Taxing Times Survey 2024

The purpose of this survey is to assess the recent experiences of corporate taxpayers with the South African Revenue Service (SARS), highlighting both the notable achievements and areas for improvement.

pwc

Contents

Definitions

ADR	–	Alternative Dispute Resolution
APA	–	Avance Pricing Agreement
BEPS	–	Base Erosion and Profit Sharing
CbC	–	Country-by-Country reporting
CIT	–	Corporate Income Tax
CSARS	–	Commissioner for the South African Revenue Service
G20	–	Group of Twenty
ITA	–	Income Tax Act No. 59 of 1962
LB&I	–	Large Business and International Division
OECD	–	Organisation for Economic Co-operation and Development
PAYE	–	Pay-As-You-Earn
PwC	–	PricewaterhouseCoopers Tax Services (Pty) Ltd
RAF	–	Road Accident Fund
SARS	–	South African Revenue Service
TAA	–	Tax Administration Act No. 28 of 2011
TALAB	–	Tax Administration Laws Amendments Bill
TCDR	–	Tax Controversy & Dispute Resolution
USP	–	Understatement Penalty
VAT201	–	Value-Added Tax return
VAT	–	Value-Added Tax
VDP	–	Voluntary Disclosure Programme

Introduction

The purpose of the annual Taxing Times Survey is to evaluate corporate taxpayers' experiences across all industries, highlighting both the strengths of the organisation and areas where the organisation could be enhanced. In order for us to assist our clients in navigating the current tax landscape, it is crucial for us to understand how businesses and their tax functions are experiencing SARS audits, debt collection steps, VDP's and overall service delivery. This comes at a pivotal moment, as SARS intensifies its efforts to boost voluntary compliance, rebuild a smarter SARS and, by the same token, increase taxpayer trust.

A more recent development is the Global TCDR survey, which focused on various factors across a global scale, particularly, tax controversy, inquiries, dispute resolution, Pillar II, and the use of artificial intelligence to address efficiency in the tax dispute resolution process. The Global TCDR survey included 825 responses from various countries across Europe, Asia, North and South America, Africa and Australia.[1]

The Taxing Times Survey 2024 aligns with PwC's 5+1 Ubuntu Bethu (or Our Humanity) Strategy, which acts as a key tool for addressing emerging challenges and seizing new opportunities more effectively. Throughout the African continent, PwC collaborates as a community of problem-solvers, emphasising the strength and potential of our shared humanity to deliver outstanding results and create meaningful impact. As a community of problem-solvers, PwC focuses on helping organisations to build trust with their stakeholders in order to create sustained outcomes.

1 *The final Global TCDR survey was not available as at the date of this report.*

We again make reference to SARS' nine strategic objectives, as per SARS' strategic plan for 2020/21 to 2024/25, which are to:

1. Provide **clarity** and **certainty** for taxpayers and traders of their obligations
2. Make it **easy** for taxpayers and traders to comply with their obligations
3. **Detect** taxpayers and traders who do not comply, and make non-compliance **hard** and **costly**
4. Develop a **high** performing, **diverse**, **agile**, **engaged** and **evolved** workforce
5. Increase and expand the use of **data** within a comprehensive knowledge management framework to ensure integrity, derive insight and improve outcomes
6. Modernise our systems to provide **digital** and **streamlined** online services
7. Demonstrate **effective resource stewardship** to ensure **efficiency** and **effectiveness** in delivering quality outcomes and performance excellence
8. Work with and through **stakeholders** to improve the t**ax ecosystem**
9. Build **public trust** and **confidence** in the tax administration system

The 2024 survey results have once again been analysed in line with SARS' key strategic objectives in mind.

Our latest edition, the seventh in the annual series, was conducted from May to July 2024. A total of 206 corporate taxpayers from various industries participated in this year's survey, the results of which are discussed in this report.

Since the publication of our first report in 2018, the tax environment has significantly changed. Part of SARS' restructuring has included the appointment of three new Deputy Commissioners in 2023. The deployment of resources (including the appointment of more staff and technology), as well as contract employees to revive SARS in 2021 and 2023 and advancements in the enforcement field are among these developments. To ease compliance obligations on personal income taxpayers, SARS has expanded the implementation of automated assessments in 2023 and 2024. In the first two weeks of July 2024, Commissioner Edward Kieswetter announced that more than 5.5 million taxpayers had already been auto-assessed for the start of the 2024 tax filing season.

As part of SARS' enforcement and compliance enhancement with the tax Acts, SARS has become stricter on non-compliant and defaulting taxpayers. This is evident from several media reports where SARS has notified non-compliant taxpayers that they will face administrative penalties for submitting tax returns late. This year, taxpayers have also witnessed SARS' zero tolerance for non-compliance, as seen in their crack down on personal liability. Notable cases include ***Pather v CSARS 2024 JDR 0414 (GJ)*** and ***Christoffel Hendrik Wiese and Others v CSARS (1307/2022) [2024] ZASCA 111 (12 July 2024)***. SARS has not hesitated to take individuals to court when there is evidence of tax evasion through aiding in the dissipation of defaulting taxpayers' assets.

Notable developments in the tax landscape in South Africa since our last report

September 2023

- SARS issued a revised version of the SARS Service Charter whereby it commits to increase the use of data, to improve integrity, derive insight and improve outcomes in the tax landscape.
- SARS introduced a “shared access” function on eFiling, which ensures that an individual has full control and knowledge of their tax affairs, regardless of whether a tax practitioner completes and/or submits tax returns on their behalf.
- From 29 September 2023, food manufacturers were permitted to electronically register for the diesel refund system. This came after the Minister of Finance announced a tax relief measure to address the load shedding problem which South Africa was facing. Accordingly, a diesel refund, limited to 80% of the RAF levy was to be extended to the manufacturers of foodstuffs for the use of diesel in generating electricity.

October 2023

- SARS announced that it will outsource overdue debt that is older than five years to external third-party debt collectors, to assist with accounts where no active payment or payment arrangements have been made. This intervention now applies to taxpayers who have been repeatedly contacted, sent letters of demand outlining options for debt resolution and still failed to settle their accounts or secure payment terms.
- SARS expanded the IT3 third-party data reporting to include income received from a trust, as well as donations made or declarations pertaining to section 18A of the ITA, which addresses deductions of donations relating to certain organisations.
- In order to comply with the Financial Action Task Force requirements, SARS now requires all beneficial owners of registered trusts to be recorded with SARS.

November 2023

- SARS issued a guide to help organisations in understanding the principal requirements for obtaining and retaining approval under section 18A of the ITA. This guide points out prescribed obligations on section 18A approved organisations, requirements to obtain audit certificates, how non-compliance is addressed and when donation receipts can be issued.

February 2024

- SARS introduced the Solar Energy Tax Credit under section 6C of the ITA. This tax credit encourages households to invest in clean electricity generation capacity. However, this section was only available for a limited period of one year, that is, from 1 March 2023 to 29 February 2024.
- In terms of section 95(1)(c) of the TAA, SARS has extended the issuance of estimated-assessments to VAT as a tax type. If a vendor does not provide the relevant material requested by SARS during the VAT verification process, SARS may raise an estimated assessment.

March 2024

- Before 1 March 2024, the ‘conduit pipe’ principle was put in place, allowing a beneficiary of a South African tax resident trust with a vested right to the trust’s income to be taxed on that income in the year it was generated. This meant that the income was taxed in the beneficiary’s hands, regardless of their tax residency, rather than in the hands of the trust itself. However, from 1 March 2024, this principle will only apply to beneficiaries who are South African tax residents. As a result, if a non-resident beneficiary has a vested right to the trust’s income, the income will now be taxed by the South African trust, not the beneficiary. This change brings the taxation of the trust’s income in line with the way capital gains are treated when non-resident beneficiaries have a vested right to them.

April 2024

- SARS announced its preliminary revenue collection outcome for the 2023/24 financial year, noting the following:
  - As at the end of March 2024, SARS collected a record gross amount of approximately R2.2 trillion, and paid out refunds of R414 billion to taxpayers, which is the highest ever quantum in refunds compared to R381 billion in the prior year. This brings the collected net amount to R1.7 trillion which is almost R10 billion higher than the revised estimate.
  - Compared to the 2022/23 fiscal year, total tax revenue increased by R54.2 billion.
  - Under SARS’ Compliance Programme, R91.3 billion of debt was collected from 2.6 million cases, including R420 million from 895,000 outstanding returns.
  - On the litigation front, 110 judgments were handed down in which SARS was successful in 94 cases, resulting in an 84% litigation success rate.
- From 20 April 2024, trusts are now able to submit their disputes through eFiling or by visiting a SARS branch, as opposed to the former manual process that was done using the ADR1 and ADR2 forms.

May 2024

- From 1 May 2024, section 18A-approved entities must provide SARS with their section 18A third-party data submissions. This means that all section 18A-approved entities that have issued section 18A tax deductible receipts to their donors from 1 March 2023 to 29 February 2024 must submit an IT3(d) return to SARS.

July 2024

- SARS announced the withdrawal of Practice Note 31, which addressed the treatment of interest on borrowed funds in relation to deductions allowed under section 11 of the ITA. The withdrawal of Practice Note 31 will be delayed and will coincide with the effective date of section 11G, which is currently proposed to take effect for years of assessment commencing on or after 1 January 2025.

August 2024

- The draft 2024 TALAB and the accompanying memorandum on the objects were published on 1 August 2024 for public comment. Some of the key draft amendments proposed in the TALAB include:
  - The proposed addition of subsection 3 to section 12 of the TAA provides that natural persons may appear on behalf of a taxpayer in the tax court if the president of the tax court is satisfied that such natural person is a “fit and proper” person to appear on the taxpayer’s behalf.
  - A proposed amendment to section 104 of the TAA, which introduces the ADR process at the objection stage of a tax dispute.
  - A proposed amendment to section 109(1)(a) of the TAA to remove the requirement that a senior SARS official and the taxpayer must agree on a matter to be referred to the tax board if it does not exceed the threshold. Rather, it is proposed that a matter will automatically be heard by the tax board in the first instance unless SARS and the taxpayer agree that the matter be heard by the tax court.
  - Where a company fails to appoint a public officer at the time of formation, the proposed amendment to section 246 of the TAA provides for a default rule for senior officials of the company who will be regarded as the public officer in order of priority.
- On 30 August 2024, SARS released Interpretation Note 15, offering guidance on the factors that a senior SARS official will consider when deciding whether to extend the deadline for filing an objection under section 104(4) of the TAA or an appeal under section 107(2) of the TAA.

About the survey and its objectives

In an ever-evolving tax landscape, where SARS holds the reins of fiscal governance, our Taxing Times Survey delves deep into the lived experiences of taxpayers, shedding light on how well SARS is measuring its own strategic objectives. These nine objectives are not mere guidelines but the pillars on which the tax administration's success is built. They range from providing clarity and certainty for taxpayers, to simplifying compliance, to ensuring that non-compliance is met with significant deterrents.

Our survey is more than just an annual exercise—it is a critical lens through which we assess whether SARS is living up to its promise of efficiency, transparency and trustworthiness. The feedback gathered from taxpayers serves as a vital barometer of SARS' performance, particularly in its efforts to modernise its systems, engage stakeholders and build public trust in the tax administration system.

In this report, we present our findings, which offer a candid look at the reality of dealing with SARS. We explore whether taxpayers feel that SARS is succeeding in making tax compliance straightforward, if they experience the clarity and certainty promised, and whether SARS is effectively detecting and addressing non-compliance. Moreover, we analyse how well SARS is managing its resources, whether it is fostering a high-performing workforce, and if its modernisation efforts are genuinely simplifying the tax process.

SARS has demonstrated growing interest in our survey results, which are shared with the organisation annually ahead of this report's publication. This early engagement allows for a more in-depth understanding of the successes and challenges in interactions with SARS, which is subsequently communicated to the organisation for their review and consideration.

Ultimately, this survey is not just about measuring satisfaction; it is about holding SARS accountable to its strategic objectives and ensuring that the taxpayer experience reflects the efficiency and fairness that should be the hallmark of a robust and efficient tax system. As we share these insights with SARS ahead of the report's release, our goal is to ignite meaningful dialogue and contribute to the continuous improvement of South Africa's tax ecosystem.

This survey aims to evaluate how efficiently SARS is meeting these objectives. The findings presented in this report reflect the percentage of participants who responded to specific questions, with some questions being inapplicable to all participants.

As done in previous year, this year's survey was streamlined and the questions focused on the following key areas:

- The Audit Process:
  - Corporate Income Tax
  - VAT
  - Transfer Pricing
- Disputes & the Debt Management Process
- The VDP Process
- SARS' Service Delivery

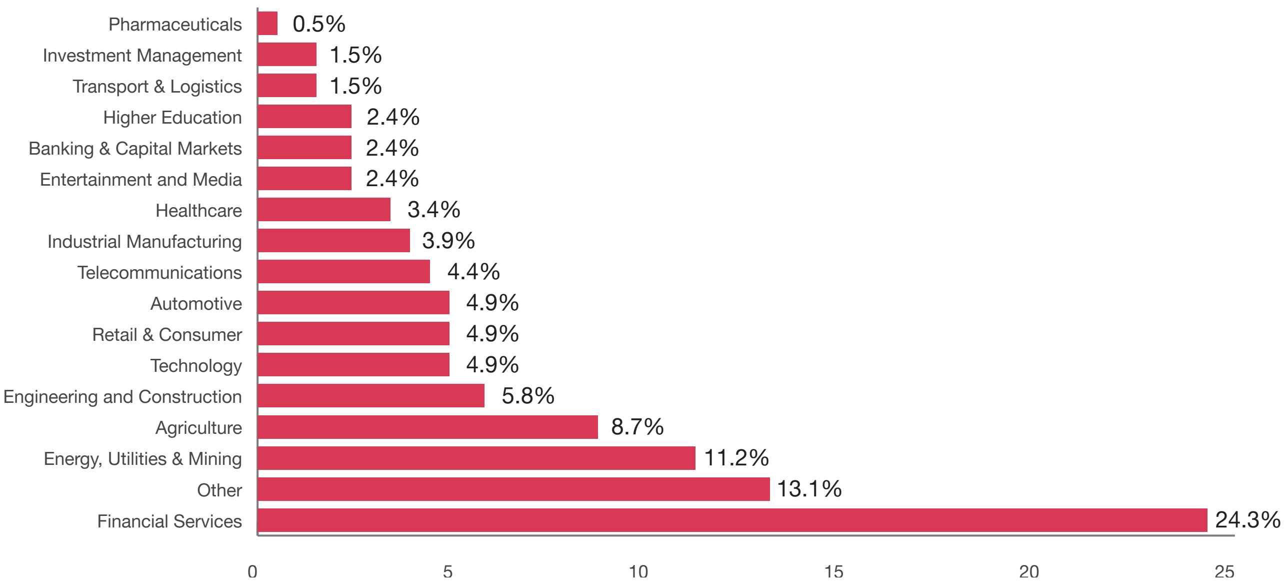
This report includes the questions from the survey, with the outcomes and provides an analysis of the data.

