Tutorial Letter 201/2/2016

TAX ADMINISTRATION

TAX3704

Semester 2

Department of Taxation

This tutorial letter contains important information about this module.

Please note: This is an online module and it is therefore available on myUnisa. However, in order to support you in your learning process, you will also receive some study material in printed format.

Bar code

SOLUTION TO COMPULSORY ASSIGNMENT 1 (MCQs) – SEMESTER 2

2 SEPTEMBER 2016 (UNIQUE NUMBER 675636)

QUESTION 1

Which one of the following statements is **CORRECT**?

Timothy's dispute with SARS has been settled by the tax ombud in favour of SARS.

(1) Both Timothy and SARS are bound by the findings of the tax ombud.
(2) SARS may request a court to make the award binding on both the taxpayer and the revenue authorities.
(3) Timothy has only recourse to a court to have the decision set aside.
(4) The tax ombud's decision is not binding on either Timothy or SARS.

QUESTION 2

The Tax Administration Act applies to …

(1) all persons who are individually liable to comply with this Act.
(2) all taxpayers.
(3) SARS and all tax practitioners alike.
(4) none of the above, as the law binds every taxpayer by its design.

QUESTION 3

SARS contacts you with a view to conducting a field audit in respect of one of your clients. Since you are well aware that SARS audits can sometimes be time consuming, there is ...

(1) no reason to request written reasons from SARS until finalisation of the audit.
(2) reason to request information from SARS about the scope of the field audit.
(3) a possibility that if you pursue the fact that the constitutional rights of your client (the taxpayer) are adversely affected, SARS may invoke audits against all of your clients.
(4) a reasonable possibility that your professional credibility as a tax practitioner may become questionable if you request a report in respect of the field audit being executed at your premises.

QUESTION 4

Which statement is **TRUE**?

A person submitting a document on behalf of someone else may do so only if he or she ...

(1) has gained access to *e-filing* with the other person's consent and supplied an electronic signature to the document.
(2) submits an electronic document with the person's consent and electronic signature.
(3) submits communication to SARS based on the other person's electronic signature.
(4) submits a return or document with the consent and authority of the other person.

QUESTION 5

Which one of the following bodies is not a recognised controlling body in terms of the Tax Administration Act?

(1) Association of Accounting Technicians
(2) Independent Regulatory Board for Auditors
(3) A law society or a bar council
(4) South African Institute of Chartered Accountants

QUESTION 6

Which statement is **NOT** part of the SARS mandate?

(1) SARS is a government organisation established to ensure the efficient collection of tax.
(2) The purpose of SARS as an organisation is to ensure the effective collection of taxes.
(3) SARS must exercise assiduous control over imports, exports and the manufacturing and use of goods.
(4) The purpose of SARS is to constitute and administer tax legislation.

QUESTION 7

Which **ONE** of the following statements is **TRUE**?

(1) The Tax Administration Act intends to provide SARS with as many powers as possible.
(2) The Tax Administration Act has been codified to ensure that the basic rights of taxpayers are observed by SARS.
(3) The Tax Administration Act is based on input of constitutional experts and best international tax practice.
(4) The Tax Administration Act provides more control and power to SARS than to taxpayers.

QUESTION 8

The issuance of a **"search and seizure"** warrant under current law is assigned by …

(1) a senior SARS official who is duly authorised to delegate such responsibility by the Commissioner.
(2) a senior SARS official if legal professional privilege is to be protected during an execution of search and seizure under a tax Act and the relevant documents must be secured first by an independent attorney.
(3) a judicial officer such as a magistrate or a judge of the Supreme Court.
(4) the SAPS acting in association with SARS in such related matters.

QUESTION 9

If a provision of the Tax Administration Act has two different interpretations, the *contra fiscum* rule must be applied. It means that the court will interpret the provision as …

(1) the greater burden being placed on the taxpayer.
(2) the smaller burden being placed on the taxpayer.
(3) the burden not being placed on either the taxpayer or SARS.
(4) a burden being placed simultaneously on both the taxpayer and SARS.

QUESTION 10

Which **ONE** of the following statements is **NOT CORRECT**?

A tax clearance certificate issued by SARS must be made in the prescribed form and in the prescribed way and must include the ...

(1) original date of issue.
(2) taxpayer's name, identity number, reference number and address as well as the identified representative.
(3) date of the application for the clearance certificate.
(4) expiry date of the certificate.

QUESTION 11

Which statement is **NOT CORRECT**?

