

## **AVOIDING TAX PENALTIES DURING LOCKDOWN: By Jonathan Hore**

The business community has been terribly busy these past few days trying to apply for the government wage subsidy which was offered to encourage businesses not to retrench employees. It must be acknowledged that the subsidy came in as a handy and unexpected relief from the authorities as government is not supposed to feed businesses. Instead, it is businesses which feed into the government coffers through taxes.

The authorities also promised to expedite VAT refunds from 60days to 21days, waive training levy for 6 months and allow businesses to postpone 75% of any two Self-Assessment Tax payments to March 2021. These brought some form of much-needed relief to business. However, most businesses have a lot of pressure due to the little to no income they currently earn, which in turn creates tax compliance challenges. Some businesses still wish for more concessions, but the above is what we officially have. In this article, words importing the masculine shall be deemed to include the feminine.

### **VAT PAYMENTS**

Under normal circumstances, VAT-registrants do not have much trouble settling their VAT bills. However, the current circumstances simply mean that most businesses are making paltry revenues, if ever they manage to and what they may have in their bank accounts may not be enough to cater for their VAT obligations. It is a catch-22 scenario where the tax laws require compliance but there isn't enough money with which to comply with the laws. This is likely to result in most taxpayers failing to honour their tax payments attracting late-payment interest of an effective annual rate of 18.96%.

On the other hand, businesses must also file their returns by the due dates even though we are in a lockdown. For example, VAT which is due by 25 April 2020 must still be paid and the returns filed. To avoid late-submission penalties of 10% per month or part thereof, businesses can file returns electronically and pay whatever they have towards the principal VAT. If they have any funds outstanding to BURS, it is advisable for them to formalise their financial distress and notify BURS's response team on [responseteam@burs.org.bw](mailto:responseteam@burs.org.bw). Such letters may then be used to plead for waiver of interest in the future. Those who are not registered for e-services may apply for online permits, go pay and or file their tax returns. If they have letters to be dropped at BURS, they must ensure that the letters are stamped, as proof of submission. It is also worth noting that the VAT Act allows for extension of time to file VAT returns, where just cause can be shown.

### **PAYE PAYMENTS**

Some employers may have struggled with the PAYE payments which were due last week by 15 April 2020 for the same reasons stated above. It is still not too late to notify BURS of their circumstances in writing, to build a good negotiating platform for waiver of interest. However, those who can pay both their VAT and PAYE are advised to do so as prescribed by the Tax Acts. Further, self-employed businesspeople may forego salaries and instead draw loans that do not trigger PAYE. They would then resume taking salaries when business returns to normal.

### **CORPORATE TAX RETURNS**

Whilst businesses expected a blanket extension of the due date for filing corporate tax returns which are due by 30 April 2020, such enterprises now need plan B since no such extension is available. In other words, the law applies, being that the returns for financial

years ending 31 December 2019 are still due for submission by 30 April 2020. To get around this, taxpayers can apply for extension of time to submit the returns. It is also known that some of the companies undergo external audits and such audits will most-likely delay. The external audits and the current lockdown are just cause for seeking extension of time within which to file corporate tax returns. Extensions help avoid late return submission penalties of P100/day. Where corporates cannot pay the last corporate tax instalment due 30 April 2020, that must also be put in writing to help avert interest burdens in future.

### **STAGGERED PAYMENTS**

Businesses with some income trickling in are also advised to prioritise tax above other debts, as it bears interest at close to 19% per annum, which could worsen their financial position post COVID-19. In times like these, there is nothing wrong with making weekly or bi-weekly tax payments (if the money is available) just to reduce one's tax bill. This will put businesses in a position where the tax burden is not too onerous when operations resume.

Well folks, I hope that was insightful. As Yours Truly says goodbye, remember to pay to Caesar what belongs to him. If you want to join our Tax Whatsapp group, send me a text on the cell number below.