Participant profile

Industries represented

The graph below indicates the industries of the participants in this year's survey. Participants in this year's survey represent 17 industries. As is the case in previous years, the financial services industry attracted the highest participation rate (24.3%) followed by 'other' (13.1%), energy, utilities and mining (11.2%), agriculture (8.7%), engineering and construction (5.8%), technology, retail and consumer, and automotive industries (4.9% each), telecommunications (4.4%), industrial manufacturing (3.9%), healthcare (3.4%), entertainment and media, banking and capital markets, and higher education (2.4% each), transport and logistics, and investment management (1.5% each) and, finally, the pharmaceutical industry (0.5%).

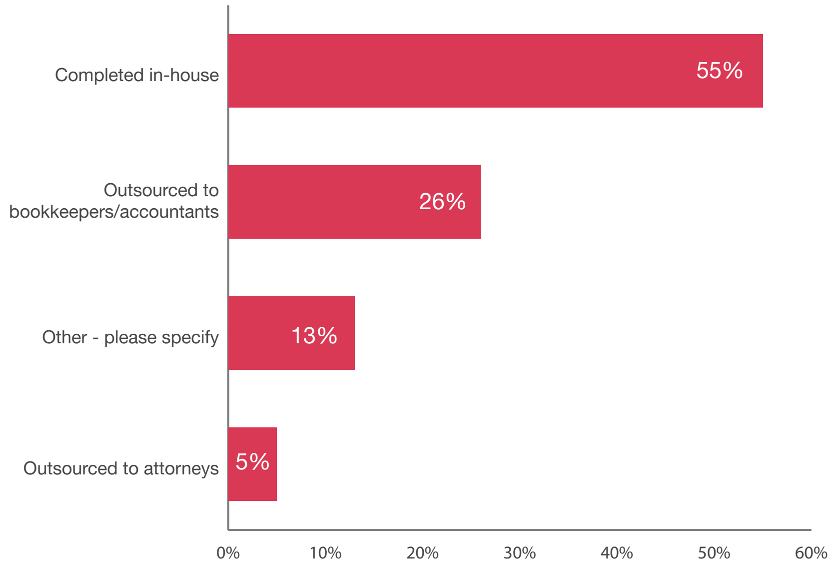
Figure 1: ***Which industries participated in the survey?***



Source: PwC analysis for 2024

The survey was mainly completed by tax managers, tax specialists, tax consultants, company accountants, finance managers, chief financial officers, business analysts, public officers and company directors. We asked participants whether the tax dispute function at their company is completed in-house, outsourced to bookkeepers, outsourced to attorneys or "other". Participants declared the tax dispute function was handled with either a combination of in-house and outsourcing, handled by tax consultancy firms, or handled in-house. In the event of the nature of the dispute requiring specialists, it would be outsourced.

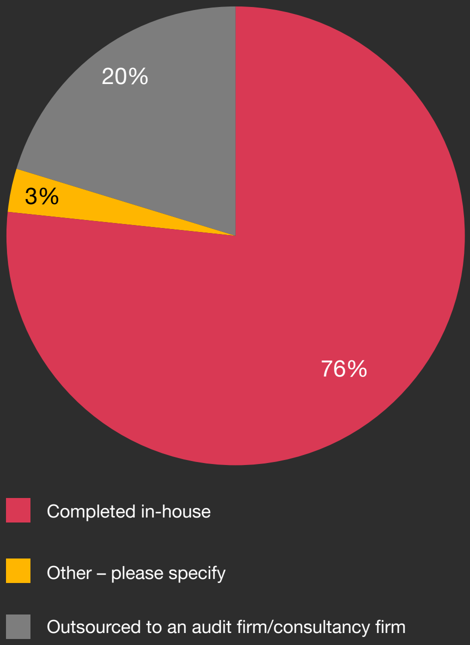
Figure 2: ***How is the tax dispute function completed at your company?***



Source: PwC analysis for 2024

In addition to the above, we also asked participants how their routine tax-filing function is completed and participants indicated overwhelmingly that most of this is conducted in-house. Specifically, 76% of participants indicated that their tax-filing function is completed in-house, 20% indicated that they outsource this function, and 3% selected "other". Participants clarified that "other" included a combination of the use of in-house and consultancy firms to review their tax returns before it is submitted to SARS.

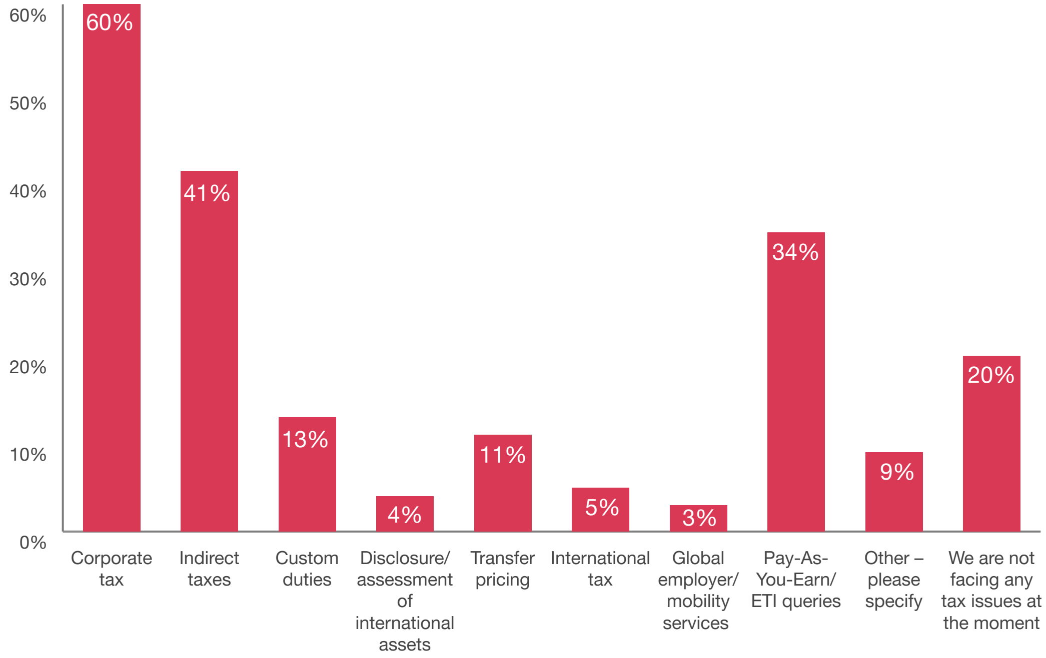
Figure 3: *How is the routine tax-filing function completed at your company?*



Source: PwC analysis for 2024

Participants responded that their companies currently face a wide variety of tax inquiries. The majority of participants indicated that their companies are currently facing CIT tax inquiries from SARS followed by Indirect Tax inquiries and PAYE / ETI inquiries coming in as the third-most popular inquiry being investigated by SARS.

Figure 4: *What are the tax inquiries that your organisation is currently facing? Select all that apply.*



Source: PwC analysis for 2024

The above results are similar to the results seen on a global scale, which confirms that the majority of taxpayers are engaged in CIT disputes, followed by transaction tax and international tax. Additionally, the Global TCDR survey has indicated that 100% of participants confirmed that their organisations have been involved in some form of tax dispute over the past two financial years, indicating that Revenue Authorities, worldwide, are becoming stricter when addressing cases of non-compliance.

The Audit Process – An Overview

Chapter 5 of the TAA addresses SARS' *"information gathering"* processes. SARS may select a taxpayer for inspection, verification or audit (on either a random or risk basis). Once a taxpayer files its tax return, an original assessment is usually issued. The original assessment reflects what the taxpayer declared in its tax return. Following the original assessment, SARS can flag a risk and select the taxpayer for verification and/or an audit.

In either the verification or audit procedures, SARS has the authority to ask for specific financial and accounting records, along with any supporting documentation, from the taxpayer or any third party (such as banks, clients, suppliers and/or any other institutions). This is done to establish the accuracy of the taxpayer's tax declarations to SARS.

Corporate Income Tax

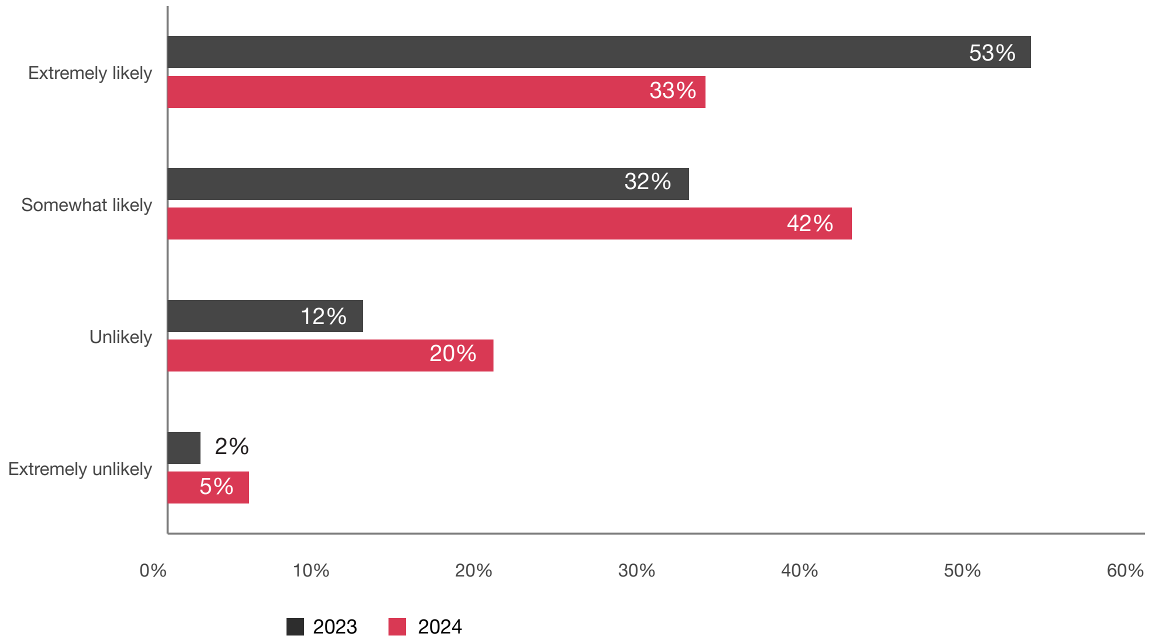
Likelihood of being selected for verification

SARS holds the authority to choose any taxpayer for verification to ensure effective tax administration, whether due to potential risks or other reasons.[2] PwC tested corporate taxpayers' perceptions of the chances of being selected for a verification after they submitted their annual corporate tax returns.

The 2024 results indicate that 33% of participants believe it is extremely likely that they will be selected for verification, compared to 53% in 2023. This shows a decrease in the perception of participants on the likelihood of being selected for a CIT verification in comparison to the prior year's results.

Considering that this year, 33% of participants indicated that they are extremely likely to be selected for verification, and 42% stated that they are somewhat likely to be selected, indicating an aggregate of 75% compared to last year's 85%, it appears that SARS has narrowed its scope of its selection criteria (whether it be random or based on risk). However, given the volumes of verifications being conducted by SARS, the question begs—does SARS have sufficient resources to conduct the verification process adequately and to consider if each taxpayer's information has been submitted properly? In the questions that followed in the survey, PwC asked participants to indicate the time period that it takes (in their experience) for SARS to complete a verification.

Figure 5: ***How likely is SARS to verify your company after the submission of an annual Corporate Income Tax return?***



Source: PwC analysis for 2024

2 *SARS, 2024, Being Audited or Selected for Verification, https://www.sars.gov.za/individuals/what-if-i-do-not-agree/being-audited-or-selected-for-verification/.*

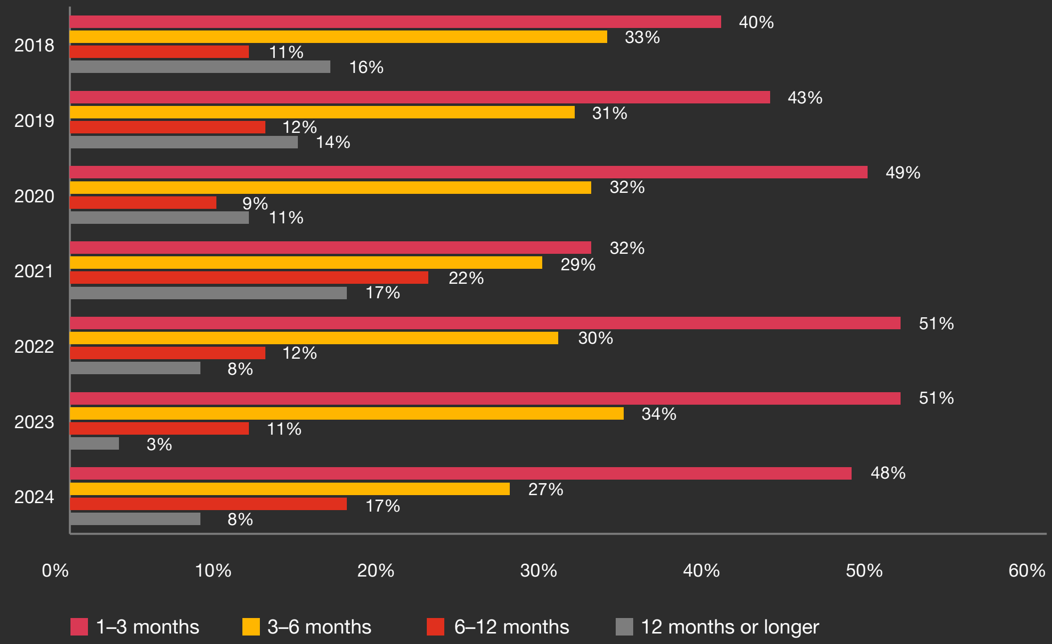
Time taken to finalise a verification process

Similarly to last year's results, 48% of participants indicated that their CIT verifications take between one and three months to complete. Furthermore, 27% of participants indicated that their CIT verification takes between three and six months to finalise, which is an improvement from last year's 34%. Looking at the one to six-month timeframe, 75% of verifications are completed within this period.

In line with the 2022 (8%) results, this year's results also indicate that more participants (8%) are experiencing an extended turnaround time on finalisation of the verification process of '12 months or longer' in comparison to 2023 (3%) and 2021 (17%). Whilst there has been tremendous improvement from 2021 to 2024, the increase in prolonged verifications show a decline in SARS' efficiency when dealing with verifications in 2024 compared to 2023.

