

## TradeSmart

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Highlights



Customs Compliance



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#### Highlights

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#### Issue

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#### Income Tax Supplementary Disclosure

##### Introduction

An Income Tax Supplementary Disclosure (IT14SD) is an additional declaration for companies to complete. The South African Revenue Service (SARS) may issue the IT14SD form to certain companies and close corporations subsequent to their tax returns having been filed. First

launched in 2011, it was identified by SARS as a means to enhance tax compliance through the verification and reconciliation of various declarations lodged with the revenue authority. In particular, the IT14SD is intended to reconcile the declarations on the income tax return (ITR14) to the VAT 201 returns, import and export customs declarations as well as employee's tax declarations, for the same period. However, this article only focuses on the IT14SD requirements from an indirect tax perspective which includes value-added tax (VAT) and customs.

### Purpose

For customs purposes, it is to identify an understatement of the customs value of imported goods or overstatement of the customs value of exported goods. Whereas for VAT, the purpose is to identify a potential under-declaration of output tax or over-claim of input tax from SARS.

The following customs reconciliations are required for both imports and exports:

- imports/ exports customs value as per the SAD 500 (import declarations obtained from SARS statistics) versus the VAT 201 value for imports/exports (disclosed in fields 14A, 15A or 2A on the VAT return)
- imports/ exports customs value as per the SAD 500 (obtained from SARS statistics) versus the foreign purchases/ sales value per the income tax return
- foreign purchases/ sales value per the income tax return versus the VAT 201 value for imports/ exports (disclosed in fields 14A, 15A or 2A on the VAT return).

For VAT, reconciliations are required between:

- total supplies declared on the VAT201 vs sales per ITR14
- total acquisitions declared on the VAT201 vs cost of sales per ITR14.

### Information source

Different information sources have to be analysed and assumption, or conclusions, have to be drawn which is subject to the company's confirmation. The following levers should also be considered:

- the industry in which the client operates
- incoterms applied on imports and exports
- accounting principles
- company operating model.

### Challenges usually identified

Our experience has shown the following as typical reconciling items for the different types of taxes:

- the free on board (FOB) value is declared for customs purposes
- taxpayer has more than one customs code number which they are not aware of
- accounting for trading stock versus non-inventory items such as marketing, samples, capital items, etc.

- different VAT numbers can be used to clear the goods – potential impact on the values declared for VAT purposes
- unauthorised use of the trader’s customs code number
- availability of clearing agent data specific to indirect exports
- timing differences between the VAT and accounting treatment
- time-frame in which to complete the reconciliation is very tight, however, SARS may allow an extension should you apply.

That being said, the IT14SD reconciliation remains a useful tool to assess on a high-level basis, a company’s level of compliance with VAT and customs regulations.

### Final thoughts

Although IT14SDs are generally issued by SARS, we recommend that companies consider performing quarterly or annual IT14SDs to proactively identify and manage potential risk areas with SARS. As a result of these reconciliations, potential inefficiencies in the administrative processes than need to be improved, may also be highlighted. In addition, potential savings opportunities could be identified through this process.

### Need more information?

Should you require assistance with the abovementioned information, kindly reach out to [Dinisha Munien, Associate Director](mailto:munien@deloitte.co.za) or [Gugu Mnisi, Manager](mailto:gmnsi@deloitte.co.za) or [Olebogeng Ramatlhodi, Director](mailto:ramatlhodi@deloitte.co.za), or one of the below [Deloitte Africa Tax & Legal contacts](#).

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