

WHAT IS A TAX AUDIT?



A tax audit is an examination of a taxpayer's books and records to determine the completeness and accuracy of the information filed by the taxpayer, in respect of the taxes applicable under the provisions of the tax laws. There are two types of tax-audit:

- ☒ Desk audit
- ☒ Field audit

Desk Audit

A desk audit occurs when a taxpayer is required to bring his/her books and records to the department and such books and records are then examined by a tax officer. This practice is less preferred as the taxpayer can only transport a limited amount of books and records to the department.

Field Audit WHY ARE AUDITS CONDUCTED?

This type of audit is preferred and done regularly. This occurs when the auditor visits the taxpayer's place of business and examines the books and records there. He/she can also get information from management and other employees on the site.

WHY ARE TAX AUDITS CONDUCTED?

The Inland Revenue Department conducts tax audits for two primary reasons:

1. To determine the completeness and accuracy of taxes payable under the provisions of the tax laws.
2. To promote voluntary compliance: when a taxpayer is aware of his/her obligations in respect of taxes, he/she is more likely to provide accurate information when filing tax returns.

A taxpayer may be selected at random as part of the department's National Audit Program and this is most often the case. Also, a taxpayer may be selected where the department has reason to believe that the information filed by the taxpayer may be erroneous whether intentionally or unintentionally. In some instances, a taxpayer may also be selected where the taxpayer has not voluntarily submitted that information.

WHAT HAPPENS PRIOR TO AN AUDIT?

Any person or business operating within the Federation may be selected for an audit at any time. Once selected, the case will be assigned to one or two tax officers. An audit letter will be sent to the taxpayer at least one week prior to the intended time of the initial visit, outlining the officers' intent to conduct the tax audit. The officer will thereafter contact the taxpayer by phone to arrange a convenient time to meet, discuss the records that he/she will wish to examine and identify the persons he/she will wish to interview. Subsequent to the confirmation of a date for the initial interview, if for a valid reason the taxpayer has to reschedule, he/she must contact the officer no later than two days prior to that date to discuss alternative arrangements.

WHAT HAPPENS DURING THE AUDIT?

The laws provide that the tax officer must be authorized by the Comptroller of the Inland Revenue Department under the provisions of the relevant tax laws. Upon arrival, he/she must present their Inland Revenue Department issued identification card. It is not uncommon for the officers assigned to the case to be accompanied by an Audit Supervisor or

another officer from the Department. This additional officer may simply be present to assure quality performance of the tax officers assigned to the case.

The officer must be professionally attired and will act at all times in a professional manner. She/he may ask questions about the structure, organization and operation of the business. Questions must be answered truthfully and completely to allow the officer to form a judgment as to whether the taxpayer's tax declarations are complete and accurate and adequately reflect the totality of the business.

Records will also be requested to assist the tax officer in this assessment. This includes any books and records and any other accounts, vouchers, statements, letters, faxes, emails and any other documents related to the business. The law requires such records to be kept in English, in EC currency, and in the Federation for 6 years after the tax period to which it relates. Where records are kept electronically, the taxpayer must identify someone who can comprehensively explain the operation of the computer system at their expense. The officers may need to remove documents from the site and will provide a written document detailing this information which will be signed by the taxpayer and the officer, each retaining a copy until the documents are returned.

During the course of the audit, officers will most often request a tour of the taxpayer's premises. This includes all and any area of the business operations. This should be accommodated and the taxpayer must ensure that the officers are safe at all times. The taxpayer may also be required to instruct the manager or accountant or any other employee on the premises to give all reasonable assistance to the officers. No taxpayer or their representative may verbally or physically abuse an officer or otherwise hinder the performance of their duties.

Some audits may take some time therefore officers will try to minimize the impact on the taxpayer, staff and business. The audit will proceed faster if all questions are answered fully and any requested documents are produced without unnecessary delay.

WHAT HAPPENS AFTER THE AUDIT?

At the completion of an audit, the officers will discuss the results of their findings with the taxpayer and any tax adjustments that may be necessary. A comprehensive description of and grounds for any adjustment will be provided. The proposed adjustment may or may not be modified at that point if warranted. This will be followed by a Notice of Assessment along with a Tax Change Letter also outlining other areas of weaknesses, deficiencies or non-compliance detected during the course of the audit.

If the officer is reasonably satisfied that the taxpayer has paid the correct tax at the correct time based on the information provided, a No Change Letter will be issued which will also outline any other deficiencies.

A TAXPAYER'S RIGHTS AND OBLIGATIONS:

Record Keeping

You must keep all records used in your business; a record of every import, sale of goods and/or services and every purchase of goods and/or services. This includes all invoices, receipts, journals, bank statements, et al. You are required to keep these records for a minimum of six years. If you wish to destroy any such records prior to the required period, you must request permission in writing to the Comptroller to do so. If records are destroyed as a result of an unfortunate incident not within your control, you must notify the Comptroller immediately in writing.



**Building Our Nation
Through Responsible
Tax Administration**

Filing Returns and Paying Tax Due

You must file a Tax Return and pay the tax due as stipulated in the relevant tax laws. Failure to do so will result in penalties and interest under the laws.

An IRD issued Assessment or Decision

If you disagree with an Assessment or Decision made, you may file an objection in writing to the Comptroller within thirty calendar days of the No-tice of the Assessment or Notice of Decision. You may be represented by Counsel or an Accountant as every effort will be made to resolve the matter with you.

Confidentiality

You have a right to privacy, secrecy and confidentiality. Your information is important to us. At the Inland Revenue Department, all officers are bound by an Oath of Secrecy to keep your information private and confidential. Any divulgence of your information could result in prosecution of that officer



**SAINT CHRISTOPHER AND NEVIS
INLAND REVENUE DEPARTMENT**

TAX AUDITS

This brochure has been prepared by the Saint Christopher and Nevis Inland Revenue Department. If after reading you require additional information, see contact information on back panel.

ST KITTS

*Inland Revenue Department
P.O. Box 34*

Bay Road Basseterre

Tel: 869-465-8485

Fax: 869-465-7640.

Email: inlandrevenue@sknird.com

NEVIS

*Inland Revenue Department
Main Street, Charlestown*

Tel: 896-469-5521 Ext 5010 869/469-5856

Fax: 869-469-0667

Email: ird@niagov.com

CALLS FROM

US: 1-(305)-508-4691

UK: 01144-122-379-0668

www.sknird.com