

Communication with tax authority only electronically as from 2021 (3/4/20)

On 9 January 2020, Parliament debated proposals for amending the Taxes and Duties Act in their first reading. The proposals include important changes relating to how applications and tax returns should be filed with the State Revenue Service (SRS).

Key proposals

It is proposed to restrict how individuals that do not carry on a trade or business can file their tax returns and informational reports. Currently taxpayers can make their applications in various ways: in writing, orally, or via the Electronic Declaration System (EDS). In future, all taxpayer applications on matters of tax administration addressed to the SRS can be filed only via EDS, unless a particular tax law provides for a different procedure. If an individual that is not a registered EDS user is to file an application via EDS, they will have to register as EDS user with the SRS first.

The proposed changes to the procedure for filing applications are coupled with changes to the procedure for notifying documents issued by the SRS. In future, only individuals that do not carry on a trade or business will be allowed to choose any method of notification other than EDS.

As most non-trading individuals file their annual income tax return in the form of an e-document via EDS and any person that does not own a computer or lacks computer skills already has an opportunity to receive practical help and advice on filing tax returns at any of the SRS customer service centres or municipal customer service hubs, the proposals change the procedure for filing tax returns in an attempt to switch over to electronic exchange of information only. A changeover period will be allowed as the changes to the procedure for filing tax returns are to take effect from 1 January 2021.

In future, when registering a person that is required by law to register as a taxpayer, the SRS will announce the decision to register the taxpayer or their business unit on a publicly available database (register) by making an appropriate entry.

The proposals provide for a new exception relating to cases where information about a taxpayer (entity) may be disclosed without their consent. To promote a secure business environment, fair competition and voluntary discharge of tax obligations, the SRS will provide publicly available information about any entities that have failed to pay an extra charge assessed after a data compliance check or a tax audit, and details of any entities that have overstated an amount refundable by the government, unless the period for paying such extra charges has been extended, split, postponed, or re-split.

It appears that the government mainly thinks about ways to ease the tax authority's administrative burden and ignores, for example, senior citizens' ability to navigate in electronic environments. However, the SRS has promised to hold educational events that will advise residents about how their tax returns should be completed and filed.