AI Taxman Document Analysis

Source document: TESTC2025Letter11843875.pdf

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1. Recommended Way Forward

Urgently compile and submit the requested supporting material, or if it was already submitted, send proof of submission and a document index immediately. The SARS letter required a response by 2026-03-31, so if no response was made, an urgent extension / condonation request should be lodged without delay, explaining any practical upload limitations and proposing an alternative delivery method for the asset register and historical schedules, as SARS itself allows where size limits prevent upload. The document alone does not show whether SARS has since raised an assessment, so that must first be checked on eFiling.

2. Legal and Procedural Analysis

The PDF is a SARS corporate income tax letter titled "Failure to Submit Adequate or Complete Relevant Material" relating to the verification of the taxpayer's 2025 ITR14, dated 02/03/2026, case number 207160180, requiring response by 31/03/2026. On its face, SARS requests signed annual financial statements, a detailed tax computation with supporting schedules, a detailed asset register, a historical depreciation / wear-and-tear schedule for the asset sold, a reason why no recoupment was calculated, any recoupment calculation if applicable, and detailed wear-and-tear calculations. The letter also expressly states that where the asset register or historical schedule cannot be uploaded because of size limitations, the taxpayer must provide a written alternative arrangement for SARS to obtain it.

Under section 46(1) of the Tax Administration Act, SARS may require relevant material within a reasonable period, and under section 46(4) it must be submitted in the place, format and time specified. Section 46(5) allows SARS to extend the period if reasonable grounds for an extension are submitted, while section 46(6) requires the request to identify the relevant material with reasonable specificity. The document appears sufficiently specific in relation to the categories requested.

There is material non-compliance risk. Section 234(2)(f) makes it an offence wilfully or negligently to fail to furnish, produce or make available information, documents or things as and when required under the TAA. The SARS short guide also notes that non-compliance with an information request may trigger administrative non-compliance penalties where applicable.

The taxpayer also has record-keeping duties. Section 29 requires records that enable compliance and satisfy SARS to be kept, generally for five years from the date of submission of the return, and the retention period continues while an audit / investigation or objection / appeal is ongoing. That is relevant to the requested asset register, historical wear-and-tear schedules and underlying support.

On the substantive tax side, the request is directed at possible recoupments and a wear-and-tear claim. Section 11(e) of the Income Tax Act governs the wear-and-tear allowance on qualifying movable assets used for trade, and the available materials stress the need for asset registers, purchase information, usage records and depreciation calculations.

Important limitations: the PDF does not include the underlying return, asset sale agreement, tax computation, prior-year allowance history, or any ITA34 assessment. For that reason, it is not possible from this document alone to determine whether SARS is correct on the recoupment concern, whether any wear-and-tear claim is supportable in full, whether prescription is relevant, or whether an objection deadline applies. For normal corporate income tax, prescription would usually require the original assessment date, which is missing here. If SARS has already issued an assessment after this letter, the remedy may shift from a section 46 response to a request for reasons, objection, reduced assessment, or other step depending on the assessment contents.

There is also a possible procedural point: where SARS is in substance conducting an audit rather than a mere verification, section 42 requires notice of commencement of audit and progress reporting. Because the letter itself refers to a verification of the 2025 ITR14, but the scope of documents requested is extensive, the practitioner may ask SARS to confirm whether the matter is a verification or an audit. That said, the immediate practical risk is non-response, so this point should not delay submission or an extension request.

3. Draft Letter to SARS

Date [DATE]

[redacted]

PERIOD: 2025

TO SARS

Dear Sir/Madam.

SUBJECT: RESPONSE TO REQUEST FOR RELEVANT MATERIAL AND REQUEST FOR EXTENSION / ALTERNATIVE DELIVERY ARRANGEMENT

MY AUTHORITY TO ACT:

I act on behalf of the above taxpayer under the attached power of attorney.

PURPOSE:

This letter responds to SARS's correspondence dated 02 March 2026 titled "Failure to Submit Adequate or Complete Relevant Material" in relation to the verification of the taxpayer's 2025 ITR14.

The purpose of this letter is:

1. to confirm the taxpayer's intention to comply fully with SARS's request for relevant material;
2. to record the practical position regarding the collation and uploading of the requested documents; and
3. where necessary, to request an extension of time and / or agree an alternative method of delivery for voluminous records.

BACKGROUND

SARS has requested the following material, amongst other items:

1. signed annual financial statements;
2. a detailed tax computation and supporting schedules;
3. a detailed asset register;
4. a historical schedule reflecting depreciation and wear-and-tear on the asset sold from acquisition to disposal;
5. a written explanation as to why no recoupment was calculated on the asset; and
6. a detailed calculation of the wear-and-tear claimed.

The SARS letter also records that where the asset register or historical schedule cannot be uploaded because of size limitations, the taxpayer may provide a written alternative arrangement for SARS to obtain the material. That is noted and relied upon in this letter.

ACTION BY TAXPAYER

The taxpayer is in the process of collating and indexing the requested records and intends to provide SARS with all relevant material in its possession and control.

The following will be delivered, to the extent applicable:

1. signed annual financial statements for the 2025 year of assessment;
2. the detailed corporate income tax computation with supporting schedules;
3. the detailed fixed asset register;
4. the historical wear-and-tear / depreciation schedule for the asset sold, from acquisition to date of disposal;
5. a written explanation dealing with the recoupment position; and
6. the detailed section 11(e) wear-and-tear calculation claimed in the return.

