

### **Avoid tax penalties at all costs**

Incurring tax penalties is one of the most devastating experiences one could ever encounter. Technically, the penalties legally become an obligation like any other tax. In most cases, penalties are hefty and over-burdening on the taxpayer to the extent that some businesses are forced to close shop whilst some become technically insolvent as their tax debts exceed their assets.

In principle, tax penalties are meant to deter non-compliance as tax is one of the main streams of government income. As a way of discouraging tax evasion, tax penalties are structured to be heavy such that taxpayers will not plan to duck taxes. In other words, one should not plan or budget to pay penalties. Generally, the most common triggers of tax penalties are failure to submit tax returns on time, failure to pay tax on time, and tax evasion manoeuvres which includes falsifying information, deliberate omission of income or overstating expenses. BURS imposes penalties as a way of ensuring that all taxpayers pay the correct tax and adhere to the tax laws. Tax penalties may be as heavy as 200% of the tax due, which means that a tax debt of P1m generates an additional tax penalty liability of P2m. Now, that's not a joke! Additionally, late-payment of tax attract interest of 1.5% compounded monthly. As alluded to above, once the penalties are imposed, they technically become a tax liability. You must not lose heart yet as tax penalties may be waived. They say though that prevention is better than cure, so avoid them if you can. But when you have them levied, we can assist you get some of them waived. That's what tax consultants do; assisting tax authorities exercise pardon where it wouldn't be availed.

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