

TAXMAN ARMED WITH 200% PENALTY! By Jonathan Hore

Different agreements and arrangements usually allow for an aggrieved party to levy a penalty or some charge which compensates them for non-performance of certain obligations expected of the other party. Most of the penalties will range around 10% or so and some would still consider them to be too high. But if you thought that such penalties are high, wait until I demonstrate that the taxman is armed with a 200% penalty which he can levy on non-compliant taxpayers. I will analyse below in detail how the taxman levies the 200% penalty. In this article, words importing the masculine shall be deemed to include the feminine.

When are penalties charged?

By default, the taxman expects taxpayers to comply with tax laws on a voluntary basis. What this means is that he assumes that all taxpayers have done their homework and acquainted themselves with the provisions of the tax laws to a level where they become fully compliant. Therefore, if ever he discovers underpaid taxes, usually through a tax audit, he levies the 200% penalty. The reason why he does that is he does not want taxpayers to hide anything from him. What this means is that if you underpaid tax by P3m, the total tax with the penalty becomes P9m, P6m of which will be a penalty. Now, you will agree with me that this is not a joke; you may actually shut down your business.

Avoid the penalties

There are a number of initiatives which you can take to protect your business from these heavy and crippling penalties. Certainly, the last thing you want is to fail to pay salaries and bank loans because the taxman has descended on your bank account. The following are possible ways of avoiding these onerous penalties:

- **Implement tax systems:** Most businesspeople only worry about making money and securing the next deal. This consumes almost all their time and they rarely worry about having robust tax systems in place, which ensure that all taxes are paid to BURS. This is most prevalent in SMMEs, where the focus is only put on survival with little to no attention to taxes. It is recommended that you engage the services of a tax consultant to handle all your tax matters whilst you concentrate on making money. Alternatively, if you want to handle the function internally, get a tax consultant to establish the tax systems for you and you abide by them.
- **Tax Gap Analysis:** There is no business which is 100% compliant with tax matters. That I can tell you; even the ones that are audited by the professional audit firms. Most of the auditors do not bring their tax specialists as part of the audit teams and whilst they may give their clients a clean audit report, the taxes could still be a mess. To get a round this, get a tax consultant to review your tax matters at least once in a 3 year period or insist on your auditor bringing their tax specialist for audits.
- **Tax upskilling:** Taxation is a technical subject which is heavily dependent on ever-changing laws. Organisations need to constantly upgrade the skills of their employees by getting them to attend tax training sessions or where possible, have in-house tailor-made tax training done for them. This ensures that their staff will not be too far away from the tax practices obtaining on the ground and that improves their compliance levels and hence prevent tax penalties.

Conclusion

In the event that you have the heavy tax penalties levied on you, ensure that you get the assistance of a tax consultant to apply for a waiver. BURS surely has the powers to waive tax penalties and you don't need to pay them all; some may be waived. You may also need

to know that the Minister of Finance & Economic Development announced that a tax amnesty on penalties and interest will soon become reality but that shouldn't be a reason not to comply with taxes.

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.