Considering that a verification is a broad level review of a return, verifications should be concluded swiftly. We remain hopeful that the time periods in this regard are shortened even more in the year to come.

Figure 6: *In your company's experience, how long does it typically take SARS to complete the verification of a return (excluding audits)?*



Source: PwC analysis for 2024

Time taken to finalise an audit

In a separate question, PwC requested the participants to indicate their experiences with SARS' audits and, more specifically, how long it took for SARS to finalise their CIT audits.

- In respect of the one to three months period and three to six months period, each of these time frames yielded a result of 28% of participants.
- In respect of the six to twelve month time frame, there was a decrease from 28% (for 2023) to 21%.
- In 2024, the results indicate that audits were finalised faster, with a significant improvement in the one to three-month period. This number has increased from 19% (2023) to 28% (2024).

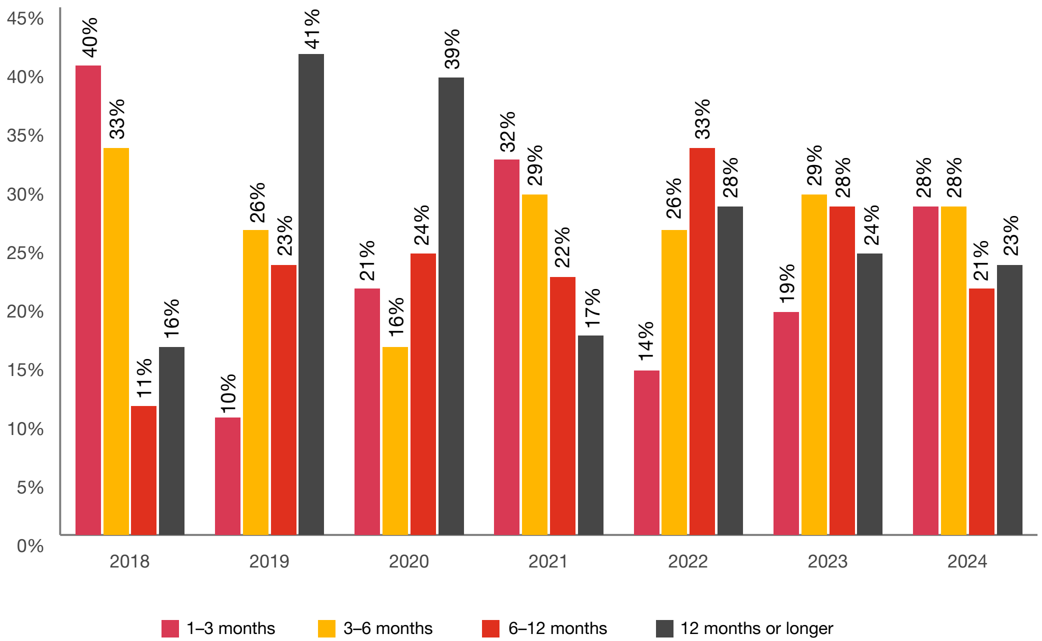
We analysed the results provided by taxpayers registered with LB&I and taxpayers who are not registered with LB&I, and we were able to conclude the following:

- Out of all of the participants who responded to this question, 46% of these participants are registered with LB&I.
- Of the participants who indicated that their CIT audits were resolved in one to three months, only 33% of these participants were registered with LB&I, whilst 67% were not. This indicates that participants who were not registered with LB&I, and who did not have designated relationship managers, actually had their audits finalised in a shorter timeframe than those registered with LB&I.
- Of the participants who indicated that their CIT audits were resolved in three to six months, the results were fairly similar, with 51% of participants being registered with LB&I, and 49% of participants not being registered with LB&I.
- Of the participants who indicated that their CIT audits were resolved in six to twelve months, our analysis indicated that significantly more LB&I taxpayers (75%) had their audits finalised in this timeframe, compared to those who are not registered with LB&I (only 25%).

Considering the above results, it can be argued that SARS' recruitment drive for specialist skills is still maturing and, therefore, more promising results should become more visible going forward. Furthermore, taxpayers may be experiencing drawn-out audits due the capacity constraints of staff members of SARS with the necessary knowledge to finalise complex audits. As further evident below, under the section on SARS' service delivery, taxpayers who are registered with LB&I have mentioned that they believe their designated relationship managers are inundated with their caseload. Whatever the reason, a delay in audit finalisation can result in additional costs and uncertainty for taxpayers which is an area that SARS should seek to avoid.

Our Global TCDR survey also indicated that CIT disputes and audits take an exorbitant amount of time to be finalised, with a majority of participants indicating that their CIT disputes take one to three years to finalise. The extended timeframe to resolve audits and tax disputes occurs under the European Tax Authority, as a majority of participants indicated that the finalisation of their disputes by the European Tax Authority takes one to three years to be finalised, followed by the three-to-seven year timeframe.

Figure 7: ***In your company's experience, how long does it take SARS to complete an audit (usually done post verification audit)?***



Source: PwC analysis for 2024

Issuing of progress reports

Public Notice 788 (issued on 1 October 2012) read with section 42(1) of the TAA compels SARS to issue progress reports every **90 calendar days**. The purpose of this report is to keep the taxpayer informed during the audit process. Such a report should include a description of the current scope of the audit, the stage of completion of the audit and relevant materials still outstanding from the taxpayer. Whilst progress reports are issued by SARS during an audit (as opposed to a verification), it should be noted that the issuing of progress reports is a legislative duty upon SARS.

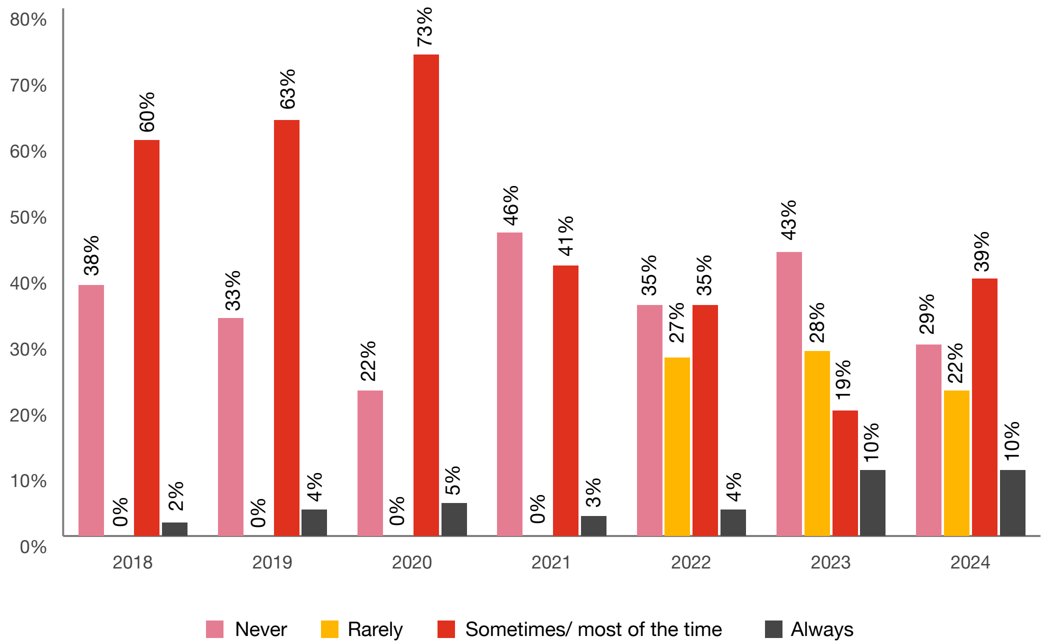
Participants were asked whether a progress report was sent every 90 days during the last audit. The participants indicated the following:

- Always – 10% (2024), 10% (2023), 4% (2022), and 3% (2021). The 2024 results remained consistent with 2023, however, there is still an increase in comparison to 2021 and 2022.

- Sometimes/most of the time – 39% (2024), 19% (2023), 35% (2022), and 41% (2021). This is a significant increase in comparison to results from previous years.

In our experience progress reports tend to be templates, with no substance, which gives little indication of the progress of the audit. Similar to last year, the survey results remain concerning, considering the fact that more than half of the participants indicated that they rarely, if ever, receive progress reports from SARS. This is detrimental to SARS' Vision and Strategic Plan, especially considering that progress reports form part of SARS' duties to uphold section 33 of the Constitution, which provides for lawful, reasonable and procedurally fair administrative action by a public body.

Figure 8: *During the company's last audit, did SARS send progress reports (every 90 calendar days) during the audit process?*



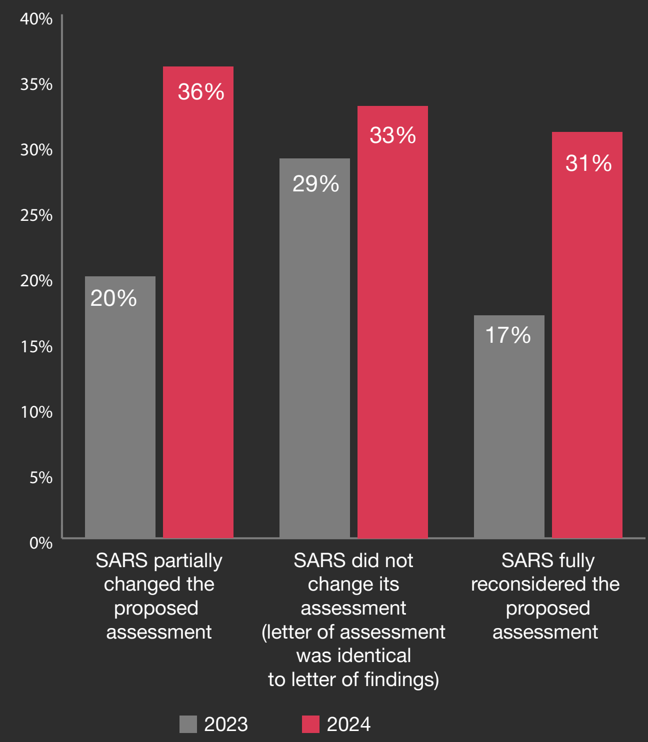
Source: PwC analysis for 2024

Audit Findings Letter

In terms of section 42 of the TAA, SARS is obliged to deliver a Letter of Audit Findings, setting out SARS' factual and legal grounds for its proposed assessment once the audit is finalised. The taxpayer, in turn, has the right to respond to the Letter of Audit Findings (usually within 21 days) outlining its representations (legal, technical or administratively/procedurally, etc) of its tax position, by either agreeing or disagreeing or partially agreeing or disagreeing with SARS' findings. SARS must consider these representations in full before issuing assessments.

Only 31% of participants this year indicated that SARS **fully reconsidered** its basis/proposed assessment compared to 26% in 2023. Further, this year 33% of participants indicated that SARS **did not** reconsider its basis/proposed assessment. This is a decrease from the 44% reported in 2023 which speaks to SARS' increased confidence in its basis/proposed assessments requiring taxpayers to formally object when an incorrect assessment was issued.

Figure 9: *If your company responded to a letter of audit findings from SARS, did SARS reconsider its basis in relation to the proposed assessments?*



Source: PwC analysis for 2024

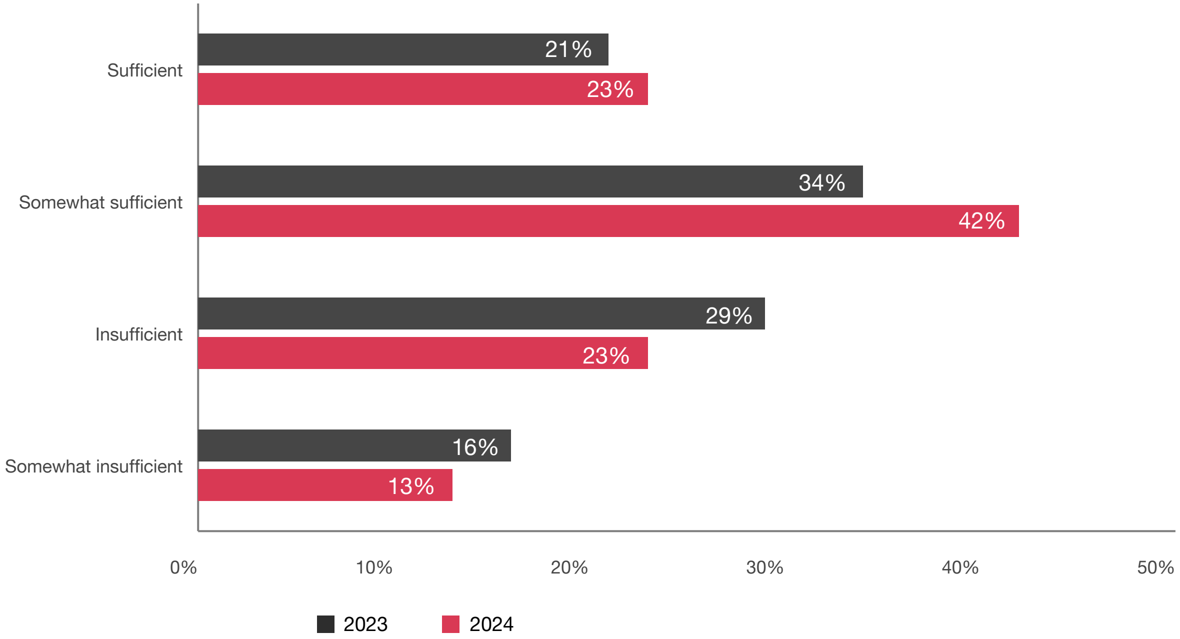
Letter of Assessment

After SARS has reviewed and considered the taxpayer's response to the Letter of Audit findings, SARS must provide the taxpayer with a Letter of Assessment/ Finalisation of Audit Letter. The Letter of Assessment should include the grounds of assessment, as well as the amounts of the assessment or indicate if no adjustments were made. The grounds of assessment must include the basis of the adjustment(s) and SARS must outline the factual and legal grounds upon which it relies for the imposition of understatement penalties. Again, this obligation ensures fair treatment towards taxpayers and should enable a taxpayer to understand SARS' reasoning in raising its assessment/s. The grounds of assessment should also place a taxpayer in a position to either accept or object to the assessment.

In this year's survey, 23% of participants indicated that SARS provided '*sufficient*' grounds to understand the basis for the assessment raised compared to 21% in 2023. On the other hand, 42% of participants indicated that the grounds of assessment as set out by SARS were '*somewhat sufficient'* compared to 34% in 2023.

