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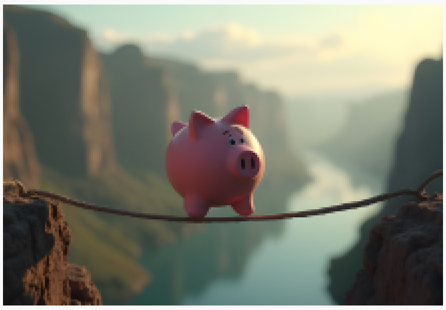
Mind The Tax Gap! Here's How…

"In 2025/26, SARS will focus on addressing the tax gap to improve revenue collection." (National Treasury Budget Review)



With additional funding from National Treasury, SARS will now be better positioned than ever to collect the estimated R800 billion in unpaid taxes which SARS Commissioner Edward Kieswetter has identified as a better alternative than a VAT hike to balance the South African Budget.

Much of the estimated R800 billion in unpaid taxes consists of the so-called "tax gap" – the difference between how much tax is legally due to SARS and the amount that is actually paid on time. SARS has reported the following:

- Just over R400 billion in undisputed uncollected debt
- Over R100 billion in debt currently under dispute
- More than 54 million outstanding returns dating back several years
- 156,000 South Africans with substantial economic activity who are not registered taxpayers, or are not filing their tax returns.

The remainder of the R800 billion unpaid taxes is made up by "aggressive tax planning" such as base erosion, transfer pricing, and other means of tax evasion, as well as unpaid excise duties, unpaid VAT, and illicit trade flows.

Kieswetter said R2 billion of the additional R2.5 billion that SARS will receive for 2025/26 will be used for "a massive debt recovery programme", while R500 million will be used to modernise SARS' systems.

Given SARS' enhanced capabilities and focus on collecting outstanding debt, our tax expertise will be crucial in ensuring you and your business maintain complete compliance and react immediately and correctly should your tax affairs become the subject of SARS' scrutiny.

Tax compliance tick box

Maintaining compliance starts with:

✓ Being registered for all applicable tax types within the stipulated time frames
✓ Making accurate declarations
✓ Filing returns and other required documentation on time
✓ Paying the correct amount of tax on time
✓ Promptly responding to SARS communications
✓ Paying penalties and interest for non-compliance, such as late submissions or under-declared income.

How we can help you mind the tax gap

We can help you to comply with your specific tax obligations with up-to-date tax expertise and best practices.

- We promptly and professionally respond to communications from SARS, such as notices of demand for unfiled returns, requests for information, or notifications of penalties levied.

- We take immediate and correct action following demands for outstanding tax debts. Taxpayers have ten business days after receiving a Final Demand to either pay, arrange deferral of payment or make a payment arrangement, file a suspension of payment with an objection, or enter into a compromise agreement.

What's more, our expertise and experience enable us to monitor that SARS is following the correct legal procedures. This ensures that your taxpayer rights are protected and preventing illegal collection measures such as unauthorised SARS withdrawals from bank accounts.

Bottom line

SARS says it will be relentless in its efforts to collect the billions of rands in uncollected taxes, and that it is ready to act against those who wilfully and defiantly ignore their legal tax obligations.

Similarly, we will be relentless in ensuring you maintain complete tax compliance in all your affairs. And we are ready to take the proper and timely action when SARS' spotlight shines on your tax affairs.

The 5 Cognitive Biases That Could Sink Your Business

"Too often we hold fast to the clichés of our forebears. We subject all facts to a prefabricated set of interpretations. We enjoy the comfort of opinion without the discomfort of thought." (John F. Kennedy, former US president)

Humans are creatures of habit. We form opinions and sets of actions that we use as shorthand for all future decisions. We become trapped in loops of our own making and fall prey to common human ways of thinking that may save time, but ultimately hurt us. In business, these sorts of cognitive biases can damage relationships, and lead companies down dangerous paths. The sad thing? Most of us don't even realise they exist. Here are five cognitive biases that could sink your business if you're not careful.

1. Favouring evidence that backs our beliefs

Back in the days of VHS, video rental behemoth Blockbuster was offered the opportunity to buy a start-up that distributed their videos by mail, and were building the infrastructure to stream videos online. Convinced that the video store model was the only way to go, the board rejected the opportunity to purchase Netflix and over the next few years Blockbuster went bankrupt.

While it's tempting to see this as a sign of foolishness, the reality is that all of us are prone to undervaluing data which contradicts our beliefs and favouring that which reinforces it. These confirmation biases can only be overcome by actively seeking out disconfirming evidence and encouraging a culture of robust debate among your employees.

