

# Tax Alert 7 of 2021

## Benefit from “Tax Amnesty Scheme”



Is your organisation making the best out of the Tax Amnesty Scheme (Amnesty)? The scheme has been operational in Botswana since July 2021 and will run until 31 December 2021. This is a golden opportunity for organisations to resolve long outstanding tax issues and get exempt from paying interest and penalties. For more details, refer to our “Tax alert 6 of 2021 - Tax Amnesty Scheme” publication - <http://bit.ly/GT-BW-TaxAmnesty>

Taxpayers have been experiencing issues when applying for a Tax Clearance Certificate (TCC), and attempt to verify the reason for rejection through their “**Tax Compliance Summary**” (TC Summary).

- **The challenge:** The TC Summary shows certain outstanding returns, outstanding payments and “unallocated credits”, and only gives a snapshot of the return submission.
- **Our recommendation:** Taxpayers may engage directly with BURS to secure a “**Tax Compliance Report**” (TC Report) which is an internal document that gives more insight on the outstanding matters and lists “returns pending for processing”. Given below are certain issues observed, how taxpayers may resolve them, and how Grant Thornton as tax advisors can assist.

### Issue 1: Outstanding returns

This section of the TC Report gives a list of returns that are pending for submission (not received by BURS). Taxpayer may find that some of their submitted returns (such as tax return, PAYE returns, other withholding tax returns) are reported as outstanding returns.

### Issue 2: Returns pending processing

Some of the previously submitted returns may be reflected as pending for processing, meaning that the returns are to be manually processed in Lekgetho Live by BURS. The list of these returns is only reflected in the TC Report.

## Suggested solution

In the case of outstanding returns, we recommend that taxpayers submit their returns to BURS immediately, using the e-service portal. In exceptional cases, BURS may accept over-the-counter submissions.

In respect of returns pending for processing, we recommend that taxpayer submit / re-submit copies of their returns over the counter. This requires time to retrieve archived information, submit returns at the BURS office, and engage in regular follow-ups to ensure that BURS processes them.

### Issue 3: Outstanding payments / balances

In this section of the TC Report, outstanding tax and interest liabilities are reported under different tax types, such as corporate income tax, PAYE, WHT on interest, etc. These liabilities may be genuine liabilities, or due to incorrect allocation by BURS, or due to errors occurred upon migration of balances from the old system to Lekgetho Live.

In Lekgetho Live, by default all payments made by the taxpayer from May 2020 are allocated against the “outstanding tax liability / opening balance”, irrespective of whether the taxpayer made the payment against the properly submitted return since May 2020. Consequently, the system automatically charges interest for “non-payment” against monthly submissions made by the taxpayer, and thus new interest liabilities are generated.

### Issue 4: Unallocated credits

There are unallocated credits reported under different types of taxes such as corporate income tax, WHT on interest, WHT on dividends, WHT management fees, WHT on rent, VAT, training levy, etc. These balances could either be genuine excess payments, or incorrect allocation, or non-allocation of payment by BURS under different tax types. We have noted instances where migrated balance especially relating to OWHT submission leads to incorrect allocation. In the old system, the return was submitted and processed as one return for multiple type of OWHT whereas in Lekgetho Live they are allocated under different sub-types within OWHT. It has been noticed that migrated balances to different sub-tax types are at times incorrectly allocated. For example, a payment for rental in the old system may be wrongfully allocated to consultancy fees resulting in a migrated balance for rent and unallocated credits for management and consultancy fees.

