

More deals signed to stop tax evasion

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The South African Revenue Service (SARS) is engaging the tax administrations of Australia, the UK and the US to gain access to information on tax evasion through complex offshore structures, Finance Minister Pravin Gordhan said on Thursday (20 June).



Pravin Gordhan (Image: GCIS)

It is among continued efforts by the country's tax authority to flush out tax evasion and aggressive tax avoidance, which Gordhan said was a "major problem" that undermined the fiscal sustainability of SA and other nations amid an uncertain recovery from the 2008 recession.

He said in a written reply to a parliamentary question by Inkatha Freedom Party MP Narend Singh that the tax authorities of these countries had obtained a "very significant" amount of data revealing complex offshore structures that involved trusts and companies holding assets for residents in jurisdictions around the world.

"The data contain both the identities of the individual owners of these entities as well as the advisers who assisted in establishing the structures," Gordhan said.

He cautioned, however, that the magnitude and complexity of the data meant it would not be easy for SARS to obtain the relevant information.

The minister noted that it was "extremely difficult" to determine the full extent to which tax havens were used. "The structures used range from the simple to the extremely complex, requiring the commitment of skilled resources over extended periods of time to unravel," he said.

He identified seven areas of focus for SARS in combating tax evasion:

- Large businesses and transfer pricing;
 - The construction industry;
 - Wealthy individuals and their associated trusts;
 - Illicit cigarettes;
 - Clothing and textiles;
 - Small businesses;
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- Tax practitioners and trade intermediaries.

Gordhan said SA had negotiated 76 double taxation agreements - that provided, among other things, for the exchange of tax information - and nine tax information exchange agreements.

It has also signed the Organisation for Economic Co-operation and Development and Council of Europe's Convention on Mutual Administrative Assistance in Tax Matters. These agreements provide for the exchange of tax information and are being ratified by Parliament.

Another eight double taxation agreements and 11 tax information exchange agreements are also being negotiated.

Source: Business Day via I-Net Bridge

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