

SARS Participation in Tax Indaba 2021

SARS leadership will be panel members in sessions covering the following topics at the 2021 Tax Indaba:

- ***Post-Covid Rebound:*** This session explores the global and domestic economic rebound from the COVID-19 pandemic. How fast is the recovery and when will the global economy restore to pre-March 2020 levels? How does the South African economy compare in terms of its recovery, and what is the projected long-term growth rate?
- ***The South African tax gap – Anything left to tax?*** The South African fiscal situation has long remained on edge with South African coffers being empty, much like they were in 1994. The one difference is that the low-hanging potential “revenue” fruit has now been picked. We look at whether any further legislative tax increases are practical and what can reasonably be expected in terms of SARS enforcement.
- ***South African free trade – Going backward or forward?*** Much has been said of the African Free Trade Agreement but has implementation matched reality and when can real implementation be expected? Also at stake is South African trade with its partners outside Africa. Is South Africa opening itself to further free trade or is South Africa following recent global trends toward isolationism?
- ***The promise of lifestyle audits:*** SARS recognises that much of the tax gap stems from persons operating wholly outside the formal tax system or deliberately under-reporting. One remedy is to physically check lifestyles to uncover the mismatch. This session will cover the practical basics of lifestyle audits and their potential efficacy at closing the tax gap in terms of high-net-worth individuals and their closely-held businesses.
- ***Targeting corruption – Will South Africa ever recover the money stolen?*** We continue to have a string of commissions and investigations. When will the prosecutions begin in earnest and what is the best use of SARS resources in this regard? Much has been said of the “Al Capone” strategy to rely on the charge of tax evasion as a key method of prosecution. This session will explore this option in the context of National Prosecuting Authority criminal investigations.

- ***Hidden small business tax leakage:*** While small business is said to be the key to employment creation and growth, small business is also associated with the tax gap in many countries. This session will cover the common problems associated with profit withdrawals, VAT claims and the masquerading of personal expenses as business.
- ***The “Stalingrad defence” versus taxpayer rights:*** Effective tax administration is a delicate affair. If enforcement powers are weak, little can be achieved in terms of tax cash collections. On the other hand, excessive enforcement powers often lead to unfair enforcement, especially against those who cannot afford to defend themselves. Our panel of experts, including those from the Office of the Tax Ombud, will provide a diverse set of balanced perspectives.
- ***The future of low tax jurisdictions in a post-Pillar world:*** There is a growing international consensus amongst OECD and developing countries that the international system should resist low-tax jurisdictions and “harmful” tax jurisdictions. These jurisdictions are finding themselves under greater pressure from all sides. Will there be a future for these jurisdictions or will their activities mainly carry on as before in a different form? In terms of South Africa, is there any remaining space for the South African holding company regime?
- ***Business establishment relief for controlled foreign companies (CFCs) – Valid relief or a gap too wide?*** The most often used CFC relief mechanism for multinationals operating abroad is the business establishment exemption. This exemption exists for almost all CFC regimes so that CFCs can compete with local businesses subject to lower tax rates. At issue is the practical application of this relief and whether this relief will continue in a post-Pillar II world.
- ***Worldwide minimum tax rate:*** The concept of a worldwide minimum rate focuses in the “effective rate” as opposed to the statutory rate. The system already exists in South Africa as a controlled foreign company relief mechanism but is fraught with practical complications. The purpose of this session is to explore the basic accounting-to-tax conversions required for an “effective rate” to be determined.

- ***The uneasy task of correcting errors:*** The conversion of financials to tax returns is undoubtedly complicated, especially for large companies, given the large volume of numbers and systems involved. Errors can easily arise that result in underpayment or overpayments. At issue is how to take these errors forward in an ethical way without exposing clients to excessive penalties and interest.
- ***Value-added tax and company groups:*** VAT is relatively straightforward for single-layered businesses of modest sizes. VAT becomes more complicated once intra-group payments are involved, especially when those payments are eliminated for financial purposes. This session explores operational tax risks of intra-group payments, including the problem of VAT exempt intra-group payments.
- ***Auto-assessments and increasing 3rd party data:*** SARS has repeatedly committed itself to the increased use of 3rd party data to check the veracity of taxpayer returns and to reduce the administrative tax filing burden. This process accelerated in 2020 with the introduction of auto-assessments, followed by estimated assessments. This session explores the promise and risks associated with SARS' acceleration into the new digital world of tax compliance and enforcement.
- ***Value-added tax refunds – A headache for both SARS and taxpayers:*** Although the outcry over delayed VAT refunds has abated from its zenith, VAT refunds remain a problem. Wrongful and fraudulent VAT refunds remain a dangerous outflow for SARS while speedy refunds remain critical for long-term business viability. Where are the real dangers in terms of wrongful and fraudulent VAT refunds as compared to the current VAT stoppages in the system? We look at whether taxpayer compliance can be scored so refund audits are limited so low-risk and compliant taxpayers can readily obtain their VAT refunds without delay.
- ***The Battle for post return information:*** The submission of tax returns is often merely the start of the tax process. Information on the return and other factors may trigger further SARS information requests that could lead to an adverse assessment. This information must be carefully crafted from both sides. The

purpose of this session is to discuss the rights / powers and responsibilities of both taxpayers and SARS in this dance of information.

- ***Trust as the cornerstone of succession planning:*** The core of most estate plans is the trust. The most often overlooked question is the trust's legal validity. This session covers the common failures relating to the basic legal requirements of a valid trust as well as errors in proper factual operation.
- ***The personal income tax impact of COVID-19:*** COVID-19 has accelerated the concept of remote work from home. This shift has ended the formal split between home life and work life in many ways, including in the tax system. At issue is the deductibility of business expenses as these expenses shift to the home front as well as the tax-free nature of work fringe benefits added to the home.