In aggregate, 65% of participants indicated that SARS provided sufficient explanations (grounds) to understand the basis for the assessment raised (2023: 55%). On the other hand, 36% of participants indicated that SARS supplied either '*somewhat insufficient*' or *'insufficient'* grounds to understand the basis of the assessment, which is a decrease from the 45% identified in 2023. This is a significant improvement and we encourage SARS to continue improving on the quality of grounds provided. It assists taxpayers in understanding assessments issued and making informed decisions in considering options available in terms of next steps.

Figure 10: *If your company were audited by SARS in the past year, did SARS' finalisation of the audit letter provide sufficient explanations (grounds) to understand the basis for the assessment raised by SARS?*



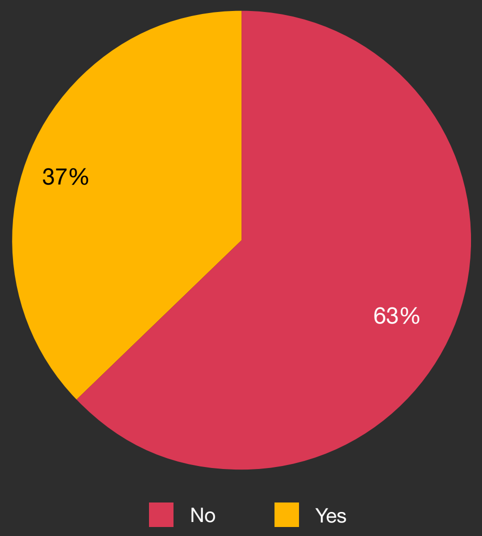
Source: PwC analysis for 2024

Understatement penalties

During an audit and in the case where there is a prejudice to the fiscus, SARS carries the onus to ensure that the correct behaviour category of section 223 of the TAA and commensure percentage penalty is selected in respect of the taxpayer. The Letter of Assessment must make clear reference to whether SARS has raised USP and under which category of behaviour.

In 2024, we introduced a new question to gauge SARS' affinity to impose USP's. Thirty-seven percent of participants indicated that SARS had raised USP, whilst 63% of participants indicated that SARS did not raise USP.

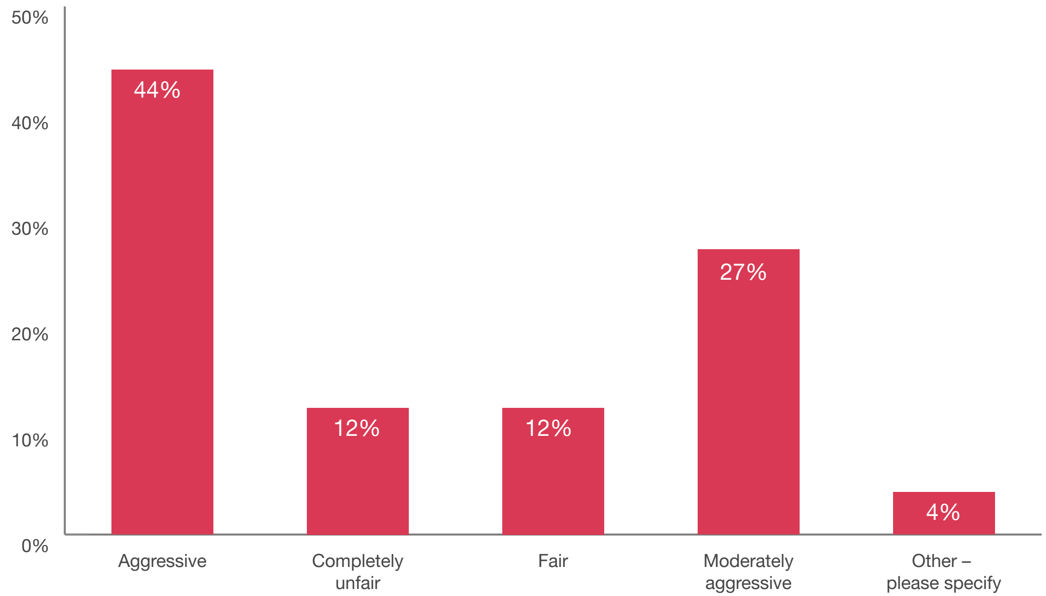
Figure 11: *Has SARS ever raised a USP in terms of the table in section 223 of the TAA against your company?*



Source: PwC analysis for 2024

In a new question to participants, 44% of participants indicated that SARS is aggressive when levying USP, whilst 27% of participants indicated that SARS is moderately aggressive in raising USP. An aggregate of 24% of participants indicated that USP's raised by SARS were fair or completely fair, and 4% of participants indicated that USP was raised based on an incorrect understanding of the taxpayers' information.

Figure 12: *Does your organisation perceive SARS as being aggressive in raising a USP, in terms of the table in section 223 of the TAA, in relation to the particular behaviour that they deem a corporate taxpayer to be guilty of?*



Source: PwC analysis for 2024

Section 93 of the TAA: Application for a Reduced Assessment

Section 93 permits SARS to reduce or withdraw an assessment based on specific circumstances, even after it has become final. Taxpayers may also use this mechanism to correct errors in their assessments. Section 93 of the TAA sets out the circumstances where SARS may make a reduced assessment.

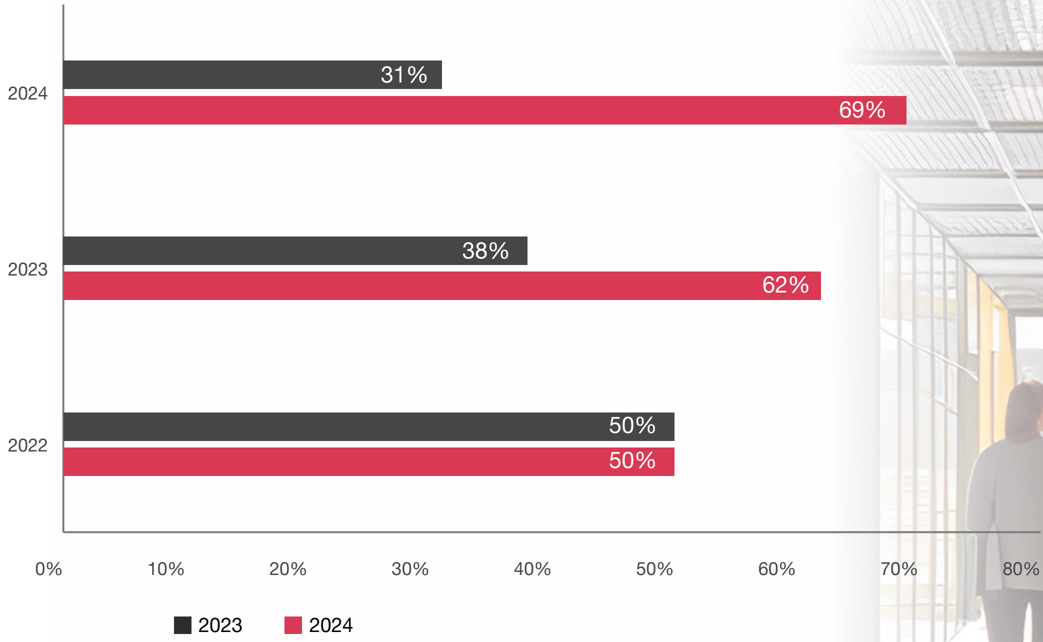
SARS may make a reduced assessment:

- Where the taxpayer successfully disputed the assessment under Chapter 9 of the TAA (Dispute Resolution)
- Where it is necessary to give effect to a settlement or a judgment pursuant to an appeal where there is no right to further appeal (Part F and E Chapter 9)
- Where there is a readily apparent undisputed error in the assessment by SARS or the return of the taxpayer
- Where a senior official of SARS is satisfied that the assessment was based on: the failure to submit a return, the submission of an incorrect return by a third party or an employer, a processing error by SARS or an assessment was based on a return that a person unauthorised by the taxpayer fraudulently submitted
- The taxpayer in respect of whom an assessment has been issued under section 95(1) of the TAA requests SARS to issue a reduced assessment under section 95(6)

SARS may reduce an assessment even though no objection has been lodged or an appeal noted. A reduced assessment will always be in the favour of the taxpayer.

In 2024, 69% of participants indicated that they were successful with their application for a reduced assessment, which is an increase compared to the 62% in 2023. One of the criteria which a taxpayer needs to satisfy in order for a section 93 application to be granted is to show evidence that there is a "readily apparent undisputed error". The 2024 results are an indication that taxpayers have improved their accurate articulation of a readily apparent undisputed error being in place, with the result of a reduced assessment in the taxpayer's favour.

Figure 13: *Has your company been successful with a reduced assessment application, in terms of section 93 of the TAA?*



Source: PwC analysis for 2024

Value-Added Tax

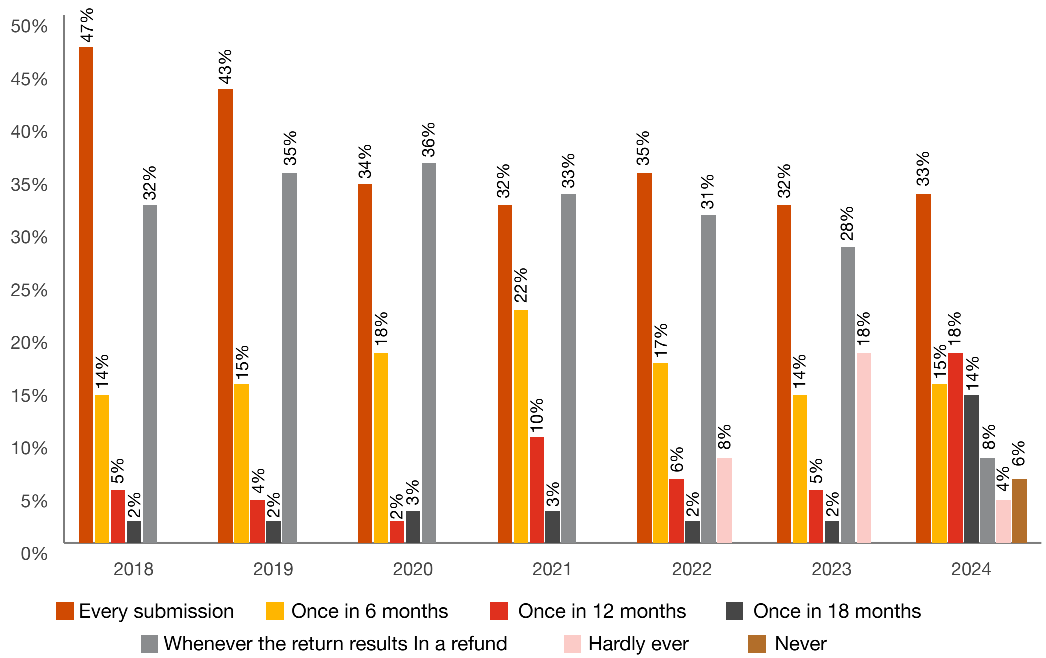
The payment of VAT refunds may pose a risk to SARS due to dishonest taxpayers who cause unauthorised VAT refunds to be paid by SARS. Therefore, to SARS, the VAT verification process is a critical component to ensure that VAT vendors declare VAT outputs correctly and claim input VAT only when allowed.

However, for those VAT vendors who play by the book, these refunds have a crucial impact on their cash flow and the delays in the payment of refunds due to SARS' verification process can have a significant impact on these VAT vendors and businesses. Effective tax management therefore strikes a balance between the rights of taxpayers and SARS.

Selection for VAT201 verification

In 2024, 33% (32% in 2023) of participants reported being selected for verification every time they submit a VAT201 return, while 8% (28% in 2023) indicated they were selected for verification whenever the return results in a refund. Based on this year's findings, we can see that there has been a significant decrease in participant perception that they will be selected for a verification when their VAT201 results in a refund. This year we introduced a new response category of 'never'. However, even with the inclusion of this option, in comparison to previous years, the selection of the "hardly ever" option has substantially decreased. This could be due to SARS' automated system.

Figure 14: *How often do your company's VAT201 returns get verified?*



Source: PwC analysis for 2024

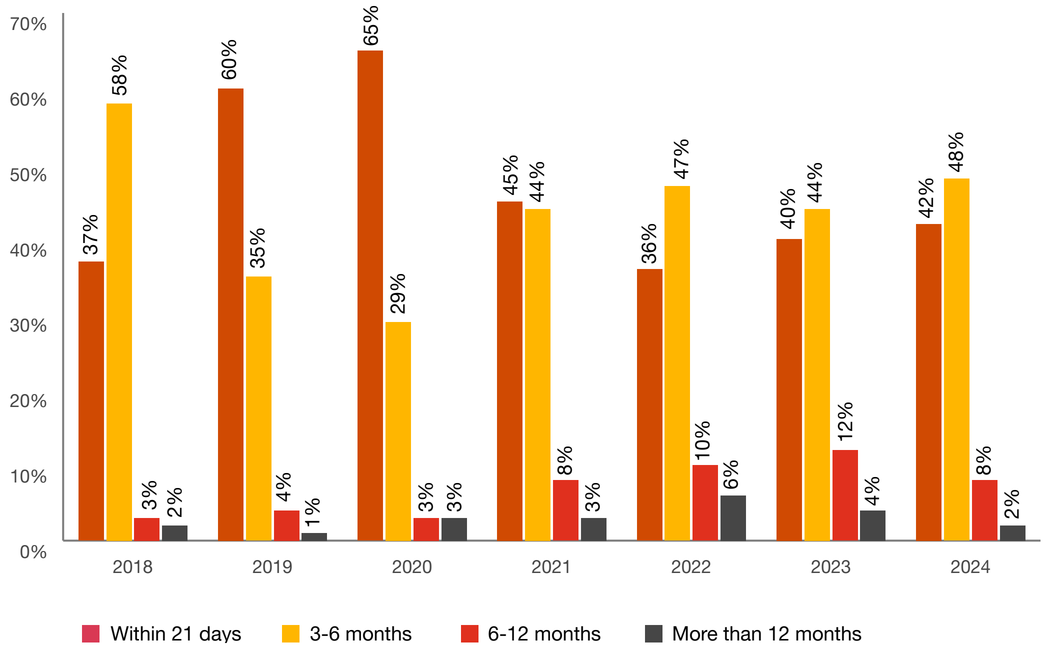
SARS has in the past few years reported an increased reliance on third-party data, which may have an impact on the statistics we noted during this year's survey. There is a possibility that specialised algorithms used in SARS' risk engine may be more sensitive to changes, which will inevitably result in an increase in the number of verifications performed. Additionally, it is important for taxpayers to note that SARS' automated system for selecting VAT returns for verification is based on a risk assessment process. In our experience, the system uses a combination of criteria and algorithms to identify returns that may warrant further scrutiny. Below we list indicators which are used:

- The system profiles taxpayers based on various risk factors. These factors might include the taxpayer's filing and payment history, industry norms, the amount of VAT claimed or payable, and discrepancies between the VAT return and other information available to SARS.
- Advanced data analytics are employed to detect anomalies or patterns that deviate from the norm. For example, if a taxpayer's VAT claim is significantly higher or lower than usual, or if it deviates from the industry average, the return might be flagged.
- The system cross-references the VAT return with other data sources, such as third-party information, import/export data and previous tax returns. Inconsistencies or mismatches can trigger a verification process.
- In addition to risk-based selection, SARS may also randomly select a certain number of VAT returns for verification.
- Specific flags within the system, such as unusually large refund claims or irregularities in input tax claims, can automatically trigger a verification process.

