



taxrisk
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Frequently Asked Questions

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Company Reg No: 2014/086896/07
Tax Risk Underwriting Managers (Pty) Ltd,
registration number 2014/086896/07,
is an authorised financial services provider, FSP No. 46467

 **Bryte**

Underwritten by Bryte Insurance Company Ltd
A licensed non-life insurer and authorised FSP.

What is tax risk insurance?

Tax risk insurance is the most effective protection for you, your trust and your business if you're ever selected for an audit by SARS. When you're covered by a tax risk insurance policy, your tax audit and related dispute problem becomes ours, immediately. Most importantly, the cost of employing top tax specialists to defend your case is covered by us, so you don't have any unplanned for expenses and can also mitigate your stress.

Why do I need tax risk insurance?

It's a fact that SARS is auditing more taxpayers more often these days. Tax audits are part of the SARS mandate to ensure compliance and to maximise tax collections. Anyone who pays tax can be selected for audit.

But I have a good accountant who looks after all my tax affairs – why do I need insurance?

Even if you employ the best accountant in the world, and you believe like most people that your tax affairs are in order, SARS can still select you for audit. The cost of defending an audit and related dispute like this can run into thousands of Rands in professional fees – money which most people and businesses haven't budgeted for and can't afford.

Should SARS find absolutely nothing wrong with your tax affairs, which is most often the case, you will still be liable to pay the bill from your tax advisors for their services rendered. Tax risk insurance, on the other hand, will appoint and pay for a team of top tax professionals to represent you during a SARS tax audit and related dispute. Your trusted accountant will also be part of that team.

What is the risk of me or my business being selected for a tax audit by SARS?

Revenue collection authorities have been raising the standard when it comes to tax collection. The financial downtrend worldwide and in South Africa has resulted in revenue services trying to collect more revenue and in doing so, they've become much more efficient.

Linked to this trend is the fact that SARS has been given additional legislative powers through the Tax Administrations Act of 2011 to achieve their collection objectives.

SARS reported that it exceeded its audit coverage targets last year, conducting more tax audits than budgeted. This is the unnerving reality – SARS are now auditing more taxpayers more often – and statistically, there's no reason why you couldn't be next.

What is covered by tax risk insurance?

If you're selected for a SARS tax audit, or if there is a dispute about an unfair tax re-assessment where SARS is demanding additional taxes from you, then we'll appoint and pay for the team of tax professionals to deal with the matter. These may include Accountants, Tax Attorneys, Auditors, Tax Specialists and other Tax Advisors who we think will ensure a fair audit outcome.

We will cover the following:

- Income tax audits

- VAT
- Employees tax audits
- Capital gains tax audits
- Dispute resolution hearings and appeals to the Tax Board and the Tax Court

How much does tax risk insurance cost?

Considering the risk you're facing, tax risk insurance is actually quite affordable. Premiums are dependent on your annual taxable income for personal taxpayers, or annual turnover for companies. You can easily calculate your own premium by requesting a quotation from your broker.

I own many companies, and want to insure my fellow shareholders and myself. How do I do this?

Each taxpayer must purchase his / her / its own policy because only the taxpayer named in the policy will receive cover under that policy. So, if you have three businesses and two shareholders, you may consider purchasing five separate tax risk insurance policies – one for each taxpayer.

Are the costs of preparing my normal tax returns also covered?

No. The costs of preparing your routine tax returns are not covered and those remain your own responsibility, as before. Requests from SARS to you to supply supporting or verifying documentations and information in support of your filed tax return are therefore also not covered.

Remember, insuring yourself against the risk of a SARS tax audit does not absolve you from paying your taxes correctly and filing your returns. You must continue to pay your taxes as expected: not only is it the law, but it's also the right thing to do as a participating member in society.

What about penalties and interest? Will tax risk insurance pay for those?

No. Penalties and interest that are fairly imposed by SARS are not insurable. We'll ensure that you receive the best representation in the event of a SARS audit, which will guarantee a fair audit outcome.

What is not covered by tax risk insurance?

Please see our Summary of Cover to read the most important exclusions under this policy. You can also request the full policy wording from us at info@taxrisk.co.za which provides a complete explanation of your cover. Or speak to your financial advisor.

Who will you appoint to defend me if I get selected for an audit?

Depending on the nature and severity of the SARS tax audit, we'll establish a panel of experts in your defence. This will include your own accountant, but could also include external tax specialists from our panel such as tax attorneys, tax accountants, tax advisors and other tax specialists as may be required to ensure a fair outcome. We'll bring together whoever we think would be in your best interests, so we can find an effective resolution in the most efficient way.

What if my accountant or I made an honest error? Will I still be covered?

Yes – errors are human. As long as there is no fraud or willful tax evasion involved, we will continue with cover as normal.

What happens if my accountant was negligent, and as a result I lost money?

All tax practitioners are required by law to maintain professional indemnity insurance. Should you have been prejudiced by professional negligence on the part of your tax practitioner, you may take issue against his professional indemnity insurance. Professional indemnity insurance is quite separate from your tax risk insurance policy, which pays for the cost of defence if you happen to undergo a SARS tax audit or related dispute.

Some taxpayers are dishonest, and wilfully commit tax evasion. What about those people?

Cover will not operate in the event of fraud and tax evasion. It's absolutely important that taxpayers continue to pay their taxes as required, and we encourage our clients to comply.

Is there a limit to the amount of cover I receive?

Yes. There is an aggregate annual Rand and number of hours of service limit, and a per claim limit. Your limit of indemnity will be provided together with your quotation.

I have business interests offshore. Are they covered?

We only cover local taxes payable to SARS. Taxes payable outside of South Africa or on revenue generated outside of South Africa, or anything relating to exchange control, and customs and excise are not covered under this policy.

When does a claim start?

A claim starts when you're notified of a SARS tax audit, usually by way of a letter from SARS. This excludes any type of verification audit and request for supporting and/or supplementary information from SARS. You must contact us within 30 days of you becoming aware of a SARS tax audit or dispute.

How do I claim?

You must notify us as soon as possible, but no later than 30 days from the date the SARS tax audit starts. We'll then send you a claim form and take complete control of the matter from there. Critically for you, if you're covered by a Tax Risk Insurance policy, your SARS tax audit problems becomes ours, immediately.

Have a question we haven't covered? Get in touch with us at info@taxrisk.co.za

