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INDIVIDUAL TAX RETURN SUBMISSIONS TO BE ABOLISHED: By Jonathan Hore

Well, some of you may remember the long queues that we had to endure around 30 September each year trying to submit individual income tax returns to BURS. And you will also remember that there were a number of extensions that the taxman issued around 30 September as a sign that the task of getting everyone to submit tax returns was not an easy one. The taxman also had to come-up with a number of tax-return submission centres just before the deadline to ease the long queues at the tax office. But tax experts knew that this whole exercise would not yield much tax for the taxman and had long warned against it. Finally, the tax experts' advice is now turning into reality. The submission of individual tax returns will soon, based on a remark made by the Minister of Finance & Economic Planning last week in parliament, be restricted to a few wealthy individuals as well as those who have income other than from employment. Further, those who earn income which is not taxed at source should also continue to submit individual returns. Throughout this article, words importing the masculine shall be deemed to include the feminine.

HOW DID THIS ALL START?

Well, before the 2012 tax year, individuals whose income solely consisted of employment income did not have to submit individual tax returns. That was due to the fact that employers would have deducted the correct amount of PAYE and paid that already to BURS. Therefore, requesting such persons to submit individual tax returns would simply be clogging BURS' system and then unproductively commit resources to then issue nil assessments, yielding no real tax benefit to the taxman.

However, in 2012, the taxman issued a notice which required every person who earned more than P 36 000 per annum to register for tax purposes, obtain a tax number and then submit individual returns by 30 September each year. That instruction overruled the system which then existed which only required those with additional non-employment income or income from more than one employer to file returns. Technically, it was the Final Deduction System under which employers were to ensure that no PAYE is over or underdeducted from employees. Tax experts immediately warned that such a move was not in the taxman's best interests as studies had proved that such systems do not work in developing countries. The taxman on the other hand felt that getting everyone to register and file returns would be in line with best practices that existed in emerging economies as well as developed countries. So, the instruction was issued and massive campaigns were embarked on, which then saw most persons submitting individual returns.

THE REALITY

After a lot of people had registered for tax purposes, it soon became apparent that the exercise would not yield results. The following are the key realities that ensued:
- Nil assessments were majority: The taxman soon realized that nil assessments constituted the majority of the assessments that were being issued on individuals. A nil assessment is a determination by BURS wherein it discovers that the taxpayer has no additional tax payable as his employer would have deducted the correct amount of PAYE at source. The taxman would then be forced to issue nil assessments, which essentially do not yield any additional tax benefit and yet utilising a lot of resources. Further, the Income Tax Act already prescribes that BURS is not compelled to issue an assessment where there is no tax to pay, but individuals continued to receive such nil assessments.
- Resources underutilised: Most tax officers were required to attend to issuing assessments following the submission of tax returns. However, as most of the

assessments were nil assessments, it meant that human and capital resources committed in that exercise could be deployed elsewhere where they could yield more tax benefits for the taxman. Further, the employees assigned with the issuance of such assessments would not develop technically and most would soon fizzle out and start questioning what exactly they were doing with their careers. A nil assessment does not create a rounded tax officer. That then posed a challenge to the career progression of the employees and also became clear that the resources could yield more results if deployed elsewhere such as to debt, audit and taxpayer education.

- Move faced opposition from IMF: The IMF later added its voice to the matter and to calls that had been raised by local tax experts who warned against the move. It has come out clear and advised the taxman to discontinue the filing of individual tax returns as the exercise yields no tax benefits.

WHEN DOES THIS TAKE EFFECT?

The minister has not yet provided a date as to when this will be effected. Once effected, the way forward is to discontinue the current arrangement where every person who earns more than P 36 000 is required to register and file individual tax returns. This will then be replaced by an arrangement where, per a recent statement made by the Minister of Finance & Economic Development, only 'high income earners and those with additional income …. file returns.' In summary:

- The Minister will, per the current provisions of the Income Tax Act, prescribe the classes of person who would have to file income tax returns, based on their income. For example, the minister could prescribe that only those earning more than P 700 000 per annum will have to submit individual returns;
- The prescription would also state that in addition to those who earn say P 700 000 per annum, those who earn income over and above or other than employment income would also need to submit individual tax returns. This would mean that those who earn more than one salary or those with a salary and rental income would also have to submit individual income tax returns. Those who earn untaxed income should not be spared; and
- Every other individual taxpayer would not be required to file returns.

Well folks, I hope that was insightful. As Yours Truly says goodbye, remember to pay to Caesar what belongs to him.