VAT verifications

The results of this year's survey show a slight decrease in the turnaround time for the finalisation of VAT verifications compared to previous years. This year, 42% (40% in 2023) of participants said their verifications were completed within 21 days. Only 2% of participants indicated that their verifications took more than 12 months to complete, compared to last year's 4%.

Figure 15: ***When submitting documentation in support of a VAT verification, how quickly does SARS finalise the verification?***



Source: PwC analysis for 2024

Payment of VAT refunds

VAT refund is a portion of VAT that is payable by SARS to a VAT vendor where the total amount of VAT charged on the acquisition of goods exceeds the total VAT charged (whether it be at standard rate or zero-rate) on the supply of goods or services for a tax period or when a vendor has made an erroneous overpayment.

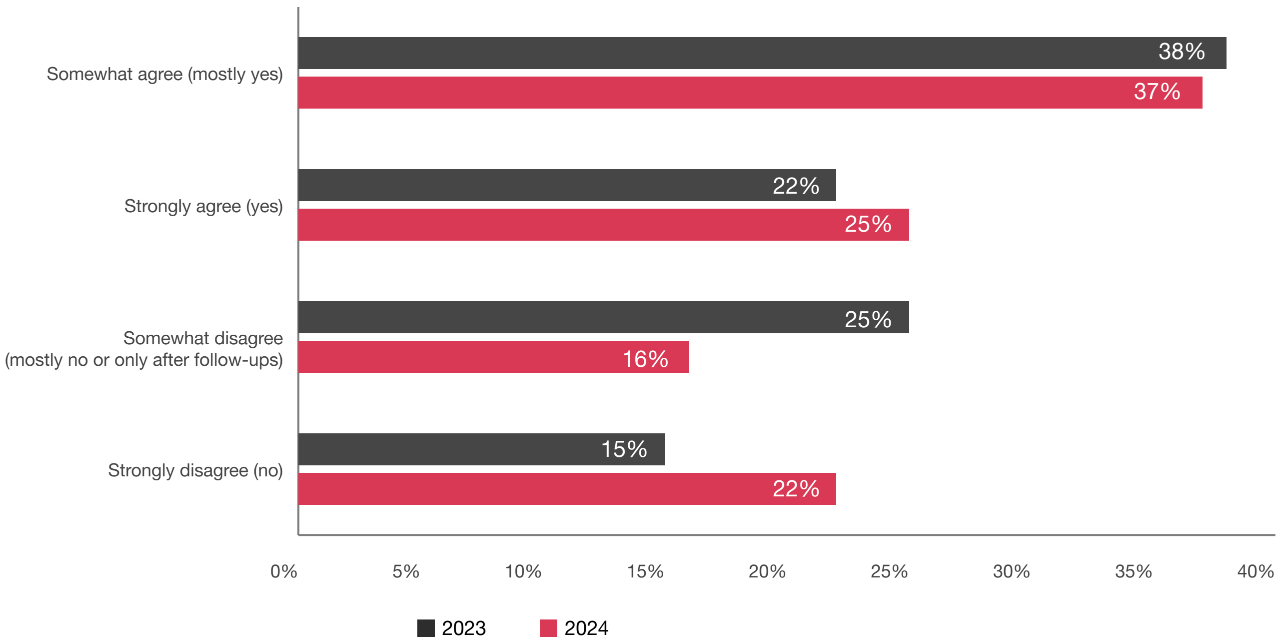
According to SARS' website,[3] SARS may withhold a refund until:

- SARS is satisfied that an incomplete or defective return does not affect the refund amount
- The vendor provides banking details
- A verification, inspection or audit of the refund has been finalised, unless acceptable security has been provided

We requested participants to indicate what their experience was with regard to the timeframe in which SARS pays out refunds. The graph illustrates instances where SARS has released a refund within 21 days (an aggregate of 62% (60% in 2023)) and instances where SARS do not make payment of refunds within 21 days or only after follow-up enquiries from taxpayers (an aggregate of 38% (40% in 2023)). Overall, it seems like there is a steady climb in terms of SARS' refund improvement time frame which we trust will continue.

3 *SARS, 2024, VAT refunds for vendors, https://www.sars.gov.za/types-of-tax/value-added-tax/vat-refunds-for-vendors/*

Figure 16: ***Did your company's VAT refund get paid within 21 days from submitting a return or receiving a notice from SARS indicating that a VAT verification has been completed?***



Source: PwC analysis for 2024

Transfer Pricing

The BEPS action plan was adopted by the OECD[4] and G20 countries[5] in 2013, which included South Africa, to address the mismatches across numerous countries' tax systems.[6] The BEPS project established the framework for development of CbC reporting.

Multinational entities are required to report on their operations in each nation in which they operate under CbC reporting. These reports will allow revenue authorities to examine ***inter alia*** transfer pricing concerns in the respective nations.[7]

Since October 2017, SARS, like many tax authorities worldwide, has intensified its focus on audits and reviews related to transfer pricing risks, a trend we expect will persist. On 17 January 2023, SARS issued an interpretation note titled ***"Determination of the Taxable Income of Certain Persons from International Transactions: Intra-group Loans".*** This note aims to guide taxpayers on applying the arm's length principle specifically in the context of intra-group loans.

In recent years, it has become evident that SARS has placed significant emphasis on transfer pricing. Transactions and group structures that fall under transfer pricing are often highly complex, requiring a detailed analysis of each case based on its unique circumstances. Due to the technical nature of these audits, they typically take longer to conclude. Furthermore, on 1 April 2022, SARS acknowledged that the initiative to develop and apply transfer pricing audit skills was disrupted when the former Large Business Centre was dismantled, leading to the dispersion of transfer pricing audit teams. Under previous leadership, SARS' cooperative relationships with other tax jurisdictions also suffered, significantly weakening its ability to address transfer pricing and BEPS risks. However, SARS has reported a gradual enhancement of its internal capabilities in this area.

Looking forward, the implementation of the OECD's Pillar 2 framework, which introduces a global minimum tax rate, could have significant implications for South Africa's tax landscape, particularly in transfer pricing compliance and cross-border transactions. Additionally, APAs are anticipated to provide more clarity and predictability for taxpayers regarding transfer pricing matters, thereby potentially reducing the duration and complexity of transfer pricing audits.

In the context of transfer pricing, multinationals should assess their transfer pricing policies, properly document transactions/decisions, and be audit-file ready to avoid costly and resource-intensive SARS investigations that could result in unnecessary conflicts. Taxpayers who conduct cross-border transactions must have supporting documents readily available in the case of a transfer pricing audit.

4 *The OECD is an international organisation that promotes policies to improve the economic and social well-being of people around the world.*

5 *The G20 is a forum of the world's largest economies, including 19 countries and the European Union, that collectively represent around 85% of global GDP and 75% of international trade. The G20 includes both advanced economies and emerging economies.*

6 *SARS, 2024, Country-by-Country(CbC), https://www.sars.gov.za/types-of-tax/corporate-income-tax/country-by-countrycbc/.*

7 *SARS, 2024, Country-by-Country(CbC), https://www.sars.gov.za/types-of-tax/corporate-income-tax/country-by-countrycbc/.*

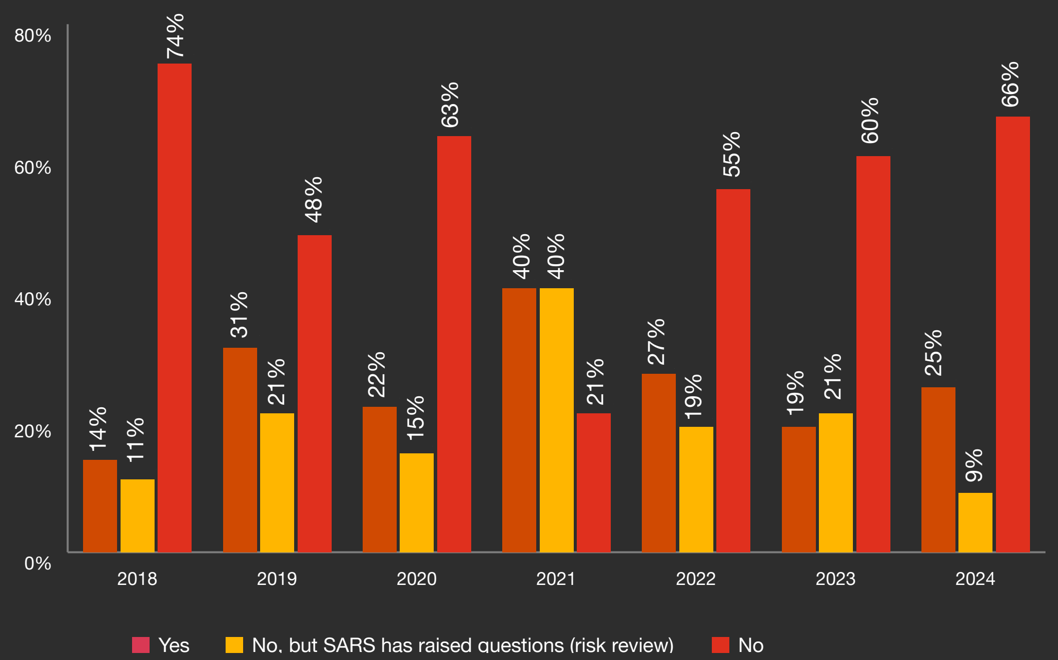
Company transfer pricing policy

In this year's survey, 35% of participating companies indicated that they conduct cross-border transactions where transfer pricing would be applicable, demonstrating a 5% decrease from the previous year's results.

Frequency of transfer pricing audits

This year's results have indicated a 6% increase in the number of participants who reported being selected for a transfer pricing audit (25% in 2024 and 19% in 2023). Whilst only 9% of participants said that they were **not chosen for an audit, SARS had raised some questions** in the form of a preliminary risk assessment, which is an 11% decrease from last year. As a result, it must be noted that transfer pricing remains an important item on SARS' audit agenda.

Figure 17: *Has your company been subjected to a SARS audit relating to transfer pricing?*



Source: PwC analysis for 2024

Experience of transfer pricing audits

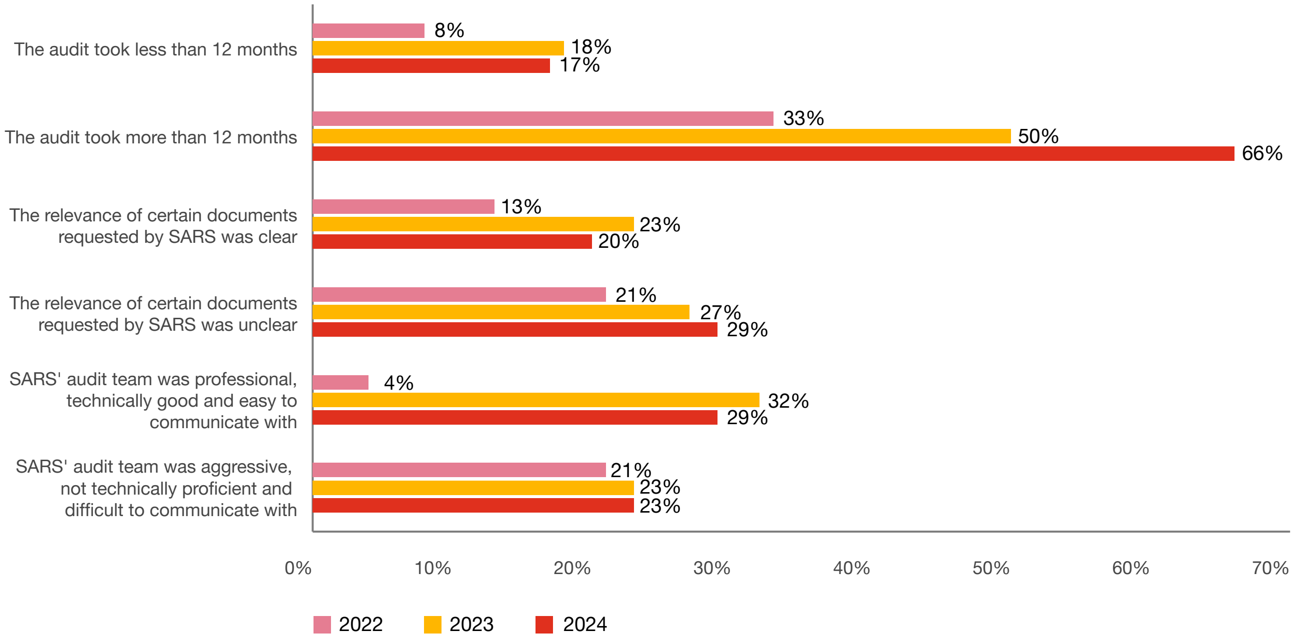
We asked participants to share their experience when dealing with a transfer pricing audit by selecting one or more of the following experiences:

- The audit took less than 12 months
- The audit took more than 12 months
- The relevance of certain documents requested by SARS was clear
- The relevance of certain documents requested by SARS was unclear
- SARS' audit team was professional, technically good and easy to communicate with
- SARS' audit team was aggressive, not technically proficient and difficult to communicate with

This year, 17% (18% in 2023) of participants indicated that SARS took less than 12 months to complete the transfer pricing audit. It is, however, noted that 66% (50% in 2023) of participants indicated that SARS took more than 12 months to finalise the transfer pricing audit. This is a significant increase and could speak to a SARS skills and capacity shortage in this focus area.

We found that 29% (27% in 2023) of participants indicated that the relevance of certain documents requested by SARS was unclear. Additionally, another 29% of participants (32% in 2023) indicated that SARS' audit team was professional, technically good and easy to communicate with.

