

Over the last several days, many taxpayers would have received notifications from the South African Revenue Service (SARS) of automatic assessments issued in relation to their 2020 year of assessment, indicating amounts due, or to be refunded. These notifications have been sent via tax practitioners, SMS, or email.

The issue of automatic assessments is one of the new initiatives that SARS has implemented to ensure proper taxpayer compliance. Although we welcome these advances and application of technology in the tax compliance process, there appear to be several matters that require manual intervention in this first year of implementation.

We have seen multiple instances where the automatic assessments contain incorrect and incomplete information, and taxpayers are strongly advised to not accept the automatic assessments without detailed scrutiny of these assessments.

One of the significant errors that we have noted, which results in significant undue tax refunds, is where retirement funds have been transferred to other approved funds, and SARS now regards those transfers as an additional contribution to a retirement fund, in respect of which a deduction is allowable. This is clearly a processing error which results in an undue benefit to which taxpayers are not entitled.

Furthermore, the automatic assessments do not take into account other sources of income which third parties have not provided to SARS, or deductions/allowances to which taxpayers are entitled to and of which SARS currently has no record.

We advise all our clients not to accept automatic assessments at face value and to ensure that a proper overview of the income tax return is undertaken before final submission.

As always, AJM Tax remains available for assistance and guidance with your tax filing obligations.

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