

GMS Flash Alert

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South Africa - Issues Around Auto-Assessments for Individuals Filing Tax Returns

The upcoming tax return filing season for the South African tax year 1 March 2021 to 28 February 2022 will be fundamentally different to preceding filing seasons for individual taxpayers, tax practitioners, and the South African Revenue Service (SARS).¹ Last year, a limited number of auto-assessments were issued. However, for the majority of taxpayers, this was not the case.

Going forward, SARS will issue auto-assessments for a larger number of taxpayers, based on third-party data collected, i.e., an assessment will automatically be issued without a tax return having been submitted first, and the taxpayer will need to react to this assessment in one way or another.

WHY THIS MATTERS

Taxpayers with South Africa tax filing obligations and their tax service providers need to be aware of the significant changes and differences in respect of auto-assessments issued by SARS and the filing/amended return procedures.

This development could affect expatriates in a number of other ways: SARS may not necessarily have access to all the relevant information to generate an accurate estimated assessment for expatriate employees. For instance, it is anticipated that SARS may issue auto-assessments without necessarily considering a taxpayer's tax residency status in South Africa relevant for that year of disclosure.

Also, there is not yet clarity as to whether an auto-assessment will be issued for taxpayers without South African ID numbers. The greatest impact may be for South African employees who started an outbound assignment during the 2022 tax year – it is highly unlikely that their auto-assessments will be correct, and action will need to be taken within the 40-day period.

More Details

The 2021/2022 filing season opens on Friday, 1 July 2022. SARS will issue auto-assessments for all taxpayers with third-party data, between 1 and 24 July 2022. Should a taxpayer be in agreement with the auto-assessment, no action by the taxpayer is needed.

SARS will send an SMS (text message) to the taxpayer informing him/her that an auto-assessment has been issued. It is the intention that the tax practitioner will also receive the same SMS notification (however it is not yet ascertained that such will be the case, so caution is advised).

To the extent that the taxpayer is not in agreement with the auto-assessment, the taxpayer will have 40 business days to prepare an amended tax return and submit this to SARS through a "Request for Correction" process.

KPMG NOTE

Extensions

Extensions are possible before the expiry of the 40-day period, should there be extenuating circumstances. These extenuating circumstances are yet to be defined and clarified.

Potential Issues Concerning Accuracy of Auto-Assessments

Confirming the accuracy of an auto-assessment issued by SARS requires that a complete tax computation based on supporting documentation be prepared, in the same way that a tax return would be prepared. Should the auto-assessment be incorrect, an amendment is then effectively required to be done, and submitted within the 40-day deadline.

There is a perception that taxpayers who have South African filing obligations have a certain level of tax filing literacy. A proper and thorough education process should be undertaken.

Considerations

In some instances, SARS may have limited access to all the relevant third-party information that may impact a particular taxpayer's tax return. It is therefore vital for taxpayers not to accept the estimated assessments without the necessary consultation with their tax practitioner (where relevant). We will be issuing an update to this *Flash Alert* in early July, once the process is underway, and will cover some live examples for additional clarity.

FOOTNOTE:

1 See SARS Media Release "2022 Tax Filing Season" at: <https://www.sars.gov.za/latest-news/media-release-2022-tax-filing-season/>.

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Contact us

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The information contained in this newsletter was submitted by the KPMG International member firm in South Africa.

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