Figure 18: *Please select all the options that describe your company's experience with transfer pricing audits i.e. the duration of these audits and the clarity of documents required by SARS audit team.*



Source: PwC analysis for 2024

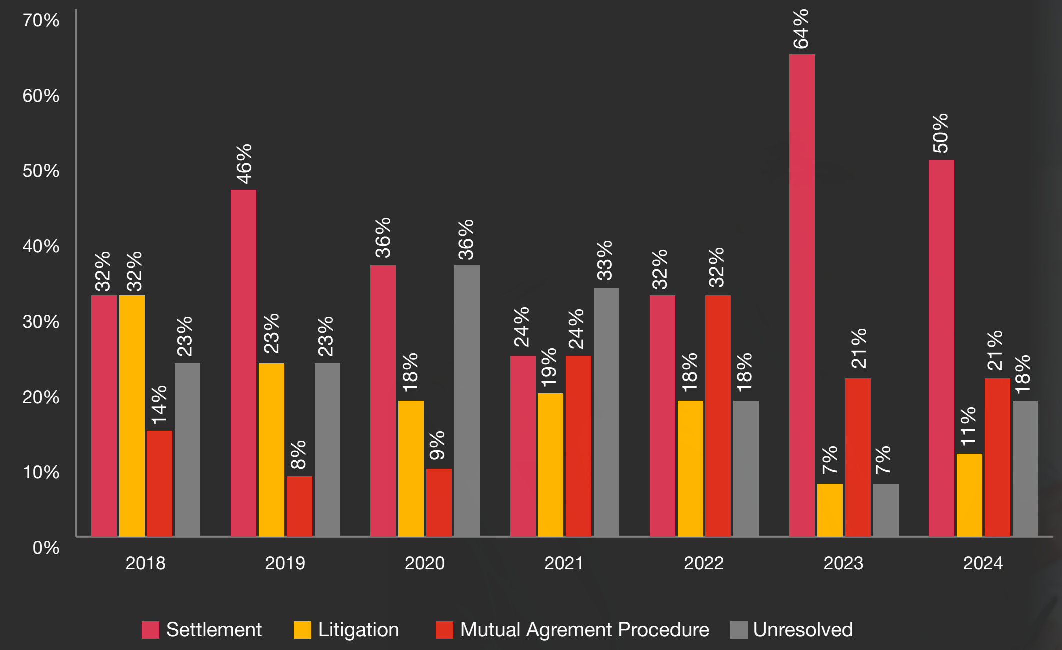
To summarise, participants indicated a slight reduction in audit time (1% improvement), a decrease in the professionalism of the team (3% reduction) and an increase in the clarity of documents requested by SARS (2% improvement). Unfortunately, this indicates that taxpayers' experience with transfer pricing audits has not necessarily improved since 2023.

Of the types of transfer pricing disputes experienced by participants, 48% indicated that the disputes relate to the type of transaction (i.e. issues caused by tangible and intangible goods, services, products, interests or royalties), whilst 52% indicated that the disputes were methodology-based (i.e. varying methods used by different countries for calculations).

Transfer pricing audits

This year's survey results indicated that transfer pricing disputes still appear to be continuing to migrate away from hearings in court, towards settlement processes. The decrease in litigation could be indicative of an improved climate for settlements and parties' reluctance to go to court over transfer pricing disputes, which are usually drawn out and costly, or it could be an indication that neither party wants to pursue transfer pricing matters in court because they are highly technical, complex and expensive. However, there has been an increase in the number of unresolved transfer pricing audits from 7% in 2023 to 18% in 2024.

Figure 19: ***If your company received a transfer pricing audit query, how was it resolved?***



Source: PwC analysis for 2024

Disputes and the Debt Management Process

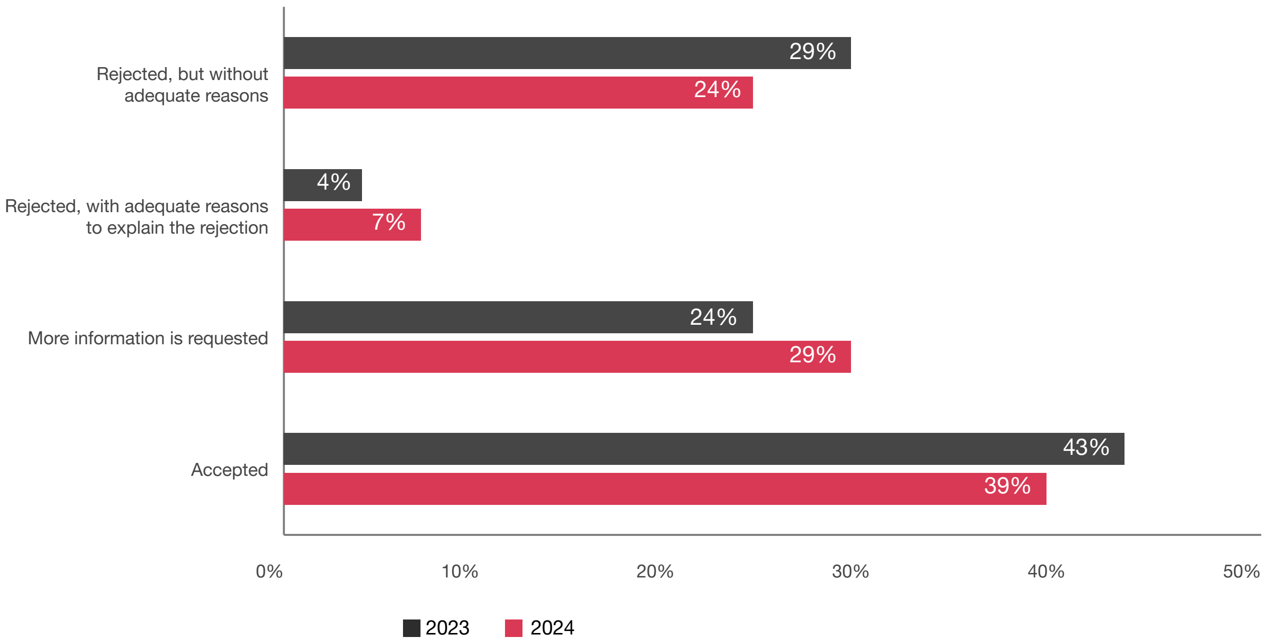
SARS' debt management function can be used in cases where there is no dispute between a taxpayer and SARS, as well as being used parallel to the dispute resolution process. Raising a dispute via an objection or appeal does not automatically suspend a taxpayer's obligation to pay the liability as reflected in SARS assessment (the "pay now, argue later" principle finds application in this regard). Section 164 of the TAA provides some relief in that a request for suspension of payment may be made by a qualifying taxpayer where an amount is in dispute with SARS.

Response to suspension of payment requests

The 2024 results have indicated that 39% of participants reported that their request for suspension of payment was accepted. This is a 4% decrease from last year's 43%.

On the other hand, 24% of participants indicated that SARS has rejected their request for suspension **without adequate reasons**. This year saw an improvement from the previous years' results (29% in 2023).

Figure 20: *When submitting a 'suspension of payment' request (section 164 of the TAA) to SARS, pending a dispute, what response was received from SARS? The suspension of payment was…*

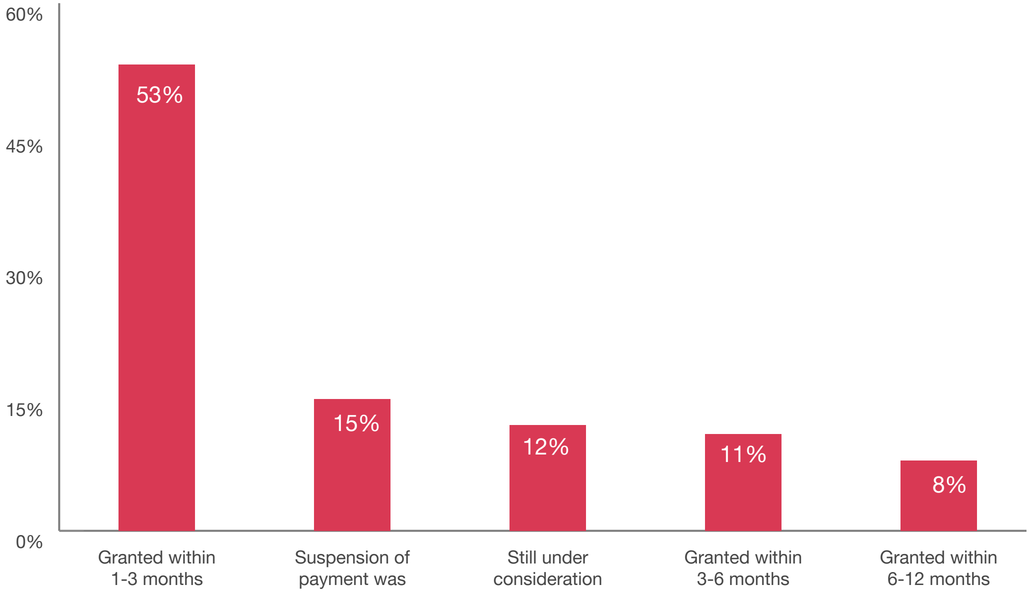


Source: PwC analysis for 2024

Time to process suspension of payment

An overwhelming 53% of participants indicated that their suspension of payment was granted within one to three months, which is a major improvement for SARS.

Figure 21: *How quickly and efficiently did SARS process the suspension of payment?*



Source: PwC analysis for 2024

Alternative Dispute Resolution

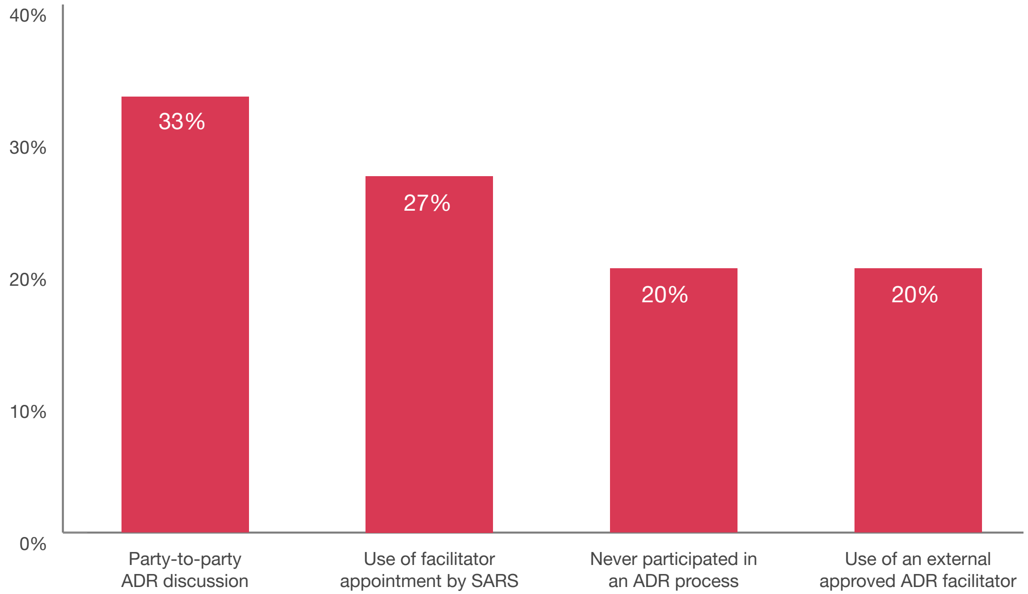
Chapter 9 of the TAA and the rules promulgated under section 103 thereof provide the legal framework for dealing with disputes across all tax types found in the various tax Acts administered by SARS, excluding the Customs and Excise Acts.[8]

The ADR process offers taxpayers a more conciliatory approach (in the form of a quasi mediation) and flexible way to resolve disputes with SARS without resorting to formal litigation. It involves the appointment of a neutral facilitator who helps both parties negotiate and reach a mutually acceptable settlement. This process is designed to be more cost-effective and quicker than going to the tax board or tax court, providing an alternative to the traditional, often lengthy and costly, legal proceedings.

The primary purpose of ADR is to promote fairness and efficiency in the resolution of tax disputes. By facilitating open discussions and negotiation, ADR aims to reduce the burden on both the taxpayer and SARS, ensuring that disputes are settled in a manner that is both just and timely. It also allows for more creative and tailored solutions, fostering a cooperative relationship between taxpayers and SARS while maintaining confidentiality throughout the process. We note that, as per the proposed amendments under the draft 2024 TALAB, SARS aims to introduce ADR at the objection phase as early as 2025. We look forward to seeing how this will impact the results in next year's survey.

We asked participants whether they have ever made use of the ADR mechanism in order to resolve their disputes. The results indicate that only 31% of participants have used the ADR process. Of those who used ADR, several options are available to taxpayers, particularly party-to-party ADR discussions, the use of a facilitator appointed by SARS or the use of an external approved ADR facilitator. As per the below graph, 33% of participants indicated that party-to-party ADR discussions worked better in resolving their tax disputes.

Figure 22: *In your company's experience, which option worked out better for your company during the ADR process?*



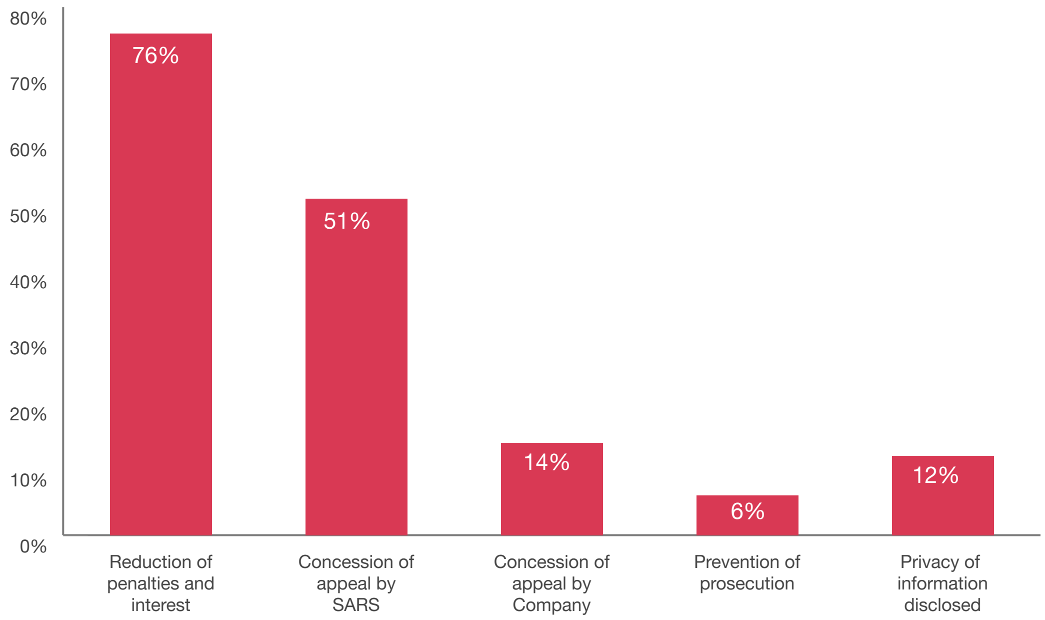
Source: PwC analysis for 2024

8 *SARS, 2024, Dispute Resolution Process, https://www.sars.gov.za/legal-counsel/dispute-resolution-judgments/dispute-resolution-process/.*

Benefits of the ADR process

Participants were asked which of the benefits of the ADR process they have experienced and were given the opportunity to select all applicable options. In this regard, 76% of participants indicated that ADR assisted them in reducing penalties and interest and 51% indicated that ADR assisted them in the granting of an appeal by SARS. In comparison, only 14% of participants had to concede to the appeal against SARS.

