



# TAX COMPLIANCE AND DISPUTES

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*YOUR KEY TO THE TAX COMMUNITY*

# TAX COMPLIANCE AND DISPUTES

## Income tax return preparation

- Request the trial balance from the client together with the signed annual financial statements. The trial balance should have mappings that agrees to the financial statements. Ask for the same document that was used to prepare the financial statements.
- Review the financial statements to obtain a further understanding of the operations/transactions that took place during the current including identifying specific disclosures that might be of relevance to the ITR14 form requirements. Raise queries and follow up with client on those queries.
- Read through the prior year tax report to enlighten yourself on the issues previously noted.
- Raise queries on the trial balance and send back to the client . This should include a request of specific schedules with adequate detail to assist us with coming to a tax conclusion. E.g: Donation schedule, Consulting fees, Legal Fees, Repairs and Maintenance, Fixed Asset Register, Tax Asset register, Disposal schedules, Transaction agreements, CGT calculations, Section 12H training allowance schedules where applicable, Group Organogram, Controlled Foreign Companies' IT10Bs Transfer Pricing schedules where applicable, etc.

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## Income tax return preparation cont.

- Obtain the prior year tax return workings, ITR14 and ITA34C to ensure the correct reversals in the current year tax return.
- Use the AFS mappings obtained above to map the ITR14 income statement and balance sheet to align to the signed financial statement. Where your mapping does not align to the financial statement, perform a reconciliation of what is in financial statements to what you have mapped on the ITR14 income statement and ITR14 balance sheet.
- Commence with the preparation of the tax return while waiting for responses from the client (& raise further queries if responses are not satisfactory). Ensure you perform a deferred tax proof that reconciles per account. Where the deferred tax proof does not reconcile on particular account, provide a detail reconciliation of the difference.
- Follow up with client on responses and schedules. Review responses and schedules to ensure accuracy of tax principles applied.
- Request ITR14 form on e-filing and commence with the completion of the questions to ensure that all supporting or additional information required on the ITR14 can be requested from client in time before finalisation of tax return.
- Review the Transfer Pricing schedules
- Complete tax return calculation including populating ITR14 e-filing and send to manager for review.
- After manager review, clear any queries from the manager (if applicable) and then complete the report.
- Send tax pack, ITR14 and the report to the director for final review.

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## Income tax return preparation (continued)

- Clear any queries from the director (if applicable), receive the final signed off report and final reviewed tax pack, ITR14 from the director.
- E-mail the tax return pack, report, ITR14 to client together with the e-filing mandate if we did not assist client with provisional tax payment submissions.
- File the tax return upon receipt final approval of the completed ITR14.
- Once assessment issued, check assessment agrees to tax pack calculations. Email assessment and also communicate whether IT14SD issues to client. Review tax compliance status and communicate any compliance issues to the client.
- Where required, provide further support to client on responding to the IT14SD and any further queries.

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## Income tax return preparation (continued)

## Income tax return preparation (automation)

- We now use an automated cloud based tax pack to prepare the tax returns.
- Advantages include:
  1. Automated mapping in year 2 of using the automated tax pack
  2. Built validation checks and balances
  3. Tax pack protected against manual override by users
  4. Tax computation is 80% automated
  5. One file version and no risk of file corruption or deletion
  6. A log is kept of changes to the file and all comments and queries raised by reviewers
- Some of the supporting schedules
  1. Consulting, legal and professional fees
  2. Repairs and maintenance
  3. Bad debts
  4. Provisions
  5. Advances and section 24C allowance
  6. Overs Travel
  7. Learnership allowances
  8. Tax asset register and disposals schedules
  9. Various other schedules

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## Areas or questions of attention in tax return

- Gross income and total assets number as it affects size of tax return
- Dividend declared question. Impacts further disclosure in the return
- Group of companies that prepare consolidated AFS question
- MNE question
- TP questions
- Customs registration question
- Is this return in relation to a branch question
- Source code and profit code
- International section on page 3. Some questions need careful consideration and clients don't always understand questions properly and may provide incorrect responses
- Additional assessment information questions- some questions need to be directly confirmed with client as information not available on AFS
- Tax computation and disclosure of adjustments
- TP schedule, ratios and questions

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Other SARS admin and efilings issues experienced by team

- Disputes (can't submit SUP without submitting NOO)
- Some issues recently with submitting Request for Reasons
- Response time from SARS on IT14SD can take too long at times
- Printed IT14SD form does not always print all amounts, making offline review difficult
- Printed ITR14 form sometime prints questions not on the online form, making offline review confusing