

### **THE HARD-TO-TAX: TAXMAN'S HEADACHE! By Jonathan Hore**

Thato is a very faithful husband who works so hard to feed his family. He runs a grocery store in a busy area of Gaborone and he is so respected in his hood. His wife is proud of him and his kids regard him highly. Thato is such a gentleman who abides by professional conduct in treating his customers and has great respect for his parents as well. The last thing he would want to do is to break the law, so when he purchases stock for resale, he abides by speed limits. What a law-abiding, faithful and friendly fellow we have here! His only problem is that he does not want to hear of the taxman.

Mention tax and you have an aggressive and unruly man. So, what makes Thato so irritable about tax? Simple; he believes his business is small and is only meant for his survival. He thinks the taxman does not contribute in the making of his profits and paying taxes is a big cost to him. Well, welcome to the underground economy which is so hard to tax. In this world, there is no record-keeping, no tax filings and we don't answer calls from the tax office. My friend Thato belongs to the group which we call H.T.Ts, the Hard-to-Tax. He simply can't fathom the fact that every person has to pay taxes; no not at all! Eeeeish!

### **WHAT ARE H.T.Ts?**

H.T.Ts are taxpayers who either run businesses or conduct some form of economic activity which is unofficial and is mainly meant for personal survival. This group of people are survival-based and they believe that for one reason or the other, they should not share part of their wealth with people who don't sweat for it, especially the taxman. They are usually small businesses who either don't have the capacity to engage an accountant or a tax consultant. Even if they grow big, they rarely keep books of accounts. As you may know, tax is paid based on accounts and since this group does not keep accounts, the taxman may never be able to tax them. If the taxman tries to force them to register for tax, he might as well be starting a good fight. These guys are likely to switch off their cellphones if the taxman calls. And, should the taxman persist, they will move from Mascom to Orange, then Orange to BTC or even to MTN, all in an effort to duck taxes. This is the underground economy my friend and they play catch-me-if-you-can with the taxman.

### **ENTER THE TAXMAN!**

The Tax Acts require every person who conducts business to keep accounting records, register for tax, pay tax and file tax returns. Tell me now, if Thato runs his business without keeping accounts, how then does the taxman collect any taxes from him? In simple, if one does not keep accounts, then the taxman struggles to collect anything from such a person. Further, even if the taxman forces them to register for tax, it is likely that they will default in subsequent tax payments and returns. I am talking of a tough and rough group who are so daring to keep whatever they earn. Come near them, whether backed with the law or not and you will still struggle to collect a thebe from them. And don't be fooled, some of them make millions and never pay a thebe in tax. But any employee earning more than P3 000 per month pays tax. Studies in the underground economy worldwide reveal that this group can only be taxed through presumptive taxes.

### **WHAT ARE PRESUMPTIVE TAXES?**

A presumptive is a predetermined tax that is based on studies into the profitability of certain players in specific industries. The taxes should only be imposed on those who don't voluntarily register for tax and comply with tax filings. There is always need to then put in place controls which will ensure that these taxpayers pay tax. Sectors which may be conveniently taxed using presumptive include, but are not limited to, the following:

<b>Sector</b>	<b>Presumptive Tax payable</b>	<b>Control</b>
Taxis	P 1 500/ quarter/vehicle	To display tax certificate on windscreen and no licence renewals to be done without tax clearance
Combis	P 2 000/ quarter/vehicle	To display tax certificate on windscreen and no licence renewals to be done without tax clearance
Shops	P 30/square meter/quarter	To display tax certificate in the shop and no licence renewals to be done without tax clearance
Hair salons and spars	P 1 000/ quarter/salon	To display tax certificate in the salon/shop and no licence renewals to be done without tax clearance
Multi-residential units	P5/square meter/quarter	Introduce licences by councils and no licence renewals to be done without tax clearance

### **TAXMAN SHOULDN'T CHASE AFTER H.T.Ts**

It is commonly accepted that the taxman should never spend a lot of time dealing with individuals or small businesses due to their high levels of non-compliance. BURS should not waste its time chasing after these taxpayers but just put in place laws which prohibit trading if tax is not paid. Presumptive taxes work so well if they have a carrot and stick arrangement, i.e. such as the business not being able to renew its licence without a tax clearance certificate. So, BURS does not need to sweat to collect the tax as there will be a catch if someone doesn't pay tax; they are barred from trading. The H.T.Ts will in fact chase after the taxman rather than having the taxman chasing after them!