Figure 23: ***Which of the following benefits of the ADR mechanism has your company experienced? (select all that apply)***



Source: PwC analysis for 2024

Voluntary Disclosure Programme

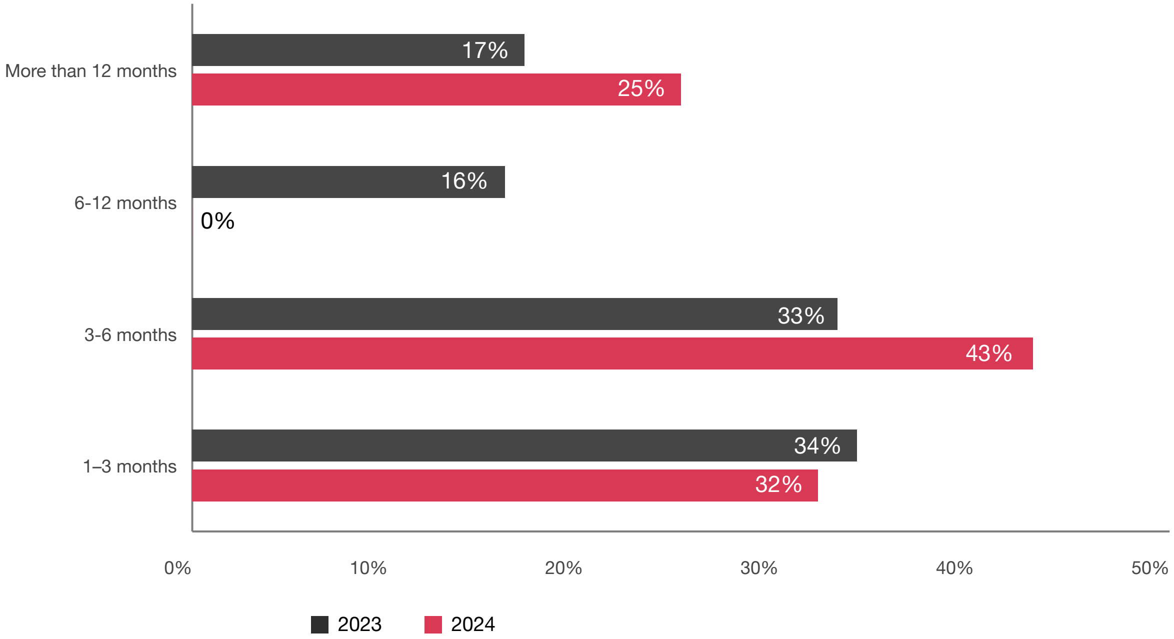
SARS has made provision for taxpayers to voluntarily disclose defaults or understatements in prior years and make full disclosure of their tax affairs to SARS. The VDP is also a tool which enables taxpayers to ensure that their historic tax records are accurate. Not only does the VDP grant protection to taxpayers against criminal prosecution and relief of certain penalties, but it is also a valuable means of revenue collection for SARS. The VDP process is also now codified in the TAA and therefore a permanent part of the process.

On 2 April 2024, Commissioner Edward Kieswetter announced, in his preliminary revenue collection speech, that SARS had finalised 1,435 VDP applications which contributed to R3.5 billion in revenue.

VDP applications

This year, 29% of survey participants said they had made use of the VDP process, which indicates a slight decline compared to the previous year's 35%. On a positive note, 43% of participants reported that their VDP application was finalised within 3-6 months, which indicates a 10% increase in the turnaround time to process a VDP application from last year's 33%. There was, however, a slight increase in the VDP applications that took longer than 12 months to finalise.

Figure 24: *What is the current turnaround time for a VDP application to be finalised?*



Source: PwC analysis for 2024

VDP applications denied

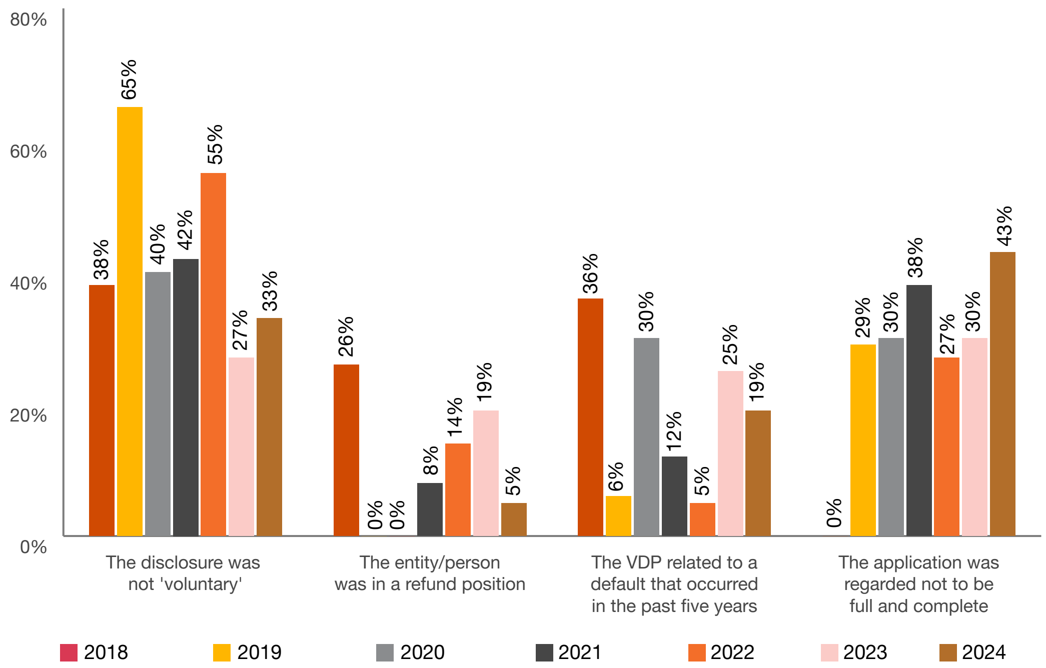
Section 227 of the TAA provides the requirements for a valid voluntary disclosure. These requirements are:

- The disclosure must be voluntary
- The disclosure is full and complete in all material respects
- The disclosure must involve a default which has not occurred within five years of the disclosure of a similar default
- The disclosure involves a behaviour referred to in column 2 of the understatement penalty percentage table in section 223 of the TAA
- The disclosure would not result in a refund due by SARS
- The disclosure is made in the prescribed form and manner

This year, 33% of participants indicated that SARS declined their application due to it not being 'voluntary' compared to 27% in 2023, suggesting that taxpayers may still be having difficulty navigating this area of tax law. With the publication of SARS' VDP Guide in August of 2023, we remain hopeful that taxpayers will gain a better understanding of the VDP process and requirements for a valid voluntary disclosure going forward.

With an increase of 13% from 2023, 43% of participants had their VDP application declined due to the fact that the applications were not full and complete. This is a cautionary note to taxpayers to realise the full impact of the initial VDP application with the true intention of correcting their tax position and ensuring that they provide full, complete and accurate information relating to the default and when the default occurred when making VDP applications.

Figure 25: *When a VDP application is denied by SARS, what feedback does your company receive as the most likely reason given?*



Source: PwC analysis for 2024

Value of VDP relief

The majority of participants (84%) who made use of the VDP stated that the VDP assisted their company in declaring its defaults properly and thereby correcting assessments and avoiding understatement penalties, while only 5% did not find the VDP process to be fruitful. These results suggest that VDP indeed results in voluntary regularisation on the part of taxpayers.

SARS' Service Delivery

Throughout this portion of the survey, we obtained additional comments from participants, in which participants to this survey could express their experience with SARS' service delivery. It is important to note that the additional comments received from participants under the following segments are based solely on feedback from the participants of this survey, and do not necessarily represent a holistic view of the experiences of all taxpayers.

SARS' Large Business & International Division ("LB&I")

The new LB&I Division was launched in December 2018 and provides an end-to-end service to its taxpayers.

LB&I taxpayer inclusion criteria:[9]

- Groups/Companies with turnover greater than **R1 billion**
- All Stock Exchange Listed Groups/Companies
- All Multinational Enterprises (including all Foreign Electronic Service Providers)
- Financial Services Groups/Companies with turnover greater than **R500 million**
- Mining Groups/Companies with turnover greater than **R500 million**

9 *SARS, 2024, Large Business and International (LBI), https://www.sars.gov.za/businesses-and-employers/large-business-and-international/#:~:text=The%20Large%20Business%20and%20International%20office%20is%20a%20centre%20of,international%20tax%20administration%20best%20practice.*

Our results have indicated that 46% of participants were registered with SARS' LB&I division. Of these participants, 76% indicated that they have the details and are able to contact their relationship managers at LB&I.

Additional comments received from participants on this segment

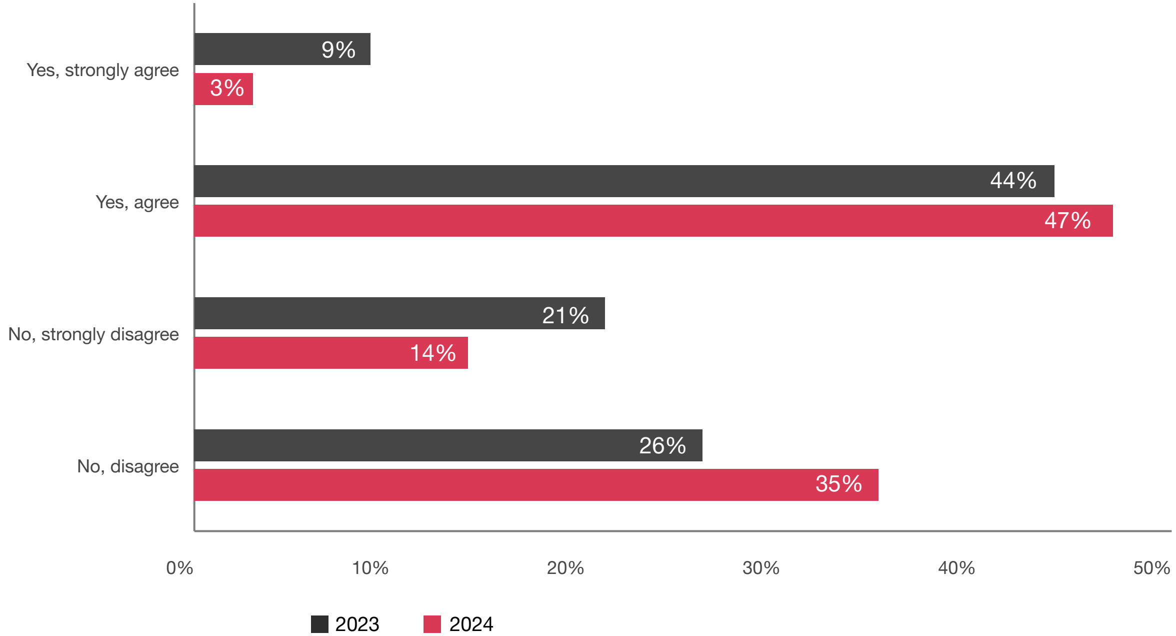
- Continuous contact with a direct relationship manager enables issues to be resolved efficiently.
- Relationship managers respond to queries faster than when directing queries through SARS' normal protocols.
- Some taxpayers have indicated that relationship managers should be more proactive, than reactive.
- Whilst relationship managers are efficient, they are overloaded with cases, so the turnaround time is not always as fast as expected.

Considering the results received from LB&I participants in relation to their experience with SARS audits, as well as the above mentioned comments by taxpayers who are registered with LB&I, overall, it appears that there is room for improvement in respect of the SARS LB&I designated relationship manager initiative.

The quality of the service delivered by SARS

We asked participants if they believed that the quality of the service delivered by SARS to taxpayers has improved since the introduction of the SARS Service Charter in 2018, which SARS has since revised and reissued in September 2023. We identified a 6% decrease from 2023, as only 3% of participants 'strongly agree' that SARS' service delivery has improved, whilst 47% 'agree'. In aggregate, this is a 3% decrease compared to the previous year, indicating that half of the participants are not fully satisfied with SARS' service delivery.

Figure 26: ***Are you satisfied with the service delivery that SARS has provided, since 2018, when it first introduced its Service Charter?***

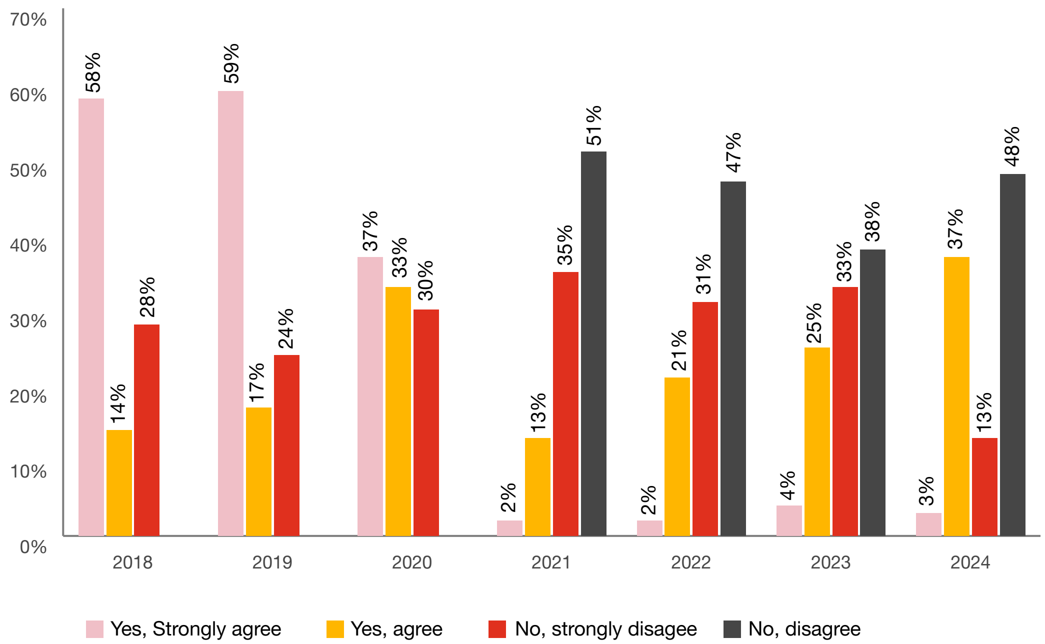


Source: PwC analysis for 2024

SARS' compliance with time periods established in the SARS Service Charter

We asked participants if they believed that SARS honours the time periods specified in its Service Charter and the TAA. This question was not specific to any processes undertaken by SARS, but was aimed at determining the general perception of taxpayers regarding SARS' response time. Only 3% indicated that they 'strongly agree' with the proposition that SARS complies with time periods. In aggregate, 61% of participants either 'strongly disagree' or 'disagree' that SARS honours their timelines. This is an improvement from the 71% in 2023. Even though the results indicate an improvement, it appears that the majority of taxpayers still have a negative perception of their experience with SARS and its turnaround times.

