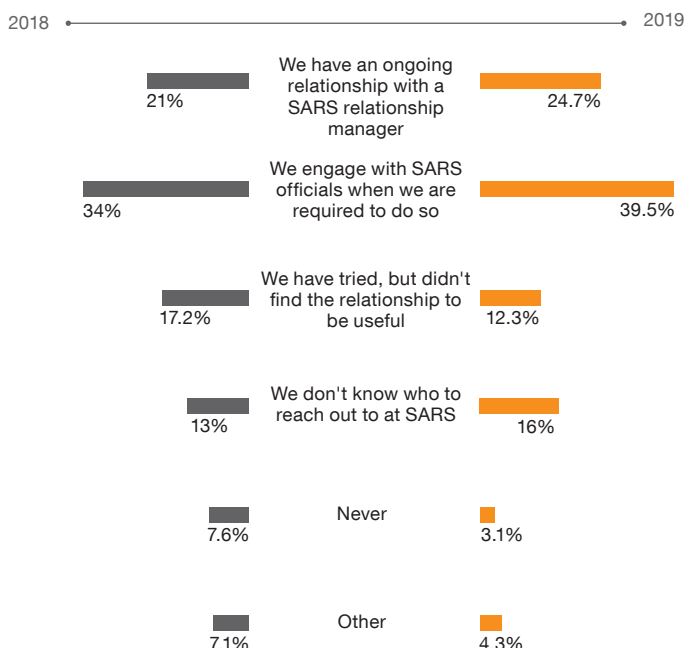
Q: What can SARS do to improve its service offering to clients? (Select all that apply)



Engaging with SARS

A number of respondents have reported a pleasing improvement in their engagement with officials. However, a sizeable proportion (31.4%) report that they don't know who to speak to about their issues or that they haven't found their interactions with SARS to be useful.

Q: Does your company actively try to engage with SARS to build an ongoing relationship?



Improving communication and culture

Sustainable improvement in the tax administration requires better understanding and communication between taxpayers and SARS. The revival of the LBC is a positive step in this regard and better communication should go some way to reducing unnecessary verification or audit steps.

SARS will also be able to operate more effectively if its staff have the necessary technical skills and training, and commit to the values and undertakings of the SARS Service Charter. Only then can meaningful change be achieved.



PwC's tax controversy & dispute resolution services

Our team of professionals is here to help clients prevent, efficiently manage and favourably resolve tax audits and disputes throughout the world. PwC has tax specialists to assist clients in virtually every area of dispute. We combine deep technical understanding, local knowledge, and strong relationships with government officials, tax litigation experience, and a global perspective to provide you with unrivalled service.

PwC is able to assist existing and new clients with:

- Liaising with SARS on a preventative basis, such as assisting clients with tax strategy/opinions, Advance Tax Rulings, Binding Rulings as well as Voluntary Disclosure Applications;
- End-to-end management of tax audits;
- Assisting with SARS disputes i.e. objections, appeals and alternative dispute resolution (ADR); and
- Debt management matters with SARS, including compromises and settlement as well as instalment payment solutions.

Key lessons about the tax controversy life cycle

Successfully managing a SARS audit requires understanding the relevant legislation as well as the policies and procedures that SARS implements. When receiving the final assessment from SARS, it is paramount to ensure that the dispute is comprehensively and timeously filed and that SARS' debt management activities are managed.

PwC assists clients daily with opinions, tax rulings and compliance as well as ensuring that their audit files are ready. The golden thread remains to be proactive in any tax submission made to the authorities, or alternatively to consider the tax position before declaring that position to SARS.

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