2. Doggedly holding the line

In 2008, signs began to leak out across the American economy that a large collapse was coming. Banks were overextended and the money from loans was not being returned fast enough – but many large businesses held the line and did not prepare for failure. The information they'd been given for years suggested the loans model worked and they did not adjust their behaviour as the data first trickled, and then thundered in. The result? An economic collapse for the ages.

A 1974 study by Tversky and Kahneman explains their decision making with the anchoring bias. This study showed that even when presented with later information, people's numerical estimates were significantly influenced by irrelevant initial figures. The first information is given much more weight than later information, even if the later information comes from stronger sources. Luckily this bias is easy to overcome, by simply distrusting the early data – always compare it carefully with what comes later.

3. Too much self-belief

Convinced their market dominance would carry them through, and unimpressed with the new digital cameras, photographic film manufacturer Kodak continued business as usual in the early 2000s. Despite their position as market leader and an early pioneer, these decisions lead to their eventual complete collapse. Kodak is a clear example of the overconfidence bias, which Bazerman and Moore detailed in their book *Judgement in Managerial Decision Making*.

Overconfidence bias is our very human tendency to overestimate one's own knowledge, skills, or the accuracy of one's predictions. In business, this can manifest in risky decisions, such as under-pricing products, over-leveraging debt, or ignoring potential competitors. To overcome this, regularly schedule sessions to evaluate your decisions against the data, and seek outside advice from your accountants and other experts.

4. Don’t follow the Joneses

Anyone who was alive in the 1990s remembers the Dotcom bubble. Tech companies were absolutely flooded with investment, with little care for the fundamentals from those who were convinced that tech’s bright future would lead to their own financial success. When the bubble burst in the early 2000s, many of those investors found themselves without a penny to their names.

The Dotcom bubble is an example of what’s known as the herd mentality. It describes a cognitive bias in which people have a tendency to mimic the actions of the masses, even against their own better judgement or personal logic. The rule here is simply: don’t do something just because everyone else is doing it. Never blindly follow trends.

This comes with a caution though – while copying others for the sake of it is a bad idea, don’t fall into the trap demonstrated by Sears either. The former retail giant exhibited loss aversion bias by clinging to its traditional brick-and-mortar model and resisting e-commerce expansion for years – ultimately resulting in it filing for bankruptcy in 2018.

5. Place the blame correctly

In 2008 Lehman Brothers was possibly the largest casualty of the economic collapse. Where many other financial institutions managed to keep their heads above water, Lehman Brothers sank below the waves. Unlike their more successful peers, Lehman Brothers had attributed all of their woes to the external factors of the economic collapse and failed to recognise the company’s own risky investments and poor decision-making as contributing factors.

This error is commonly known as attribution bias. In 2014, Mallett and Monteith explored attribution bias in business settings, showing that leaders often misattribute their company’s failures to external forces, preventing them from identifying areas for improvement. You can avoid this by promoting self-awareness and accountability. Don’t be afraid of asking experts for their input and always encourage regular post-mortems on projects to identify both internal and external factors contributing to their success or failure.

One of the best ways of overcoming biases is to get objective advice from external sources. As your accountants we can offer an important perspective – our door is always open!

This Workers' Day, Look After Your Business' Greatest Asset

"Clients do not come first. Employees come first. If you take care of your employees, they will take care of the clients." (Richard Branson)

Whether you call it May Day, Labour Day or International Workers' Day, 1 May is an opportune time for businesses to consider and prioritise their workers.

Here's why happy workers are a business's greatest asset (and some ways to foster a happier workforce).

Business benefits of happy workers

1. **Increased productivity.** Various studies have shown that happy workers are more committed to company goals and up to 13% more productive.

2. **Improved customer service.** People who are happy at work provide better customer service, leading to higher customer satisfaction and loyalty.

3. **Reduced costs.** Lower absenteeism and improved worker retention mean substantially reduced labour costs.

4. **Enhanced creativity and innovation.** Happy workers buy into the big picture, offer creative solutions, take thoughtful risks, collaborate and are more likely to experiment.

5. **Superior business performance.** Gallup research shows that companies with happy workers can outperform competitors by up to 200%, and achieve up to 22% higher profitability.

5 ways to increase happiness in your workplace

1. **Create a supportive work environment**

   Essential for employee wellbeing is a safe and supportive work environment in which diversity is valued and everyone is included and treated respectfully. This is also the foundation for a company culture that's centred around teamwork, collaboration, job satisfaction, and accomplishment.

