18 November 2008

The South African Revenue Service
Private Bag X923
PRETORIA
0001

BY E-MAIL: tmarx@sars.gov.za

Dear Sir

TAX PRACTITIONER COMPLIANCE MODEL

SARS has committed itself to engaging with tax practitioners more constructively and proactively, and to develop a partnership. SARS have already recognised that the tax practitioner community can contribute significantly to the efficient functioning of the tax system. This is supported by SARS launch of a tax practitioners unit and more recently the following:

- The launch of a separate area on the SARS website specifically designed for tax practitioners;
- The launch of E@syFile for practitioners, software specifically designed for use by tax practitioners.

We note that SARS have during the past years introduced as part of its modernisation process a number of significant system changes. Whilst we fully support these changes and will continue to support any changes that will ultimately benefit taxpayers at large, these changes as with any changes introduced have come with significant challenges. Any significant system change usually impacts largely on tax practitioners and in this regard we commend SARS recent approach of pre-engaging with tax practitioners during the development processes and system testing phases of these changes.

In light of the above we are of the view that SARS is now in a position to monitor compliance behavior of tax practitioners. Given SARS systems we are of the view that SARS is able to determine the following per practitioner’s profile:

- Details of all taxpayers that are attached to the tax practitioners profile;
- Number of returns submitted on time;
- Number of outstanding returns.
With this information we are of the opinion that SARS is in a position to begin the development and implementation of a tax practitioner compliance model which would grant some benefits to those tax practitioners that are striving to achieve all deadlines set but are unable to do so.

In this regard we suggest the following tax practitioner’s compliance approach for the 2008 tax filing season:

- 75% of the tax practitioners returns to be filed by 29 February 2008
- 100% of the tax practitioners returns to be filed by 31 March 2008

The above requests are based on the 2007 tax practitioner concessions that were provided. In view of the fact that returns were made much later this year and with the delay in the employer’s filing season, we strongly recommend that SARS even consider a further period where no penalties will be imposed.

A further requirement will be that the tax practitioners affairs are in order i.e. no outstanding returns or payments due on account.

We note that taxpayers / tax practitioners will not be able to delay payments that are due to the fiscus as with new legislation already written into the Act interest will be levied on any underpayment for all classes of taxpayers (see section 89quat as amended by the Taxation Laws Second Amendment Bill No. 4 of 2008 not yet effective).

We further request that any form of acceptance of this model be communicated in advance to tax practitioners.

We note that the following factors have significantly impacted on the tax practitioners during recent times:

- The launch of E@syFile for employers had resulted in a number of practitioners assisting employers in complying;
- 2008 tax returns were only made available from 1 September 2008;
- Tax practitioners experienced difficulty in accessing the e-filing website during the week leading up to the due date for PAYE on 7 September 2008;
- Tax practitioners were unable to initially file 2007 or earlier returns with the launch of the 2008 tax returns;
- Tax practitioners had to attend to third provisional payments due on 30 September 2008;
- A number of firms close during mid December to mid January;
- We note that a large percentage of tax practitioner’s clients are still indicating that they are unable to provide the practitioner with the tax documentation as they have not received it.
- Second provisional tax payments for the large majority of provisional taxpayers are due on 28 February 2008 (individuals, companies and trusts) and with the new change in legislation i.e. the removal of the safe harbour of utilising the “basic amount” as amended by the Revenue Laws Amendment Bill No. 81 of 2008 (tax practitioners will have to meet with each of their clients in order to predict with accuracy, at least 80% of the actual taxable income).

Please do not hesitate to contact me should you wish to discuss the above.
Yours faithfully

M Hassan CA(SA)

PROJECT DIRECTOR: TAX
The South African Institute of Chartered Accountants

Cc: tsnyckers@sars.gov.za