

LOSING SLEEP OVER MESSY TAX RECORD? FIX IT! By Jonathan Hore

It often happens that taxpayers' compliance histories may be so messy that the concerned taxpayers lose their peace and sleep. This may be as a result of various reasons, some of which may include neglecting taxes and then waking up when the taxman comes breathing behind one's neck. I want to analyse how tax compliance records become messy and what you can do in such instances. In this article, words importing the masculine shall be deemed to include the feminine.

Enter tax compliance history

Tax compliance history is simply a record of how one complies with tax matters over a given period of time. This includes compliance with filing tax returns, making requisite tax payments and responding to taxman's requests for information. Most taxpayers who end up in a filthy tax compliance position usually get there by completely ignoring tax laws. A good number of them focus on sealing the next big deal and completing a major project whilst ignoring tax. It is true that as a business grows, its tax compliance burden becomes heavier and more complex. As such, tax must be considered from the first day of commencing business. Below are some of the reasons why taxpayers sink in tax mess.

Ignored tax returns

As a business, you must ensure that compliance with filing returns is up to date. Ignored returns will pile up on one's tax compliance history, making it look so embarrassing even to the owner. What then happens is that the returns are filed late, which attracts penalties of a maximum of 200%, especially if BURS discovers the non-compliance through tax audits. Imagine a tax bill of P2m swelling to P6m; that may technically send you into bankruptcy.

Late payment of tax

Paying one's taxes late attracts compound monthly interest of 1.5% per month, which translates to around 20% per annum. Remember that this tax is charged over and above the penalties stated above. In the worst-case scenario, the total tax bill may shoot by an extra 220% when the penalties are combined with the interest. Now, if you are an accountant and you make mistakes which conjure such levels of penalties, that may threaten your job or career. I advise taxpayers to ensure that tax payments are made well in time and should delays be anticipated, it is ideal to notify BURS as that may assist in seeking for interest waivers in future. Notice that BURS' interest may exceed the principal amount as the interest-capping *in duplum rule* does not apply to taxes. It is common to have interest which may be 3 or 5 times the principal tax debt.

Tax gap analysis

To avoid scenarios where you sink deep into tax mud, always get a tax consultant to conduct a tax gap exercise on your business at least once in a period of 3 years. That way, you get to fix tax matters before they grow out of hand.

Ignoring tax debts

Some taxpayers are so daring they ignore tax debts or unfiled returns notices. Such actions are similar to catching a cold and not make moves to stay warm. That does nothing but to worsen one's tax record as debts spoke astronomically, which has the potential of paralysing one's business. Therefore, take your tax matters seriously and do not ignore the taxman's reminders.

Conclusion

In closing, let me state that when your tax compliance is a mess, don't run away from it; just fix it. Ignoring tax will hurt you in the future as your property may injure you more. Get tax professional advice well in time.

Well folks, I hope that was insightful. As Yours Truly says goodbye, remember to pay to Caesar what belongs to him. If you want to join our Tax Whatsapp group or to know about our 8 Tax e-books, send me a text on the cell number below.