SARS is looking at bank accounts in South Africa and wants taxpayers to explain transactions



The South African Revenue Service (SARS) is becoming increasingly aggressive in sniffing out tax non-compliance, with its systems flagging bank accounts where transactions don't add up.

According to Tax Consulting SA, the taxman has its eyes on bank accounts and is getting quicker at identifying discrepancies between the income declared by taxpayers and the deposits into their accounts.

When this is flagged by SARS, the revenue service follows up with "extensive requests", **requiring taxpayers to explain virtually every deposit and banking transaction in the year of assessment.**

"Regardless of whether the credits represent taxable income, loans or transfers between the taxpayer's own bank accounts—whether within the same bank or between different banks—SARS expects taxpayers to account for transactions where total banking credits exceed declared income," the experts said.

This places a substantial administrative burden on taxpayers, who may be required to reconstruct an entire year's banking activity, it added.

Taxpayers will also have to identify transfers between accounts and explain transactions that do not necessarily constitute taxable income.

Tax Consulting said the increased scrutiny appears to be more prevalent among high-net-worth individuals with multiple bank accounts and substantial banking activity.

But it is not limited to these taxpayers, and wherever total banking credits exceed the income declared in a tax return, the apparent discrepancy must be explained.

The consultancy cited communication from SARS received by some of its clients.

The communication from SARS reads: “Our records indicate that credits totalling [rand amount] were deposited into bank account(s) held in your name during the 2026 year of assessment. These amounts do not reconcile with income of [rand amount] declared in your income tax return.”

SARS says, to finalise its verification, it requires A4 copies of:

- Schedule/breakdown/ledger of all deposits made into the taxpayer’s bank account(s), also clarifying whether the deposit is an income, loan or interbank transfer.
- For all deposits that are not loans or interbank transfers, the source of income must be provided.
- Loan agreements should be provided for all loan deposits.
- Detailed explanations should be provided for all interbank transfers.
- 12 months bank statement(s) confirming the deposits made.

SARS has the right and is empowered under section 46 of the Tax Administration Act 28 of 2011 to request relevant material for purposes of tax administration.

Tax Consulting SA said, however, that these powers are not unlimited, and the information requested must be foreseeably relevant.

Taxpayers must also be afforded a reasonable period within which to respond.

“Nevertheless, such extensive requests can place a taxpayer’s life on hold. Reconciling a whole year’s banking activity is an enormous undertaking,” it said.

In some instances, it said, SARS does not even identify which accounts have triggered the verification, leaving taxpayers to investigate their current, savings, bond, investment and even credit card accounts to establish the source of the apparent discrepancy.

Even compliant taxpayers could get caught in the net



SARS Commissioner, Johnstone Makhubu

If SARS' requests go unanswered or are not adequately addressed, taxpayers risk facing further enquiries, additional assessments or estimated assessments under section 95 of the Tax Administration Act.

A February 2025 case involving unexplained increases in shareholder account balances resulted in the taxpayer being held liable for R57 million after they could not fully account for the discrepancy.

While this specific case did not involve routine personal banking verification, Tax Consulting said it reinforced the methods and options available to SARS for pursuing such cases.

The tax group said that banks report financial information to SARS, enabling the revenue authority to identify apparent differences between declared income and banking activity.

With SARS' increased use of technology to catch things that slip through the net, taxpayers have to be on their toes and ensure they have full account of their finances.

However, Tax Consulting warned that SARS' systems may also flag compliant taxpayers' transactions.

"Technology enables SARS to identify apparent discrepancies by comparing declared income with banking information obtained from third parties," it said.

“However, such comparisons do not necessarily distinguish between taxable receipts, loans, capital movements and transfers of funds already accounted for.”

Consequently, taxpayers may find themselves having to explain transactions that do not represent undeclared income in the first place, it said.

Regardless, the group stressed that any taxpayers who receive detailed requests from SARS should be careful with how they respond.

Explanations should properly address SARS’ verification queries and, wherever possible, be supported by credible documentary evidence, it said.

“Where taxpayers cannot satisfactorily explain substantial deposits or credits, they may face further investigation and potentially additional or estimated assessments.”