TANZANIA REVENUE AUTHORITY

TAX AUDIT AND INVESTIGATION

PRESENTATION TO 100 MEDIUM SIZED ENTREPRENEURS

Sea Cliff Hotel

By Richard Kayombo

Director Taxpayer Services and Education
Tanzania Revenue Authority
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TAXPAYERS’ COMPLIANCE PYRAMID

- High
  - Have decided not to comply
  - Don’t want to comply
  - Try to comply but don’t always succeed
  - Willing to do the right thing

- Tax Audit
  - Tax Investigation
  - Deter by detection
  - Assist to comply

- Compliance filling return and face vetting
  - Make it easy

- Taxpayers Education
  - Attitude to compliance
  - Create pressure down
  - Compliance strategy
INTRODUCTION

Tax audit in TRA

- routine activity under the self-assessment system.
- aimed at promoting voluntary compliance with tax laws and regulations.
- objective is to have just and equitable tax administration
- taxpayers to pay their fair share of tax.
DEFINITION OF TAX AUDIT

- an examination of taxpayer’s
  - Business records,
  - accounts and financial affairs
  - to ascertain the taxpayer’s tax compliance
- educating or clarifying contentious and unclear tax issues.
- provide good learning opportunities and exchange of information
- closing and concluding tax affairs relating to a period(s) covered.
TAX INVESTIGATION

- is gathering of admissible evidence
- to recover tax undercharged
- where there is suspicion of tax avoidance and evasion
- to enforce criminal aspect of revenue laws
SOME OF CRIMINAL ACTIVITIES

- Deliberately underreporting or omitting income,
- Overstating the amount of deductions
- Keeping two sets of books
- Making false entries in books and records
- Claiming false deductions
- Hiding or transferring assets or income
Types of Tax Audit and Tax Investigation

**Tax Audit**
- Desk Audit
- Field Audit
- Issue Oriented Tax Audit

**Tax Investigation**
- Civil tax investigation
- Criminal tax investigation
## DIFFERENCE BETWEEN TAX AUDIT AND INVESTIGATION

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<th>TAX INVESTIGATION</th>
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<td><strong>Legal obligation</strong> Audit is mandatory under the law, it has legal binding to adhere to</td>
<td><strong>No legal obligation</strong> Investigation is not compulsory under the law</td>
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<tr>
<td>Is <em>planned</em> and prior information is sent to a taxpayer</td>
<td>Does <em>not</em> require prior information on what is going to be investigated</td>
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<tr>
<td><strong>Cannot</strong> be carried out on previously audited financial statements, starts on where the last audit ended.</td>
<td>Can <em>override</em> audit as to accomplish certain objective.</td>
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<td>Conducted by a <em>chartered accountant</em>, recognized and certified by the professional bodies</td>
<td>Can be carried by both chartered and non-chartered accountant but with <em>investigative skills</em> acquired through training.</td>
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# Difference Between Tax Audit and Investigation

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<td>Examination of a taxpayer’s records, accounts and financial affairs to ascertain the taxpayer’s tax compliance</td>
<td>Collect evidence which may satisfy three conditions affirmed hereunder: - a criminal violation; loss to Government revenue and intent to deny Government revenue</td>
</tr>
<tr>
<td>Findings may lead to <strong>additional</strong> assessment; or extended to investigation</td>
<td>Lead to <strong>prosecution</strong>; or audit or drop out</td>
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<tr>
<td>Focus in areas of risk of non-compliance</td>
<td>Focus on suspicion; information from informant or follow the money trail</td>
</tr>
<tr>
<td>Limited time for the exercise</td>
<td>It can be prolonged to gather all evidence</td>
</tr>
<tr>
<td>Rely on evidence submitted by a taxpayer</td>
<td>Evidence other than from a taxpayer (computer forensic, third party etc.)</td>
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SIMILARITIES

- enhance tax compliance
- apply test check by using accounting and auditing procedures
- guided by revenue laws
- provide time for the taxpayer to explain the situation
- allow taxpayer to be represented
- Consider taxpayer opinion where necessary
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<td><em>courteous, fair and honest</em> and provide reasonable facilities and assistance during an audit.</td>
<td><em>allow</em> investigation officers to have full and <em>free access</em> to all places, books, documents, records and computers.</td>
</tr>
<tr>
<td><strong>respond to all queries.</strong></td>
<td><strong>permit</strong> investigation officers to take possession of records, documents and computers in the custody.</td>
</tr>
<tr>
<td><strong>appoint tax consultants/ representatives and notify</strong></td>
<td><strong>is obliged</strong> to render a translation in Kiswahili or English of the said records or documents</td>
</tr>
<tr>
<td><strong>not</strong> to transact any business with audit officer including payment of tax</td>
<td><strong>Co-operate</strong> with investigation officers and <strong>attend</strong> all interviews/discussions as will be notified by the investigation officers</td>
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## TAXPAYERS RIGHTS AND OBLIGATIONS UNDER TAX

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<td>Impartial treatment</td>
<td>Right to know the consequences for failure to cooperate</td>
</tr>
<tr>
<td>not to suspend business during an audit.</td>
<td></td>
</tr>
<tr>
<td>Privacy and confidentiality</td>
<td>to identify investigation officers;</td>
</tr>
<tr>
<td>Presumption of Honesty</td>
<td>to appoint an approved tax consultant/representative or a team of advisers acting individually or collectively.</td>
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<tr>
<td>Objection of tax assessment</td>
<td></td>
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<tr>
<td>Tax relief and exemption under tax law</td>
<td>to bring along interpreter(s) during the interview/discussion session if not conversant in English or Kiswahili</td>
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TAXPAYERS OBLIGATIONS UNDER TAX AUDIT AND INVESTIGATION

- Registration
- Filling of return
- Accuracy of Returns
- Timely payment of taxes
- Issuance and demand of fiscal receipts/tax invoices
- Cooperation with TRA
CONCLUSION

- Both are geared towards enhancing tax compliance
- All are to follow legal procedures where both parties a taxpayer and tax authority have rights and obligation on tax decisions.
Contacts

TRA Call Centre
0800 750075
0800 780078

huduma@tra.go.tz
services@tra.go.tz

Tanzania Revenue Authority
P.O. Box 11491 Dar - es - Salaam.
Website: www.tra.go.tz

Email: info@tra.go.tz
Contacts cont…

To unearth tax evaders Call:
+255 22 2137638
+255 784 210209

For any misconduct by TRA officials:
call: +255 689 122 515
SMS: +255 689 122 516
Thank you for your attention

TOGETHER WE BUILD OUR NATION