

SARS eyes global companies' tax structures

Multinationals based in SA – particularly in the mining, automotive, pharmaceutical and finance sectors – will need to pay special attention to taxes. The South African Revenue Service (Sars) said this week that it plans to increase its scrutiny of multinationals when it comes to tax compliance, particularly with regard to transfer pricing and double taxation, which it has identified as a problem.

Sars spokesperson Adrian Lackay said on Wednesday that the African Tax Administration Forum, of which South Africa is the chair, “was co-operating to ensure there is greater synergy [among tax authorities]” to halt tax avoidance among companies operating in Africa.

Some multinationals are manipulating various tax regimes, taking advantage of benefits offered in other countries by transferring losses or profits to tax jurisdictions that give them the best returns, rather than paying the tax due.

In a statement released on Tuesday this week, Sars said tax avoidance efforts by multinationals was a serious concern to South Africa.

“This segment of the tax base is attracting considerable focus from governments across the world, especially where multinationals use the protection of double-taxation agreements to minimise their tax obligations,” Sars said.

“It [transfer pricing] will remain a Sars priority for the medium to long term given the risk it poses in terms of the erosion of South Africa’s tax base.”

Sars commissioner Oupa Magashula said that 16 cases relating to transfer pricing had been finalised, resulting in R652-

million being paid to the receiver of revenue. Two more pricing cases are being finalised.

“The investigations into the 16 cases have taken about three years to finalise, which is longer than we would have liked. Unfortunately, we were behind because of a lack of skills, which we are in the process of addressing,” Magashula said.

“Already two more cases have been identified, with a potential audit result in excess of R6-billion. These cases are rich pickings which should yield good income in the coming year,” he added.

Sars is already looking at 30 transfer-pricing cases, with potential audit results in excess of R8-billion.

It appears many of these cases will come from the pharmaceutical, finance, mining or automotive sectors, which Sars has identified as priority areas for investigation in the 2013/14 financial year.

With regard to these sectors, Sars said it would be looking at “management fees, interest payments, service fees, royalty payments and selling or transfer of intangible assets”.

Launched in 2009 in Uganda, the African Tax Administration Forum consists of 30 African tax commissioners and is intended to encourage mutual co-operation between member states to combat tax evasion and avoidance.