

AVOIDING THE TAX CLEARANCE RUSH By Jonathan Hore

It's tender time and everything else has to stop because the submission deadline is just 3 days away. Tempers fly high as the team works frantically to put everything together. Threats are thrown on the table that if this tender is missed, someone's job is on the line. OMG, they have just realised that they forgot one critical thing! The tax clearance certificate expired a week ago. Oooh, gosh, they immediately call the tax consultant and let him know that the tax clearance certificate is required by close of business, 'tomorrow.' They emphasise to him that they can't lose this tender otherwise their business may crumble. Well, ask me, I have seen these things happen all because of a tax clearance certificate, which for one reason, people forget and think about it at critical moments. I want to discuss how you can avoid the tax clearance certificate rush. Throughout this article, words importing the masculine shall be deemed to include the feminine.

WHAT IS A TAX CLEARANCE CERTIFICATE?

A tax clearance certificate is a clearance from BURS that one's tax compliance is satisfactory at the date of issuance of the certificate. It is a critical document that is required for various purposes such as the submission of tenders, on-boarding of new suppliers etc. Without it, one's tender or on-boarding is likely to fail. That may simply mean loss of prospective business or an already existing contract. Internationally, tax clearances are used as a way of compelling taxpayers to make good their tax affairs as well as ensuring that tax collections are boosted by only granting jobs to tax compliant entities.

SO WHAT CAUSES THE RUSH?

The tax clearance rush is one of the rough experiences that any financial or tax practitioner would ever want to go through. Below are some of the most common reasons why taxpayers embark on the tax clearance rush:

Tax matters are often ignored

One main reason why taxpayers panic just before tenders is that tax matters are usually ignored and only considered when unavoidable. That results in circumstances where taxpayers may not even notice that their tax clearance certificates would have long expired. If someone keeps an eye on this matter, then proper action can be taken well in time, thereby avoiding the last-minute rush.

Pending returns

Most taxpayers may never realise that their tax compliance summaries at BURS may have some pending returns, which blocks the issuance of tax clearance certificates. This may be due to the fact that indeed the returns would not have been prepared and submitted. At times, that happens due to an error on BURS' part, i.e. returns may have been submitted but for some reason, they are not captured on BURS' system. This then causes panic at critical times when tenders are about to be submitted.

Tax debts

Any outstanding tax, whether it be principal tax or interest will block the issuance of a tax clearance certificate. In most instances, the tax debt will be due to errors arising from BURS' system, especially under PAYE and Other-withholding tax accounts. These accounts are usually the reason for delays in issuance of tax clearance certificates and they may drag the process for months, if a taxpayer does not address them in time or where in doubt, engage a tax consultant.

HOW DO I AVOID THE RUSH?

There are a number of interventions that taxpayers can put in place to avoid the last minute rush in respect of tax clearance certificates. The first thing taxpayers should do is to ensure that a new tax clearance certificate application is applied for well in time, before expiration of the current one. This gives them to attend to any pending matters, where applicable, without too much stress.

Secondly, surprise transactions can be avoided by obtaining one's tax statements and ensuring that errors and pending matters are addressed in time. It may as well happen that the taxpayer would have done everything that they are expected to do to get their affairs up to date but still experience delays from the tax office. In such cases, one may need to either engage a tax consultant or escalate the matter to a senior person at BURS. Taking time dealing with the same person without any progress may prove to be a waste of precious time, therefore interventions become necessary. If the above are considered, then one can avoid the tax clearance certificate rush.

Hoping that was insightful folks. As Yours Truly says goodbye, remember to pay to Caesar what belongs to him.