Figure 27: *In your company's experience, does SARS comply with the time periods specified in the SARS Service Charter?*



Source: PwC analysis for 2024

Additional comments received from participants on this segment

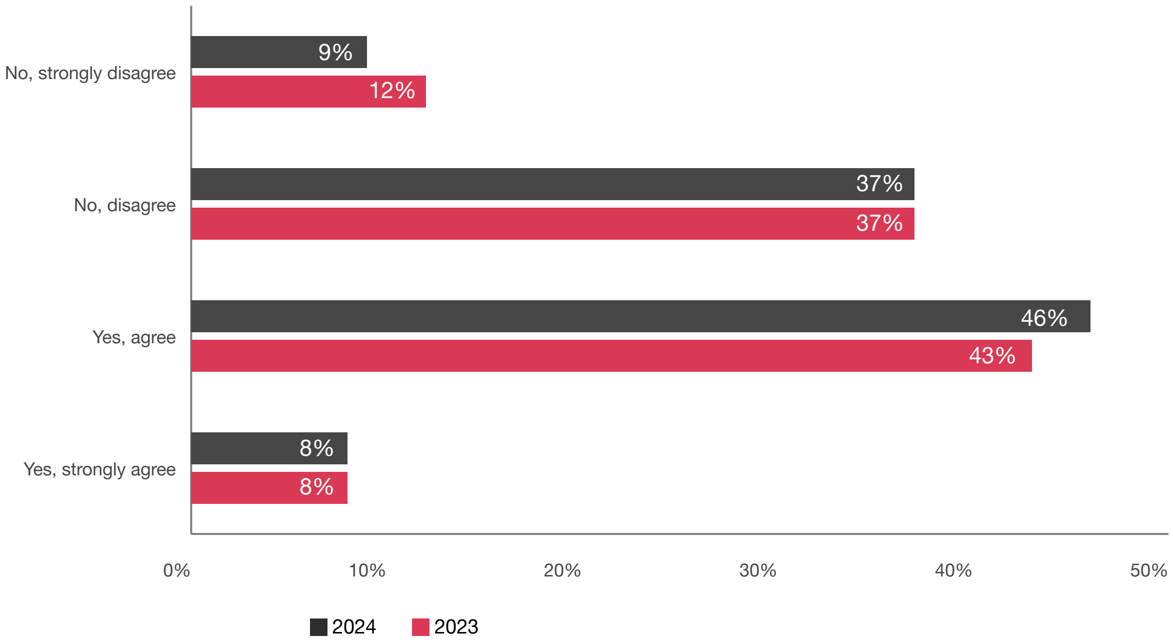
- SARS did not offer feedback after multiple attempts of communication.
- It is incredibly challenging to update public officer details on SARS' efiling system.
- SARS only respects timelines depending on the nature of the inquiry, and many taxpayers found SARS' application of its own timelines to be inconsistent across different types of disputes.
- SARS hardly ever adheres to any deadlines, and when taxpayers call for a follow-up, the agents are unaware of the proper deadlines or the requirements under the TAA.
- SARS just disregards all deadlines established in the TAA and the Service Charter with no repercussions.
- One needs to send follow-up emails to SARS to keep them on track.
- Refunds are not paid in time.

Compliance with tax obligations

An aggregate of 54% of taxpayers have indicated that it has become easier to comply with their tax obligations. This is a 3% improvement from the previous year. This is a positive statement and aligns with SARS' Strategic Plan for 2020/21–2024/25, specifically their second strategic objective i.e. ***making it easier for taxpayers to comply with their tax obligations***.

However, 46% of participants 'disagree' and 'strongly disagree', which suggests that almost half of the participants still find compliance with tax obligations challenging. The findings may imply that taxpayers find SARS' systems or processes too difficult to understand/navigate. SARS should consider establishing an open line of communication with specialists to enable taxpayers to quickly seek assistance with the interpretation and execution of tax legislation. The call-centre also does not appear to be of any assistance to taxpayers.

Figure 28: ***In your organisation's experience, has it become easier to comply with its tax obligations?***



Source: PwC analysis for 2024

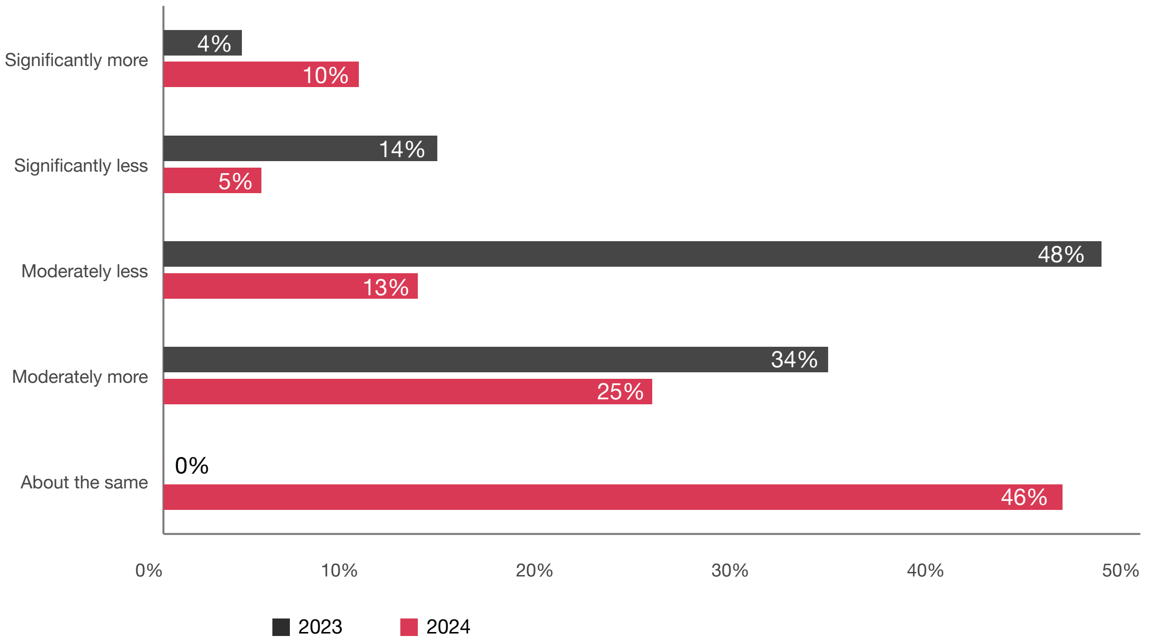
Additional comments received from participants on this segment

- SARS' eFiling system makes compliance easier, but tax returns are becoming more complicated, which may result in penalties due to incorrect interpretation of questions.
- Administrative pressure is being applied to taxpayers in order for them to comply.
- A taxpayer is obliged to use online channels that only provide specific results. Cases are not treated individually.
- The amount of audits and requests for information makes it difficult to comply.
- The systems are always changing, sometimes for the better, but it is challenging to stay up to date.

Trust in SARS

We asked participants if their trust in SARS had increased in the last 12 months, and 46% have indicated that their trust in SARS has remained the same. Whilst this is not necessarily negative, since overall taxpayer experience has increased and SARS has aimed to improved their efficiency, SARS should still aim to improve taxpayer trust, since rebuilding trust will eventually translate into restored public confidence, increased tax morality and ultimately the payment of tax, which our country sorely needs to fulfil our fiscal budget. However, is it important to note that comments from participants indicate that those who are registered with SARS' LB&I division, and who have a designated relationship manager, do not actually have more trust in SARS' systems and are experiencing prolonged turnaround times, compared to taxpayers who are not registered with SARS' LB&I division.

Figure 29: *Has your company's trust in SARS improved in the last year?*



Source: PwC analysis for 2024

Additional comments received from participants on this segment

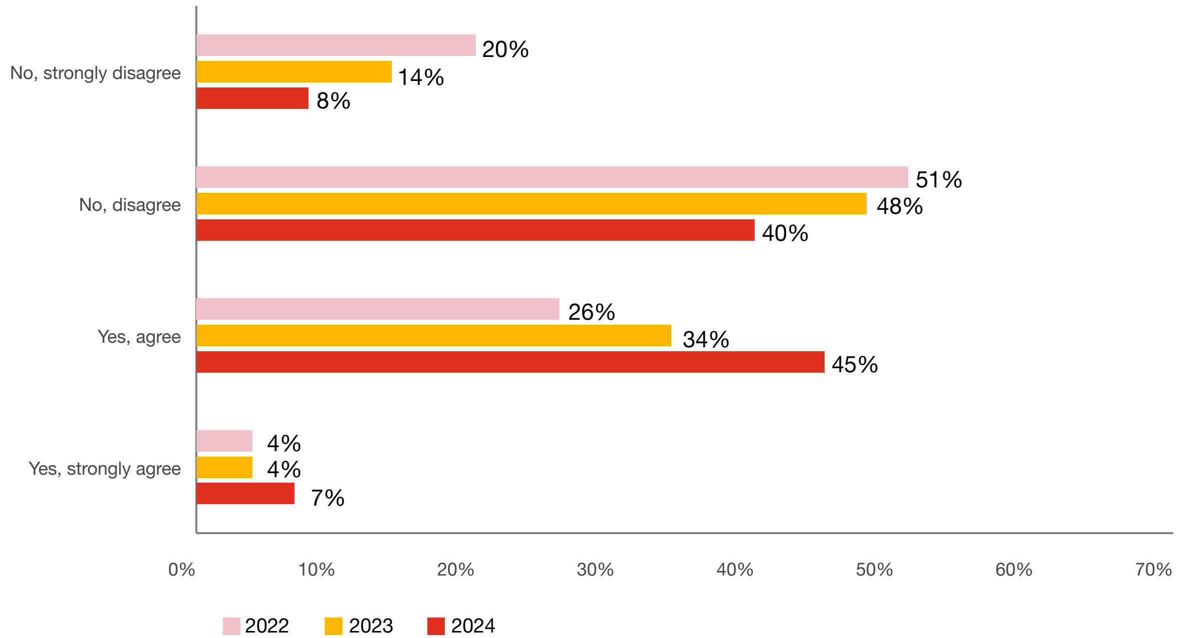
- The lack of SARS' staff knowledge has a massive impact on the trust we have in SARS.
- Taxpayer's experience indicates that they receive verifications for everything they submit, and questions following these verifications are not necessarily relevant.
- To some extent, SARS appears to be conducting more operational audits, which is a positive thing.
- Taxpayers believe that SARS' systems have improved, but that the call-centre still needs to be enhanced.
- Some taxpayers believe that they are being targeted with audits by SARS, as they are audited every time they submit a return or assessment.

Delivering quality outcomes and performance excellence

An aggregate of 48% of participants indicated that **they do not** believe that SARS has improved in delivering quality outcomes and performance excellence over the past 12 months. This is a 14% improvement compared to 62% in 2023.

One of SARS' strategic objectives is to *"drive efficient use of resources to deliver quality outcomes and performance excellence."* However, it should be highlighted that enhancing quality and performance excellence in SARS is a process that will require time, effort, and dedicated SARS officials. Our view is that SARS' public statements along with the monthly newsletter about SARS' commitment to service excellence and customer centricity is a step in the right direction.

Figure 30: ***Has SARS improved in delivering quality outcomes and performance excellence?***



Source: PwC analysis for 2024

Additional comments received from participants on this segment

- Some interactions with SARS have been very beneficial, but basic tasks like changing a public officer's information can be frustrating, if not impossible. It actually depends on the consultant that taxpayers work with, so this would have to be answered on a case-by-case basis since it changes.
- It depends on the tax type and the type of engagement with SARS.
- In recent months, our VAT refunds have frequently been handed out within one week of filing, with no verification required. This demonstrates that SARS is utilising AI technology to accurately flag abnormalities in submissions and to pay out reimbursements when there are no anomalies. They did an excellent job.
- We have not seen/experienced any improvement in the past year. They call more often about reminding us about returns submission but they never call about the status of long outstanding cases.

PwC's Tax Controversy and Dispute Resolution services

Key lessons about the tax controversy life cycle

It is important for taxpayers to fully understand the TAA, along with SARS' policies and procedures in order to successfully manage a SARS verification or audit, or even just to regularise their tax position. The 2024 Global TCDR survey confirmed that taxpayers around the globe are suffering drawn-out tax disputes, with disputes taking years to be finalised, and with exorbitant amounts of time passing before taxpayers are able to regularise their tax position.

When receiving an assessment from SARS, it is crucial to know what dispute resolution steps and mechanisms are available to taxpayers if they do not agree with the assessment. This will ensure that the timelines and requirements prescribed by the TAA are adhered to, which will likely produce a positive outcome (if there are valid grounds).

We have noted that, in the past year, SARS has significantly updated their systems and automated some of the dispute resolution processes. SARS has also promulgated new legislation, and accompanying memoranda and interpretation notes, to ensure that taxpayers remain informed during the entirety of the tax controversy life cycle.

SARS is evidently hammering down on non-compliance, and as SARS increases its scrutiny of tax advisors, the consequences of non-compliance are becoming more severe. It is, therefore, crucial to partner with advisors who understand these complexities, and who can provide you and your business with effective and viable solutions.

Our team

Our dedicated team of legal and accounting experts is at your disposal to proactively prevent, effectively handle, and appropriately resolve tax audits and tax disputes worldwide.

We combine deep technical understanding, local knowledge, strong relationships with government officials, tax litigation experience and a global perspective to provide you with unrivalled service.

The golden thread remains to be proactive in any tax submission made to SARS, or alternatively to consider the tax position before declaring that position to SARS.

PwC's TCDR Team stands ready to offer support in the following areas:

- Engaging with SARS proactively, encompassing aid in tax strategy formulation, expert opinions, advanced tax rulings, binding rulings and VDP applications.
- Seamlessly overseeing the entirety of tax verifications and audits, from inception to conclusion.
- Navigating SARS disputes, including lodging objections, appeals, requests for remission and suspensions of payment through to the ADR (Alternative Dispute Resolution) process.
- Addressing matters of debt management involving SARS, which involve negotiations in respect of settlements, debt compromises and tailored payment arrangement options.

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At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 151 countries with over 364,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com