SARS may deviate from the strictness and rigidity of its duty to collect all tax debts owed immediately. SARS may …

(1) decide to "write off" a tax debt temporarily.
(2) permanently write off a tax debt.
(3) authorise the compromise of a part of a tax debt.
(4) absolve a taxpayer from the liability to make payment of a tax debt.

QUESTION 12

Which statement is **NOT CORRECT**?

(1) A debtor's request for the compromise of a portion of a tax debt must be considered on the grounds of administrative efficiency.
(2) A compromise of a tax debt is to ensure the highest net return from the recovery of a tax debt.
(3) A SARS official may authorise the compromise of a portion of a tax debt.
(4) The compromise of a portion of a tax debt must ensure that SARS complies with the requirements of administrative efficiency.

QUESTION 13

A senior SARS official may suspend payment of a tax pending a dispute, taking into consideration …

(1) the compliance history of the taxpayer.
(2) sequestration or liquidation proceedings that are pending.
(3) the tax amount involved, including the compliance history of the taxpayer.
(4) whether a criminal investigation has been initiated by now.

QUESTION 14

Which statement is **NOT CORRECT**?

An instalment payment agreement for deferred payment of a tax debt may be entered into with a taxpayer if …

(1) a senior SARS official enters into an *agreement* with a taxpayer in the prescribed form to pay a tax debt in one sum.
(2) a senior SARS official enters into an *agreement* with a taxpayer in the prescribed form to pay a tax debt in instalments.
(3) the instalment payment agreement remains only in effect for the term of the *agreement*, unless the taxpayer fails to pay an instalment or the financial condition of the taxpayer has materially changed.
(4) the termination or modification of an instalment payment agreement takes effect within 21 business days after SARS has become aware of the taxpayer furnishing materially incorrect information in applying for an instalment payment *agreement* to pay off a tax debt.

QUESTION 15

Which **ONE** of the following statements is not **TRUE**?

SARS may perform inspections without prior warning …

(1) to determine the identity of the person occupying the premises.
(2) to determine whether a person occupying the premises runs a business from such a place.
(3) to establish the tax liability of a person occupying the premises.
(4) to determine whether a person occupying the premises has approval to operate a business from such a place.

QUESTION 16

SARS will **ONLY** issue a jeopardy assessment if ...

(1) there is a delay in securing an outstanding amount of tax payable to SARS.
(2) the tax would otherwise be in jeopardy if the normal due date, at which the return was due, was adhered to.
(3) an inference is drawn from the facts such as *prima facie* evidence together with the fact of dishonesty that the risk of dissipation of assets is great to the *fiscus.*
(4) the grounds for believing that the tax would otherwise be in jeopardy are provided to the taxpayer.

QUESTION 17

Which statement is **NOT CORRECT**?

A notice of assessment issued by SARS must contain …

(1) the taxpayer's name and reference number or other form of identification.
(2) the date and amount of the assessment.
(3) the tax period in relation to which the assessment is made and the date for paying amounts and penalties.
(4) a summary of the procedures for lodging an objection to the assessment.

QUESTION 18

Which statement is **NOT CORRECT**?

A natural person does not have to register as a tax practitioner if ...

(1) advice is provided free of charge to another person.
(2) that natural person only receives remuneration for work done on behalf of a taxpayer.
(3) completes a document or provides assistance in completing a form.
(4) he or she performs these tasks in the course of his or her normal employment.

QUESTION 19

Which statement is **TRUE**?

Under what circumstances will a penalty for minor or first-time non-compliance, be remitted?

(1) when a person voluntarily informs SARS about the non-compliance
(2) when a person submitted all returns in terms of a tax Act and the duration of the non-compliance is less than five business days
(3) if the penalty, in the case of a penalty being imposed under section 210 for non-compliance, is no more than R2 000
(4) if the penalty for non-compliance is no more than R100 000

QUESTION 20

Which one of the following statements is **CORRECT?**

In the event of an understatement declared by a taxpayer, the taxpayer must pay an understatement penalty, in addition to the payment of a tax amount. The requirements for paying understatement penalties are determined by an understatement penalty percentage table.

(1) A substantial understatement represents a 50% penalty.
(2) If reasonable care was not taken in completing a return, a 75% penalty is reasonable in standard cases.
(3) Intentional tax evasion, if obstructive, will attract a 200% penalty.
(4) In cases of gross negligence, a standard case after notification of an audit will invite a 100% penalty.

END OF ASSIGNMENT 1