

CASH ECONOMY



VISION

100% Voluntary compliance for a better Kingdom of Eswatini.



'Raising the Standard'

Cash economy

is an economic system, or part of one, in which financial transactions are carried out in cash rather than through direct debit, standing order, bank transfer, or credit card.

Industry Profile

The industry that have proven to have many transactions that are in cash is the:

- Retail industry: small scale retail industry, that usually sells groceries and household goods and appliances

CHALLENGES



Major Challenges of Cash economy

- Tax evasion; cash transactions in which no receipts are issued for those goods and services increases the risk of tax evasion.
- Non-compliance; there is a high level of non-compliance in companies that deals in cash transactions which comes in the form of non-submission of returns and under declaration of returns.

OBJECTIVES



Our objectives as Eswatini Revenue Service in relation to the cash economy include:

- Recover taxes lost as a results of tax evasion through conducting comprehensive audits.
- To educate taxpayers on tax compliance

AUDIT APPROACH



Audit Approach is used to recover taxes lost in a cash economy. Since companies that use cash usually do not keep receipts and records, the following methods are utilized to get audit information;

- **Indirect method;** in which we estimate outputs using available stock determined through physical stock counts.
- **Third party information;** we request information from third parties which include the bank, suppliers, boarder declarations and Government entities.
- **Seizures;** we seizures available documents, computers, cash tills and any other business records.

RISKS IDENTIFIED



The following risks were identified;

- **Under-declaration:** business hold too much stock in hand than what there actually declare in their tax returns.
- **None issuance of invoices:** business operating in the cash economy do not issue Till receipts or invoices to their customers unless customer insist on having an invoice.
- **Banking:** business under the cash economy do not do banking, they usually hold little to nothing their banking accounts.
- **Record Keeping:** businesses operating within the cash economy do not keep records.
- **High transactional volume:** Observations have shown that this are the busiest stores, yet they declared less income.
- **Non-Compliance:** there is high level of non-compliance in the form of Late or non-filling of returns

CONCLUSION



Cash economy has enabled a lot of taxpayers to evade tax thus resulting in loss of revenue.

As a result, a vigorous strategy to tax cash economy businesses needs to be implemented, that will require a holistic approach to compliance management in which traditional monitoring and enforcement tools, such as enabling tax administrations to access taxpayer data and match information from various public and private sources, are utilized.