

New service: business income account (2/42/19)

The Ministry of Finance, the State Revenue Service (SRS) and commercial banks are planning to launch a business income account (BIA) as a new service for taxpayers, according to a report posted on the SRS website.

The purpose of this service

Catering to a number of taxpayer groups, this service may potentially minimise the taxpayer's administrative burden and serve as the regulator's additional control mechanism. The service is designed for individuals that gain income from a trade or business and have chosen one of the available tax payment schemes, such as microbusiness taxpayers, persons allowed not to register their trade or business, so-called patent-fee payers, and sole traders.

Banks to withhold taxes

According to the SRS website, the BIA scheme will allow traders meeting certain criteria to open a bank account for receiving their business income. The bank will withhold taxes on each payment entering the account, remit those taxes to the treasury each month, and file reports with the SRS. The taxpayer will no longer have to file tax returns with the SRS. The SRS will record and administer the incoming tax payments and monitor to ensure the taxpayer does not exceed the applicable BIA criteria, such as a turnover cap.

Taxpayers are to decide about using a BIA service and choose a bank to work with. Yet we do not know whether all banks will offer a BIA service.

Proposals

This idea is still at a stage of development, as the SRS initially wants to assess the demand for this service. A survey was sent out to a number of taxpayer groups over the Electronic Declaration System on 5–20 September 2019 where taxpayers could voice their opinion on the need to implement the BIA scheme. Information about the survey results has yet to be made available to the public.

While it is premature to speculate as to whether and how the BIA idea will be put into practice, a publicly available description of the idea suggests that at least some traders stand to benefit, as this solution may ease their administrative burden substantially.

We feel that such a simple mechanism for paying taxes that eases the administrative burden could minimise the shadow economy in the future. We do not know as yet how the banks perceive this idea, and more importantly, how much it will cost the taxpayer.