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# Kluwer International Tax Blog

## Africa – to outsource tax compliance

Mariette Cruywagen (Partner/Director, Infinite Tax) · Monday, January 18th, 2016

*“Your net worth to the world is usually determined by what remains after your bad habits are subtracted from your good ones.” Benjamin Franklin*

Organisations generally, when starting a business in any country, concentrate on getting a licence to operate, in setting up an office, employing the correct staff and doing business. Otherwise, why else would an organisation even consider expanding into a country if the ultimate goal was not to successfully do business in that country? Being tax compliant, although part of a successful business, is generally something that is thought about with time, many times during a tax audit when the organisation realises not enough time and resources were invested in being fully tax compliant. Generally, the tax compliance task will be given to someone who is either already employed by the organisation or a suitable in-house candidate will be appointed. Because let's face it, why spend funds on outsourcing a simple task that should theoretically only take up some of the person's time.

A good example are VAT returns, normally in most cases due once a month, or even every second month, or withholding tax returns. The person appointed to carry out tax compliance functions should theoretically only be busy for a few days at the end of the month. That person will generally be someone with some financial background that will not shy away in horror when asked to do tax work. But is this the correct way to tackle tax compliance?

Keeping it in-house compared to outsourcing it to a specialist service provider.

Africa typically is a jurisdiction where specialist knowledge comes at a cost, whether in-house or through outsourced services. To find the right set of skills that includes specialist tax knowledge to carry out tax compliance in-house is not easy. Unless that person can be kept busy with tax related issues every day of the week, the organisation will soon find themselves in a position where the in-house finance person is not a tax specialist at all. Not making use of the skills of a tax specialist may lead to penalties and interest and huge audit fines for not applying the tax legislation correctly. The organisation's reputation may suffer even if the non-compliance was done innocently.

To answer the question whether to outsource tax compliance or keep it in-house: – it is a matter of preference and a decision can be influenced by many factors within the organisation. However, what should always be a non-negotiable criteria is the fact that a tax specialist should always be involved, even if it is merely on the basis of reviewing the work of the in-house resource. Many times the cost of outsourcing will be beneficial to the organisation in the long run and could be

seen as a cost saving in that huge fines, penalties and interest may be avoided. The organisation will then also be able to focus on their business objectives and what they do best whilst the service provider looks after tax. After all, that is what the tax service provider does best.

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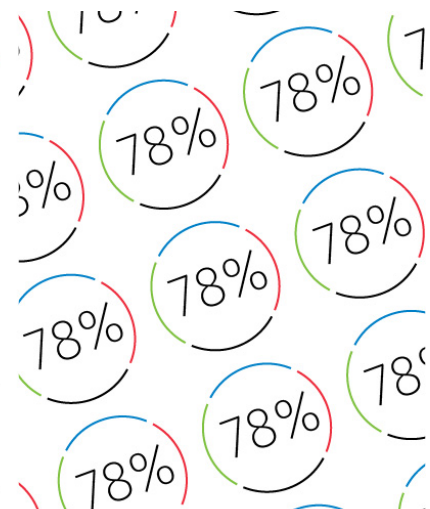
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