

Avoid tax penalties via extension of time applications

Year ends are usually a busy period for most corporates as they prepare to finalise financial records in preparation for numerous reports including accounting reports and fiscal returns. Accordingly, corporates are required by the tax laws to comply and submit their annual income tax returns by the last day of the fourth month following year end. Consequently, failure to adhere to such statutory obligations attracts penalties of P100 per each day the return remains outstanding. VAT returns carry the heaviest late filing penalties of 10% of the tax payable per month and this may swell to 100% in ten months. A fixed P 500 is charged for late nil or VAT returns bearing refunds.

Usually, some taxpayers find the four-month income tax period to be inadequate as they battle to put their financial and fiscal records in order. Consequently, this results in failing to meet the statutory deadline and incurring penalties. It is therefore vital for taxpayers to understand that the tax laws permit BURS to extend the time within which a return should be submitted on request. If approved, the extension abolishes any possible late submission penalties that would have been levied on the return. To be considered for an extension of time to submit tax returns, a taxpayer should make the request in writing to BURS in advance. The request should clearly indicate 'just cause' such as operational circumstances resulting in failure to meet the deadline. It should be noted that an application of extension of time is not restricted to corporates only but is also available to individuals.

However, it is also vital to note that an approved extension of time to submit a tax return is not an extension of time to pay tax. Accordingly, the due dates for payment of taxes remain the same and late payment penalties and interest will be levied where the tax is not paid on time.

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