

How AI is Going to Affect the Tax Profession

A Comprehensive Overview

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INTRODUCTION

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Brief overview of the
presentation



Significance of AI in the tax
profession

WHAT IS AI?

- ▶ Definition of AI – thinks, learns and make decisions
- ▶ Types:
 - ▶ Narrow AI, General AI, Machine Learning, Computational Intelligence, Natural Language Processing
- ▶ Please see my notes

MACHINE LEARNING IN FINANCIAL FORMS

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AI CAN AUTOMATICALLY ANALYSE, INTERPRET, MAKE DECISIONS AND PREDICT

- ▶ Key functionalities
 - ▶ Error identification, Fraud detection, Audit selection, Data entry automation, Optimization suggestions, Trend analysis, NLP of textual notes
 - ▶ SARS monitors your efilng profiles – checks changes and loading and filing.

USE OF AI BY SOUTH AFRICAN REVENUE SERVICE (SARS)

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- ▶ Investigating tax returns, Monitoring behaviour on e-Filing, Flagging inconsistencies,
- ▶ Back Office Systems offer more privacy

FUTURE AI APPLICATIONS FOR SARS

- Predictive analytics, Fraud detection, Personalized tax, recommendations, Resource allocation, Ethical considerations
- SARS has the whole taxpayer pool, practitioners don't and are at a disadvantage
- The basic verification procedure – slow down the process and hours of additional work by practitioners

Future AI Applications for SARS

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ALGORITHMS & AUTO ASSESSMENTS

- ▶ SAM – SARS Algorithm Man
 - Investigating tax returns – VAT returns - types of businesses – steel processing
 - Monitoring behaviour on their e-filing platform
 - Flagging inconsistencies
 - Back-office systems offer more privacy during tax preparation and SARS cannot see any manipulations on the tax return
 - **Pre- population** of returns the be all an end all of everything
 - The modern e-filing system "Pre-Population" feature automates certain fields but is not foolproof.

HIGH NETWORTH DIVISION

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▶ Asset Valuation, Compliance Checks, Audit Prediction, Data Integration, Transparency, Decision Support

SARS has created a High Net Worth Division targeting taxpayers with a net worth of R50 million or more, requiring them to record their assets at market value on their statement of assets and liabilities. Imagine how AI can assist them.

Once this is mastered they will move the technology downwards.

Examples from the past

Accountants must make sure all their taxpayers are compliant by producing a statement of assets and liabilities for the higher net worth taxpayers in your practice – and if possible to go back in time. It will even help with lower income taxpayers!

WHAT MUST THE PROFESSION DO?



- ▶ Embrace technology
- ▶ Stay informed
- ▶ Proactive client management
- ▶ Ethical practices
- ▶ Continuous learning

To adapt to SARS' use of AI in tax compliance, accounting firms must also incorporate AI-driven analytics into their practices. By building databases of historical assessments verifications, notices and audits AI can predict outcomes of the likelihood of an audit or query from SARS.

Link all the companies and groups to see the interaction.

HOW WILL PRACTICES COMPETE WITH SARS

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- ▶ Each practice has to build systems in order to remain competitive and compete with SARS i.e. having a defence or blocking SARS total on a legal basis.
- ▶ The complexity of creating such AI systems likely goes beyond the capabilities of small to medium sized firms.
- ▶ Choose software vendors who you believe can give your firm this capability.
- ▶ Partnerships between tax practices and tech vendors are crucial.

THE SOLUTION: WHAT CLIENTS CAN EXPECT FROM VENDORS



- ▶ Real-time updates – a vendor that keeps you up to date and does not say its coming
- ▶ Automated alerts – know when there are changes that affect what you are doing
- ▶ Streamlined compliance – a vendor that will keep you informed and up to date
- ▶ Partnerships with vendors required

COMPLIANCE: THE SARS & CIPC ANGLE



South Africa has to move towards greater financial transparency by collecting beneficial ownership information in terms of the FATF to remove the grey listing. Therefore there are Beneficial Ownership checks across the board.

- ▶ SARS checks – cross reference to individual and company shareholder returns.
- ▶ CIPC alignment – the affect the CIPC data has on the whole situation
- ▶ FATF & Trusts – to add to the mix
- ▶ Trust Complexity – beneficiary links

NAVIGATING DATA-DRIVEN LANDSCAPE



- ▶ The changing regulatory environment
- ▶ The need for data integration
- ▶ Basic requirements for practices
- ▶ Importance of integration – why it matters
- ▶ Blending data

Accounting firms need to have integrated data system across disciplines in order to defend themselves.

SARS ANTI Tax Evasion measures

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Vision 2024 by SARS aims to revolutionize tax collection systems.



Delayed but committed to implementing changes such as monthly payments, pre-population routines, and monthly EMP501 PAYE reconciliations.

MONTHLY PAYE FILING EMP501

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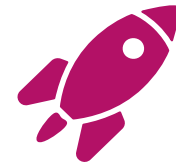
Objective:

Improve PAYE tax collection accuracy and timeliness.



Benefits:

Quick Detection of Irregularities
Risk Assessment
Deterrent Effect
Cash Flow Management
Data-Driven Policy



Timeline:

Test phase soon, live by March 2025

IT3(T) – TRUST DISTRIBUTIONS

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Objective:

Increase tax compliance among trusts



Benefits:

Transparency
Accountability
Data Integration
Prepopulation



Timeline:

First filing of distributions by the end of May 2024.

IT3(D) – CHARITABLE DONATIONS

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Objective:

Reduce fraud in charitable donations.



Benefits:

Accuracy
Data Verification
Fraud Prevention
Pre-population

MANDATORY DATA UPLOAD FOR VAT RETURNS

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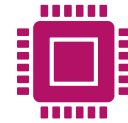
Current Practice:

VAT returns prepared from general ledgers.



Objective:

Standardize VAT return filing through accounting software.



Implications:

Software vendors will need to adapt.



Benefits:

Standardization
Enables Cross-Checking
Audit Trails
Advanced Analytics

CONCLUSION

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SARS' comprehensive, multi-pronged approach to improve tax collection and compliance.



Implementation timelines and implications for different stakeholders.

Q & A

Open floor to questions



ACKNOWLEDGEMENTS & CONTACT INFO



THANK YOU FOR YOUR ONGOING SUPPORT!

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