

AUTO ASSESSMENTS

The 40-day rule may be an unintended sting in the tail

TAX ARTICLE – JULY 2022



Now that we have entered the 2022 Tax Season, SARS Publicity Centre will be going into overdrive as to the benefits of their New World Class Auto Assessment process. The process aims to consolidate all your known income streams and generate a prepopulated tax return and an assessment.

This is an estimated assessment and has a very complex set of rules attached to it which are inherently more complex than the category of taxpayer associated with the SARS target market of the auto assessment.

Once an estimated assessment is raised the taxpayer has forty (40) business days to lodge the corrected tax return, or request an extension to do so, otherwise the period to lodge an objection to the assessment is closed.

For the target market of the auto assessment, this is not an issue but for those who are caught in the net incorrectly, it will be an issue.

If you have received a Travel Allowance – your deemed costs will not have been auto assessed.

If you make a donation to a registered charitable organisation your Section 18A will not be in the prepopulated system in 2022.

If you qualified for home study deductions your deduction will not have been auto assessed.

For taxpayers who have a deduction not recorded on the auto assessment, you have forty (40) business days to lodge a corrected tax return, or your deduction will be lost.

The information provided herein may not be construed as legal and/or tax advice. Professional advice should be sought with reference to specific background facts before any action is taken based on the information contained herein. We hereby disclaim any responsibility should any person act upon the contents of this publication without due consultation.

PKF South Africa Inc. is a member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms. "PKF" and the PKF logo are registered trademarks used by PKF International and member firms of the PKF International Network. They may not be used by anyone other than a duly licenced member firm of the Network.

SARS does not prepopulate the return with the taxpayers with a side hustle. This will not be computed in the auto assessment and many people will (unfortunately and incorrectly) think – *SARS assessed me – they are the experts – my tax obligations are complete.*

Trust distributions are not yet part of the 2022 auto assessment process as the Trust tax returns are lodged after the auto assessment process.

Whilst capital gains from listed Share Portfolios managed by a Portfolio Manager will probably have been prepopulated, capital gains on the sale of fixed property and shares in private companies will probably not have been included in the auto assessment process.

If SARS is later advised of these and raises an additional assessment, the taxpayer will have an understatement penalty imposed for accepting the SARS' auto assessment.

Whilst the rules on the forty (40) business day period might be applicable to sophisticated taxpayers who have been delinquent in replying to SARS or who have long outstanding tax returns, one questions whether if this is fair on the target market for the auto assessment process and raise the concern that some may be found wanting due to the provisions of the 40 day rule on estimated assessments.

- - -

Author:

Paul Gering

Tax Partner, PKF Durban
paul.gering@pkf.co.za

Contact us:

Should you have any queries on these matters, please contact your PKF relationship partner or firm.

[PKF Cape Town](#)

[PKF Constantia Valley Cape Town](#)

[PKF Durban](#)

[PKF George](#)

[PKF Octagon Johannesburg](#)

[PKF Port Elizabeth](#)

[PKF Pretoria](#)

[PKF VGA \(East Rand\)](#)

[PKF Welkom](#)

The information provided herein may not be construed as legal and/or tax advice. Professional advice should be sought with reference to specific background facts before any action is taken based on the information contained herein. We hereby disclaim any responsibility should any person act upon the contents of this publication without due consultation.

PKF South Africa Inc. is a member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms. "PKF" and the PKF logo are registered trademarks used by PKF International and member firms of the PKF International Network. They may not be used by anyone other than a duly licenced member firm of the Network.