## Suggested solution

1. Obtain "statement of tax due and payable" from the old system (up to April 2020) from BURS. Sometimes taxpayers may face some temporary challenges in securing these statements over the counter due to accessibility of old system. There are four different type of statements - corporate tax, VAT, PAYE and other withholding tax (OWHT such as interest, dividend, royalty, management fees, etc.). Each of these statements must be obtained by taxpayers.
2. Match the debits (tax charge) and credits (payment) in each of these statements on a month-on-month basis to arrive at balance, if any, that is expected to be outstanding for each type of tax.
3. Identify / investigate any unpaid amount noted in this process with any "unallocated credits". Retrieve the proof of payment for subsequent submission to BURS along with a letter of objection.
4. Compare the balance for each type of tax with the migrated balance. Any difference between the arrived balance and MIG should be escalated to BURS for further clarification, in the form of a formal objection letter on each of the issues noted, along with supporting documents and recommended corrective action. The letter should be acknowledged by BURS for future reference / follow up on resolution until the matter is addressed.
5. **In case the final analysis results in outstanding tax liabilities, pay those tax liabilities and apply for Tax Amnesty for waiver of interest and penalties in the prescribed form to Commissioner General along with the proof of payment of tax. Note that "Tax Amnesty Scheme" is available until 31 December 2021.**
6. If the final analysis results in a refund, make a request for tax refund based on the corrected TC Report / TC Summary.

## Implications of the issues

The impact of the identified issues is affecting taxpayers' ability to:

- **Apply for waiver of interest and penalties through the amnesty scheme**
- **Obtain a TCC:** Based on our interaction, BURS will not process TCCs until all issues are addressed. As you might be aware TCC is becoming "a must" document for any tender submission.
- **Process refunds:** Even though the TC Report or TC Summary shows refunds pending approval, we understand that BURS may defer or may not process / approve refunds until all the issues identified in the TC Report are fully resolved.
- **De-register a company with BURS:** BURS may not be able to de-register a company (e.g.: due to amalgamation or cessation of operations) unless all issues in the TC Report are fully resolved. CIPA will only issue amalgamation certificates upon companies de-registering with BURS. Note that BURS is no longer issuing any no-objection certificates, making it challenging to conclude an amalgamation process unless the taxpayer resolves issues in the TC Report.

## Positives for taxpayers

While we note that the above challenges and possible solutions do create an inconvenience to taxpayers or to their tax consultants, we feel that resolving these challenges presents a good opportunity to get taxpayers' accounts fully reconciled with BURS and to start "clean" with Lekgetho Live. It may also help taxpayers to pay

and settle any identified genuine tax liabilities under any of the tax types, and take full advantage of "Tax Amnesty Scheme" and thereby get waiver for any interest and penalties.

## Our support

We recommend that each taxpayer attempts to generate the TC Summary from the BURS web portal, if required obtain their TC Report from BURS over the counter and perform the reconciliation as suggested. Should you need any assistance, we are happy to provide guidance for you to resolve the identified specific issues. If you need assistance to take up this exercise entirely, please contact our Tax Amnesty Team, we are happy to support you to resolve these issues. Please e-mail [taxamnesty2021@bw.gt.com](mailto:taxamnesty2021@bw.gt.com). The benefit of Tax Amnesty Scheme can only be availed up to 31 December 2021.

## Contact a specialist - we're here to help!



### Rebecca Sanchez

Associate Director - Tax

E [rebecca.sanchez@bw.gt.com](mailto:rebecca.sanchez@bw.gt.com)



### Anthony Quashie

Partner - Business Process Solutions and Tax

E [anthony.quashie@bw.gt.com](mailto:anthony.quashie@bw.gt.com)

Disclaimer: Our publications are information resources developing / compiling / summarizing business insight for our clients and other interested parties. This document is intended as a guide only and the application of its contents to specific situations will depend on the particular circumstances involved. While every care has been taken in its presentation, personnel who use this document to assist in evaluating their business should have sufficient training and experience to do so. No person should act specifically on the basis of the material contained herein without considering and taking professional advice. Neither Grant Thornton nor any of its personnel nor any of its member firms or their partners or employees, accept any responsibility for any errors this document might contain, whether caused by negligence or otherwise, or any loss, howsoever caused, incurred by any person as a result of utilizing or otherwise placing any reliance upon it. Any reader intending to base a decision on information contained in this publication is strongly advised to consult a Grant Thornton partner before proceeding. "Grant Thornton" refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and / or refers to one or more member firms, as the context requires. GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of and do not obligate one another and are not liable for one another's acts or omissions.