2. **Balance job demands with resources**

   Providing sufficient and appropriate resources to ensure staff can meet their work demands means the work gets done efficiently and on time. It is also important that workers' roles and responsibilities are clear and aligned with company goals, and that issues like time pressures and overwhelming workloads are addressed quickly.

3. **Offer competitive compensation and benefits**

   Be sure to offer fair compensation packages as well as benefits that add value to employees, such as flexible scheduling and work arrangements, extra paid time off or even an onsite canteen, gym, or creche. Maintain this competitiveness through annual compensation reviews.

4. **Recognise and appreciate all workers**

   It can be a really good idea to implement a formal recognition programme. After all, over 70% of employees say "feeling unappreciated" is the biggest driver of dissatisfaction. It's equally important to make health and wellbeing a priority in your workplace and to encourage workers to share their feedback, ideas and concerns. Nobody likes to feel ignored!

5. **Invest in professional development**

   Continuously provide the necessary training and tools for employees to perform effectively. Complement this by investing in professional development, and offering workers at all levels opportunities for upskilling and career advancement.

The bottom line

There is a real return on an investment in happy workers – and many easy ways to increase the level of happiness and engagement among your workers.

Call on us to assist with calculating optimal compensation packages and to provide financial and tax advice as you invest in your workforce's wellbeing and happiness.

Zen and the Art of Fostering Job Stability in an Uncertain World

"The more tranquil a man becomes, the greater is his success, his influence, his power for good." (James Allen)

The world of work has never felt less stable. Between high unemployment rates, a quicksand political environment, the gig economy and the introduction of new disruptive technologies (and tariffs!) almost daily, it's no surprise that recent studies are showing people in 9-to-5 jobs no longer feel stable. A study by MyPerfectResume in 2024 found that four out of every five workers were afraid they may lose their jobs in 2025 due to technological advancements such as automation, artificial intelligence, and outsourcing. This was reinforced by the pandemic, when vast numbers of people were retrenched or otherwise lost their jobs.

This uncertainty is affecting the mental health of modern workers. And it's lowering productivity and impacting businesses, creating a vicious cycle of instability. According to the Journal of Occupational Health Psychology, workers who feel insecure about their jobs report higher levels of burnout, less job satisfaction, and lower engagement levels. When workers are constantly worried about being let go, it typically affects their focus, creativity, and long-term commitment to their employer.

But does it have to be this way? Here are our tips for making your employees comfortable, more stable and ultimately, happier.

Honesty is the best policy

A little communication has been shown to go a long way to keep a workforce happy. Regular updates about company performance, future prospects, and any potential restructuring plans can help employees feel more in control and less fearful of unexpected layoffs. The Harvard Business Review (2020) found that organisations that maintain open lines of communication during times of uncertainty are able to reduce employee anxiety and build trust.

Teach a man to fish

Even if things are uncertain for your company, you should do your best to help upskill your employees and train them in new and exciting technologies. Focusing on continuous learning sends a strong signal that your company understands the modern environment and is planning for it. This doesn't just lessen stress it also helps employees to feel that even if they are retrenched, they will still be well positioned to find new work.

Your business will benefit too: the World Economic Forum suggests that employers who provide opportunities for skill development, including training in new technologies and leadership, are more likely to retain talent and maintain higher levels of employee morale. What's more, training staff can lead to tax incentives. Speak to your accountant (that's us) if you aren't already taking advantage of these breaks.

B is for balance

It may sound counter-intuitive, but hybrid work models are repeatedly being shown to be an effective way to boost employee morale and lower the stress related to job loss. A 2022 report by Gallup found that employees who have more flexibility in how, when and where they work are more satisfied with their jobs and feel more secure in their roles. A quantum workplace study found that 89% of employees were looking for hybrid or remote work. Having control over their lives in this area gives employees the confidence and mental stability they need to handle other stresses so they can deliver better at work.

Show the way

Job insecurity often stems from the fear that an employee's current job offers no opportunities for advancement. A study by The Conference Board in 2018 showed that employees who are offered mentorship, leadership training, and a clear pathway to promotion are more likely to stay committed and engaged. Knowing that they are being eyed for future roles gives them the assurance that they won't be first on the chopping block when the tough times arrive.

If any of these initiatives are beyond your current budgets, speak to us about helping you restructure your finances. After all, retaining good employees is much cheaper than trying to find new ones.

Your Tax Deadlines for May 2025

- 07 May – PAYE submissions and payments
- 23 May – VAT manual submissions and payments
- 29 May – Excise duty payments
- 30 May – VAT electronic submissions and payments, & CIT Provisional Tax payments where applicable.

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