If any part of the fixed asset register or historical schedules cannot practically be uploaded because of SARS system size limitations, the taxpayer proposes that SARS accept delivery by alternative arrangement, including a split indexed upload, secure electronic delivery, or such other method as SARS may direct.

To the extent that more time is reasonably required to complete the collation of the historical schedules and supporting records, the taxpayer hereby requests an extension to [INSERT NEW DATE] in terms of section 46(5) of the Tax Administration Act. The grounds for the request are the volume of records, the need to reconcile prior-year allowance history accurately, and the practical limitations on uploading large supporting schedules. Section 46 permits SARS to require relevant material within a reasonable period, and expressly permits an extension where reasonable grounds are submitted.

If SARS's records indicate that documents were previously uploaded, kindly confirm the documents received and any specific outstanding items so that duplication and prejudice can be avoided.

Without delaying compliance, we also request SARS to confirm whether this matter remains a verification or whether SARS regards it as an audit, in which event the taxpayer requests compliance with section 42 of the Tax Administration Act regarding the notice and audit progress requirements.

ACTION BY SARS

SARS is requested to:

1. confirm receipt of this letter;
2. confirm the precise outstanding items, if any, after considering the taxpayer's submissions;
3. grant the requested extension to [INSERT NEW DATE], if required;
4. confirm acceptance of an alternative delivery arrangement for voluminous records where upload size limitations

apply; and

5. confirm whether the matter is being dealt with as a verification or an audit.

METHOD OF DELIVERY

This letter is delivered to SARS by way of the e-Filing system.

RESERVATION OF THE TAXPAYER'S RIGHTS

The taxpayer's rights are strictly reserved, including the right to supplement these submissions, to furnish additional supporting material, to request reasons for any adverse outcome, and to take such further steps as may be available under the Tax Administration Act should SARS issue an assessment or other adverse decision.

TAX PRACTIONERS NAME

[NAME OF TAX PRACTITIONER]

TAX PRACTITIONER

[SIGNATURE]

ENCLOSURES

1. Power of attorney
2. SARS letter dated 02/03/2026
3. Proof of prior upload / submission, if applicable
4. Indexed schedule of documents submitted
5. Annual financial statements
6. Detailed tax computation and schedules
7. Asset register
8. Historical wear-and-tear / depreciation schedule
9. Recoupment explanation and calculation, if applicable
10. Detailed wear-and-tear calculation

EXPLANATION OF THE LAW

Section 46(1) of the Tax Administration Act permits SARS, for purposes of the administration of a tax Act, to require the taxpayer to submit relevant material within a reasonable period. Section 46(4) requires the material to be submitted in the place, format and time specified by SARS. Section 46(5) provides that SARS may extend the period where reasonable grounds for an extension are submitted. Section 46(6) requires the requested material to be referred to with reasonable specificity.

Section 29 of the Tax Administration Act requires taxpayers to keep records, books of account and documents that enable compliance with a tax Act and enable SARS to be satisfied that the taxpayer has observed those requirements. Records are generally retained for five years from submission of the return, and where records are relevant to an audit, investigation, objection or appeal, they must be retained until the matter is finalised.

Section 234(2)(f) of the Tax Administration Act provides that a person who wilfully or negligently fails to furnish, produce or make available any information, document or thing as and when required under the Act is guilty of an offence. The taxpayer therefore approaches this request seriously and seeks to comply properly while ensuring that the submission is accurate and complete.

For the substantive tax position, section 11(e) of the Income Tax Act governs wear-and-tear allowances on qualifying movable assets used for trade, and the requested asset schedules and calculations are relevant to verifying that claim.

REF LETTER REF LETTER INSANE 4

END

4. Practitioner Checklist

1. Pull the client's eFiling profile and confirm whether SARS has already issued any ITA34, revised assessment, penalty, or further correspondence after 02/03/2026.
2. Confirm whether any response was submitted before 31/03/2026. If yes, extract proof of upload, submission receipts and document index. If no, prepare an urgent extension / condonation letter immediately.
3. Obtain the 2025 ITR14, tax computation, trial balance, general ledger, signed annual financial statements and fixed asset register.
4. Identify the asset sold that triggered the recoupment query. Obtain acquisition documents, disposal agreement / invoice, tax value history, and prior-year section 11(e) or other allowance claims.
5. Prepare a historical asset schedule from acquisition to disposal showing cost, additions, allowances claimed each year, tax value, proceeds and recoupment analysis.
6. Review whether no recoupment was correctly returned. If nil recoupment is correct, draft a short technical explanation supported by the schedule and source documents.
7. Reperform the 2025 wear-and-tear claim per asset and reconcile it to the ITR14 and tax comp. Ensure the assets were used for trade and brought into use in the relevant year.
8. If the asset register or schedules are too large for upload, prepare a written proposal for alternative delivery exactly as invited by the SARS letter.
9. Keep the submission indexed and paginated. SARS requested adequate and complete relevant material, so present it in a structured bundle.
10. If SARS later alleges non-receipt despite upload, use the documents-upload template / section 9(1) review route with proof of submission.
11. Check whether the matter is still only a verification or whether SARS is in substance treating it as an audit; if the latter, request section 42 audit notices and progress reports.
12. Do not advise on prescription yet. The document does not provide the original assessment date, so prescription cannot be determined from the PDF alone. Obtain the assessment history first.