

AUTO-ASSESSMENTS AND CHALLENGES THEY POSE TO TAXPAYERS



In July 2022, SARS issued more than three million income tax auto-assessments to individual non-provisional taxpayers. It is crucial to understand that the process for dealing with auto-assessments is slightly different from when an income tax return is submitted manually. If the wrong procedure is followed, it could have serious consequences for taxpayers.

Background

In this month's case study, SARS sent the taxpayer a notice that the taxpayer was auto-assessed early in July 2022. The result of the auto-assessment was a refund, but the taxpayer disagreed with it because they wanted to claim out-of-pocket medical expenses to reduce the taxable income. Taxpayers are entitled to claim this kind of legitimate deduction, but it does not form part of the third-party data obtained by SARS and is, therefore, not prepopulated on the returns during the auto-assessment process.

The taxpayer decided to object to the auto-assessment, but the eFiling system did not provide an objection option. To try and find a workaround to the system not allowing an objection, the taxpayer submitted a request for suspension of payment even though there was no tax debt.

The taxpayer lodged a complaint with the Office of the Tax Ombud (OTO) when SARS did not respond. As often happens, taxpayers still lodge complaints with the OTO without first exhausting the complaint procedure in SARS. Since the taxpayer did not complain to SARS' Complaint Management Office (CMO), the OTO had no option but to reject the complaint for being premature. However, it is essential to note that this complaint illustrates that the taxpayer was unaware of the correct procedure to follow when not in agreement with an auto-assessment. Because of this, the OTO would not be able to add value even if the taxpayer had lodged a complaint with the CMO. At most, the OTO could assist the taxpayer to get a response from SARS. That response from SARS, however, would be that the taxpayer could not lodge an objection and was trying to follow the incorrect procedure. It would not make sense for the OTO to take this approach when it could simply inform the taxpayer upfront of what procedure it should follow to avoid any further delays.

Correct procedure when not agreeing with auto-assessments

The process for disputing an auto-assessment is slightly different from disputing an additional assessment if a return is submitted manually because it is an estimated assessment. You cannot lodge an objection directly to an auto-assessment. This is why the eFiling system did not give the taxpayer the option to lodge an objection.

When taxpayers disagree with an auto-assessment, they should request SARS to make a reduced or additional assessment by submitting the return with the correct information. This must be done within 40 days after the date of the auto-assessment, but it is possible to request SARS for an extension to this period. Remember, though, the taxpayer should provide justification for late submission. Suppose you need an extension beyond 21 days; in that case, your justification becomes significantly harder because you have to provide exceptional reasons for the delay, such as being involved in a serious accident or the delay being occasioned by a natural disaster, as opposed to reasonable grounds.

Only if SARS decides not to allow a taxpayer's request for a reduced or additional assessment will the taxpayer be able to object to the assessment.

In summary

As taxpayers cannot lodge an objection directly to an auto-assessment, their best course of action when disagreeing with such an assessment is to submit the return with the correct information and request SARS to issue a reduced or additional assessment. This is quicker and simpler than trying to use an invalid process, which will only make matters worse.

NOTE: TAXPAYER'S DETAILS WITHHELD FOR CONFIDENTIALITY REASONS.

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