

10 February 2012

Beware of the IT14 SD

Many of the amounts on your IT14 income tax return can be checked and compared to your other declarations to SARS over the tax year.

For some time now the statutory audit would have tested the VAT turnover declarations to the accounting turnover disclosed in your annual financial statements.

SARS is now going further and using the computer automation and integration to highlight discrepancies.

Should a discrepancy arise you will have the joy of completing a supplementary declaration known as an IT14 SD. As an aside this will cost you a significant fee due to the complexity, risk and low level of materiality used by SARS.

Income Tax Reconciliation

As with your tax return you will need to reconcile your accounting profit to your taxable income. This would have been done in your tax return and is merely a review and a supplementary declaration. Errors perpetuated will impact on penalties.

PAYE Reconciliation

The allocation of expenditure to salary and wages needs to be more closely considered.

Director's remuneration, medical aid, pension or provident fund contributions paid by the company, other employment costs will be reconciled to the remuneration computed in your monthly PAYE disclosure.

Bonus not subject to PAYE, fringe benefits not disclosed, ghost workers and other questionable employment costs will be highlighted and audited by SARS.

VAT Reconciliation

The reconciliation of vatable sales and accounting turnover is generally done as part of your statutory audit.

The level of variance and materiality will need to be considered more closely.

Allocation of vatable supplies as recovery of cost and not as turnover for accounting purposes, and other variances will be scrutinised.

This is not as difficult as the VAT input reconciliation reconciling cost of sales to VAT inputs. The safe haven for unknowns will not be as safe as previously.

Customs Duty Reconciliation

Imports and exports will have further reconciliations of customs duty deductions with imports and exports in the annual financial statements.

When you receive a request to submit an IT14 SD note the following: -

1. Take a deep breath.
2. Double check your IT14 correctly reflects the amounts disclosed on your annual financial statements. As there are limited control totals you may have typed incorrect figures on your IT14.
3. If there is an error on your IT14, resubmit and hope that this resolves the issue.
4. If not, take another deep breath and begin the reconciliation process and request professional assistance.

If you have too high a discrepancy, prepare yourself for a SARS audit at your premises.

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