

HOW DO TAX REFUNDS ARISE? PART 2: By Jonathan Hore

Welcome folks to today's article which is a continuation of last week's instalment in which I analysed how tax refunds arise. Just to recap, I stated that tax refunds may arise due to various reasons, including the over-deduction of PAYE by employers, paying more input VAT than what one collects from sales and overestimating self assessment tax. I also mentioned that it is not always that one gets their refunds from BURS in time. Some of them are paid in time whilst some may delay due to a number of reasons. In today's article, I want to analyse how taxpayers can ensure that they get their tax refunds in time. A tax refund is in reality money locked up at BURS and the sooner you get it, the better. In this article, words importing the masculine shall be deemed to include the feminine.

INITIATE THE REFUND PROCESS

BURS has a procedure whereby they automatically, without the taxpayer's intervention, process tax refunds. Through the said process, most of the refunds are paid on time but some may delay due to a number of reasons. One of the reasons which may cause delays in refunds is when a taxpayer who is due a refund owes BURS in another. BURS is permitted by the Tax Acts to reduce the refund by the amount owing to the taxpayer. To put this into perspective, assuming that a taxpayer has a VAT refund of P1m but they owe income tax of P150 000, BURS can't process the VAT refund of P1m as that defeats tax collection efforts. Instead, they reduce the VAT refund by the income tax debt, resulting in a net refund of P 850 000.

On the other hand, a taxpayer's tax statement may show that they owe when in fact they do not. This usually happens under the PAYE and Other-withholding tax accounts, which are usually incorrect and have numerous system errors. So, supposing a taxpayer has a VAT refund of P1m and their PAYE account shows a payable of P 200 000, BURS will first need to either do an internal reconciliation or request the client to prove that they don't owe. In such cases, refunds are usually not processed in time.

Having looked at the above, it is advisable for taxpayers to initiate the refund process, regardless of the fact that BURS has internal procedures which result in processing of refunds. The taxpayer should write to BURS claiming the refund and make constant follow-ups to ensure it is processed.

CLAIM INTEREST FROM BURS

Is it true that taxpayers can charge BURS interest for late-processing of tax refunds? Well, the answer is a big 'Yes.' The rationale is that the legislature wanted to avoid scenarios where taxpayer's refunds are not processed in time and put legislation allowing taxpayers to claim interest for late refunds.

The VAT Act and the Income Tax Act both contain sections that prescribe the timeframes within which refunds are supposed to be processed by BURS. For income tax purposes, the set timeframe is not later than 6 months from the date of submission of an income tax return. Notice that the refund is not linked to the date an assessment is issued by BURS but one makes reference to the date when the return is submitted to BURS. Therefore, it is imperative that taxpayers get proof of submission of returns, either through BURS stamps or a printout acknowledging receipt of the return.

Those submitting returns online will be able to get the proof of submission online. This means that if an income tax return is submitted on 31 January 2018, the refund should be processed not later than 31 July 2018.

BURS is required to refund VAT registrants not more than the last day of the 2nd calendar month from the due date of the return in question. A VAT return for the July 2018 tax period becomes due by 25 August 2018 and as such, the refund must be processed not later than 31 October 2018.

So, if BURS does not refund you your tax within the stated periods, the said Acts contain provisions which allow you to claim interest on the delayed refunds. For income tax, taxpayers can claim simple interest of 1% per month or part of a month. However, the VAT Act allows taxpayers to charge BURS monthly compound interest of 1% per month or part of a month. This is alternatively known as interest on interest. One may then ask how the interest is paid to them. Well, you have to claim it from BURS through a written submission and follow-up on that submission until it is paid.

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