

CLEAN YOUR TAX RECORD IN 2018! By Jonathan Hore

Flip, flip, flip and another flip through this BURS tax compliance summary and one shakes his head in awe at the amount of outstanding VAT returns, corporate tax interest and penalty charges. And suddenly, this professional thinks, 'This tax bill is almost equivalent to our annual revenue target for 2018. It looks like we been out to avoid his taxes for such a long time' And one question which remains unanswered in this first week at work in 2018 is how they got there in the first place.

That is what happens when tax matters are ignored. They grow to levels which are unbearable. And in addition to your new resolutions of buying a new business, new car, new house, also add this one: To clean our Tax record in 2018; period! Throughout this article, words importing the masculine shall be deemed to include the feminine.

WHAT IS A TAX COMPLIANCE SUMMARY?

A tax compliance summary is basically a summary of how much you owe BURS in compliance matters. Taxpayers are required to comply with 2 main issues, paying taxes and submitting tax returns on time. The carrot and stick aspect in the Tax Acts is that if you pay taxes in time, you do not suffer any interest but tax interest is charged on you if you pay tax late. Well, maybe we need to focus on these issues separately and expand more on them.

WHY TAX INTEREST?

It makes sense to have BURS charge you interest when you pay tax late as that is an unofficial loan from the taxman. For example, if you collect VAT of P 100 000 and paid VAT of P 15 000 to suppliers in a particular tax period, that simply means you owe BURS P 85 000, which you must pay. If you decide to pay late, then you unofficially obtain a loan from BURS and the moment you pay, they will hit you with 1.5% monthly interest, compounded monthly. Is that fair? What do you think? Have you ever obtained a loan which is interest-free in any commercial market? Or, would you ever provide an interest-free loan to some third party? What about inflation and the opportunity cost of you earning interest elsewhere? I guess that answers this question.

The rough thing with interest is that BURS does not have any powers to waive interest and once they charge you, chances that you will pay are high. Of course, if you have valid reasons why that interest is not recoverable, then the Ministry of Finance & Economic Development may waive the interest. And I must warn you; that is not an easy road my friend. You need a Tax consultant to walk with you in that journey.

I DON'T LIKE TAX PENALTIES!

Well, to be honest, you are not alone in that nest. No-one ever enjoys tax penalties as these simply resemble money lost for no profitable reason. But BURS has to, just like any other tax authority, keep taxpayers on their toes knowing that if they submit tax returns late, they will suffer tax penalties. Imagine what would happen if BURS did not charge tax penalties for late submission of returns. That would be an indirect licence from the taxman to have people not complying with the tax laws and that would be self-defeating. So, this is the reason behind those hefty tax penalties that you may be familiar with.

The good thing with tax penalties is that the taxman can waive some of them provided you show just cause. You may again, need expert advice here.

WHAT ABOUT TIME-BARRED RETURNS?

The VAT Act requires that VAT records be maintained by every VAT registrant for 7 years whilst income-tax registrants are supposed to keep records for 8 years. So, technically, you cannot be requested for returns or records that are more than 8 years for tax purposes. We are in 2018 and BURS, per the law, cannot request for records relating to 2007 or 2008. Those are time-barred. What if I am not registered for tax but I know I am supposed to be? Well, you are guilty my dear and you need to come clean in 2018. That is serious disregard of the tax laws.

CLEAN UP THIS TAX RECORD!

So, you now know that tax has to be paid and returns should be filed, right? But you do have this long list of outstanding matters which you really can't explain how it came to be. It is a simple issue. Your tax matters are not in order. In the same manner that you see a doctor when you have had a serious injury, you should see a Tax consultant and let them solve this serious tax injury in 2018. Let 2018 be the year in which all your tax rooms are cleaned up and keep them tidy afterward.

Well folks, I hope that was insightful. As Yours Truly says goodbye, remember to clean your tax record this year!