

PwC's warning over taxation risks

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Business leaders cannot afford to ignore the growing reputational and strategic risks they face as aggressive tax planning moves firmly up the list of priorities of governments and regulators, according to a global tax report by PricewaterhouseCoopers (PwC).



The report, released on Wednesday (29 May) found that the international tax system was out of date and "was never designed to deal with the way business operates today".

It says that until governments streamlined the system, "there are more risks around tax than ever before" but little emphasis has been placed on addressing these risks.

The report showed that just fewer than 50% of companies in Latin America said they planned to focus their approach on tax planning and contributions as a priority, while only 34% in Africa said the same thing. About 31% of chief executives in the large companies said tax planning was a priority.

The survey said CEOs were not yet doing enough to combat reputational and strategic tax risks.

PwC head of national tax Kyle Mandy said: "Governments, regulators and the public in general are more focused on tax than ever before and as we've seen there are considerable risks involved.

"Determining the company's approach to tax planning globally should be a key strategic priority," Mandy said.

Greater powers

Head of tax services for Africa Paul de Chelain said organisations worldwide were "feeling the heat", particularly those that had been in the media spotlight as a result of their tax strategies.

Experts have roundly criticised the granting of extensive powers to SA's revenue authorities so that they can rake in more

tax. The move might face constitutional challenges.

But the South African Revenue Service (SARS) is likely to defend itself against constitutional challenges of its new powers under the Tax Administration Act (TAA), according to law firm Routledge Modise director Deborah di Siena.

"The (taxman) may face potential constitutional challenges in the exercise of its power under the (TAA)," she said.

"However, SARS is provided with strong armour in the form of the TAA and is unlikely to retreat even a stone's throw without putting up a colossal fight," she added.

PwC's recent global CEO report found tax was the top business threat to growth in today's economy.

The Treasury has introduced proposals to combat schemes it believes threaten the fiscus at the same time as global bodies such as the Organisation for Economic Co-operation and Development attempts to unify rules based on similar concerns about tax evasion across borders.

SA has also renegotiated its double-tax treaty with Mauritius. The revised treaty allows for more administrative tax discretion and tax experts said this had raised more uncertainty.

PwC leader for indirect tax Charles de Wet called on policymakers to address imbalances across tax systems to make it possible to clearly determine amounts owing. But he also wants tax professionals and business leaders to do more.

Source: Business Day via I-Net Bridge

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