Filing season 2020 brings some changes

By Somaya Khaki

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Earlier this year, the South African Revenue Services (Sars) announced that in light of its PAYE 2024 project, the focus, from the 2020 filing season and beyond, would shift from PIT (personal income tax) filing season to the employer reconciliation filing season. At the time, it appeared that this would just mean more focus on ensuring that the third-party data was accurate and correct, thus avoiding inaccuracies in prepopulated information in individual tax returns on the eFiling system.

Fast forward a few months, it is clear from the media briefing by the Sars Commissioner, Edward Kieswetter, in May 2020 and the recent gazetted notice to file returns, that ensuring accuracy of third-party data is not the only impact of this shift in focus.

This year, the filing season effectively opens on 1 September, as opposed to 1 July – two months later than 'normal'. Despite the two-month delay, deadlines for various taxpayers remain essentially the same as most prior years.

The perception, based on interaction with Sars, is that there is a view that the delay and shortened filing season will not negatively impact taxpayers in a significant way, due to the fact that there will be an increase in what Sars and the notice refer to as auto-assessments.

What is an auto-assessment?

Well, that's the question playing on the minds of most taxpayers and tax practitioners since this concept was first announced. Despite information shared to date, many questions regarding the auto-assessment remain.

What we know for now

From 1 August to 31 August 2020, Sars will auto-assess a significant number of individual non-provisional taxpayers. The assessment will be based on all third-party data that Sars has for a particular taxpayer, including employment information and interest income. Sars have noted that this process will only apply to those taxpayers in respect of whom they have ALL third-party data, in time for this process. Sars will use this information to assess individual taxpayers and will inform taxpayers of the assessment result via SMS. At this point, it is important to note that taxpayers must ensure that they have updated their contact details on their eFiling profiles (if registered on eFiling) to ensure such information and any other information from Sars reaches the right place, timeously.

On receiving the assessment result, the taxpayer can accept it via eFiling or the Sars MobiApp. Alternatively, the taxpayer may edit the assessment if he/she disagrees. It is unclear at this stage as to how the 'editing' process will work. It is also notable that in prior communication, there was an indication that those who 'reject' the outcome will have to wait to file returns from 1 September and presumably correct any inaccuracies at this point in time.

According to the Sars letter, if the auto-assessment is accepted, any under or overpayment of tax will be processed as in prior years.

Sars have noted that some taxpayers may receive communication before 1 August indicating why they will not be auto-assessed, or alerting them to their 2019 return submission findings. Outstanding returns must be submitted as a matter of urgency.

Further, according to the notice, if a taxpayer does not respond to the SMS by 29 January 2021 and Sars believes that the data it has used to generate the assessment is correct and complete as at this date, the taxpayer will be assumed to have accepted the auto-assessment, regardless of whether a provisional or non-provisional taxpayer. In effect, a default assessment.

What we don't know right now

A number of questions have been asked specifically regarding how the auto-assessment will work in practice.

For example, it is not clear if the auto-assessment will take the form of a pre-populated return, a tax calculation or just an assessment.

It is also unclear as to what type of assessment this will be for prescription and other tax administration purposes.

Questions have also been raised as to how Sars will determine if a taxpayer's circumstances have changed since the previous filing season and whether they are still suitable for auto-assessment? Still more are worried about the process to be followed if an auto-assessment is accepted in error.

Mention was made of what is effectively a default assessment. Whilst some taxpayers may intentionally ignore an SMS assessment or forget to take action, there could potentially be incidences where taxpayers do not receive the Sars notifications, for whatever reason. Regardless of the circumstances, any taxpayer who does not take action by 29 January will be assumed to have 'accepted' the auto-assessment. Just how this falls within the ambit of the Tax Administration Act, 2011 is not clear at this point in time.

Regarding these and other aspects, clarity has been sought by Sars and we are hopeful that more information will be shared in the coming days.

For all other individuals not auto-assessed, just what are the dates for noting?

- 1 September – 16 November: Taxpayers who were not auto-assessed can file via eFiling or the Sars MobiApp
- 1 September – 22 October: Taxpayers who need to file at a Sars branch may make an online booking on the Sars website to visit a branch
- 1 September – 29 January 2021: Provisional taxpayers can file via eFiling

As regards those taxpayers who usually file at a Sars branch, given the current need for 'social distancing', Sars is appealing to everyone to make use of electronic channels which Sars has worked hard at enhancing during the lockdown.

Only where certain functionality is not available electronically, should one make an appointment online via the Sars website.

Based on prior filing seasons, it is clear that there are still many South Africans without access to the internet and/or who believe that they must file a return with the branch visit being the only option. We hope that Sars' education efforts in this regard will make an impact in reducing walk-ins.

What can you do in the interim?

Sars has appealed to taxpayers and tax practitioners to use this time prior to filing season opening, to check that the information displayed in, for example, medical aid certificates, retirement annuity certificates, interest certificates, etc. received from third parties is accurate and complete. If inaccuracies are found, the taxpayer or tax practitioner must contact the third party to correct this. This step is to ensure that the information prepopulated in the return is accurate and complete, hopefully simplifying the filing process when one is able to file.

Concerns regarding 'delayed' refunds

In past filing seasons, many taxpayers would try to submit their returns as early as possible in order to ensure that refunds are received earlier in the year. Many taxpayers rely on such refunds and one taxpayer in particular has started a petition for Sars to consider opening filing season earlier for taxpayers with disabled children. Due to additional costs incurred in caring for a child with a disability, many parents rely on the refunds to provide the best care for their children. Others rely on refunds for other reasons.

So while, technically, Sars may not be 'delaying' refunds, taxpayers will now have to wait at least two months longer for these due to being assessed later in the year.

What about the impact on tax practitioners and non-individual taxpayers?

Although the notice refers to the due date for filing of Trust and corporate tax returns, there is no indication as to when the eFiling system will accommodate filing of 2020 corporate tax returns. Despite being ready to file, these entities will be unable to file.

From a tax practitioner perspective, this sector is concerned as to how they will meet their deadlines and manage their staff and workflow as a result of this unprecedented delay in commencement of the filing season.

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