

Payment plans lessen heavy tax burdens

At times, taxpayers may find themselves drowning in onerous tax bills that may be heavy on the cashflows of a business. In such a scenario, taxpayers often face a quandary on how best they can resolve such issues or how best they can lessen the tight grip of the taxman. Such hefty tax bills, in some cases, are a result of non-compliance penalties and interest levied by the tax authorities. However, regardless of how the tax bill may arise, it is crucial that taxpayers understand that they can lessen the burden of paying such huge bills by way of paying it in instalments. In this article, words importing the masculine shall be deemed to include the feminine.

Enter tax liabilities!

Before we dive right into the crux of our discussion, it is imperative that we highlight some of the main causes of astronomic tax bills. Chiefly, penalties and late payment interest is generally the prime factor which results in taxpayers carrying unbearable heavy tax liabilities. The penalties usually arise from BURS tax audits where they unearth non-tax compliant transactions or schemes. BURS levies noncompliant tax penalties of up to 200% of the principal tax obligation and interest on late payment ,of the tax plus the penalty, calculated at 1.5% compounded monthly. On the other hand, tax bills may arise where taxpayers voluntarily disclose inadvertent non-payment of past obligations, possibly, because of incorrect interpretation of legislation or faulty internal controls. In such cases, taxpayers may negotiate with BURS for waiver of penalties, either in part or in full, such that they remain mainly with a huge principal obligation and late payment interest. The above-mentioned matters are amongst many reasons why taxpayers may find themselves with exorbitant tax bills and the tax man may demand that such bill be settled in full. Let us now have a look at the planning avenues available to lessen the payment burden.

The payment route

As alluded to above, the taxman may demand that taxpayers pay the tax obligation in full subsequent to levying penalties, as such demand may even require the taxpayer to settle bill in say 2 weeks. Failure to comply with such demand, BURS is empowered to institute recovery measures such as garnisheeing bank accounts and even debtors. In this regard, it is key to note that BURS usually employ such measures to non-responsive taxpayers. Therefore, it is critical to always respond positively to the taxman's follow up and arrange for a payment plan to amortize the liability over an agreed period of time. At law, the Income Tax Act allows BURS to permit taxpayers, where reasonable cause is shown, to pay the tax liability in instalments. In verbatim the said Act states that, 'On application by the person chargeable, the Commissioner General may in any case grant such extension of time for payment, or permit payment to be made by such instalments and within such time as he or she considers the circumstances warrant.' The same concept also applies to VAT. However, it should be noted that if a taxpayer defaults or breaches the agreed payment plan, the remaining balance becomes immediately due to BURS and the taxman can institute recovery measures as highlighted above.

Conclusion

Well folks, we hope that was insightful. As us the two Yours Truly say goodbye, remember to pay to Caesar what belongs to him. If you want to consult, join our free Tax WhatsApp group or to know about our 9 Tax e-books, send a text to +267 7181 5836 or email us on

jhore@aupracontax.co.bw. You can read more tax articles on our website, www.aupracontax.co.bw under the 'Tax articles' tab.