



# VAT

VALUE ADDED TAX

## ST. KITTS & NEVIS

Introduction to VAT Guide

# Audit and Assurance Visits

The Inland Revenue Department as part of its Compliance Program conducts Assurance Visits on tax returns filed by taxpayers.

## Why does the Inland Revenue Department conduct Assurance visits

The Inland Revenue Department as part of its Compliance Program conducts Assurance Visits on tax returns filed by taxpayers.

The objectives of the Assurance visits are to:

- Educate taxpayers
- Improve compliance
- Ascertain sources of information to file VAT return
- Gather intelligence on the taxpayers and
- Verify the accuracy of VAT Returns filed with the Department.

Our aim is to ensure the fairness and integrity of our tax system. We do this by making sure that the tax returns and refund applications are prepared properly, and taxpayers are paying the right amount of tax at the right time.

## Before the assurance visit takes place

The tax officer will contact you to arrange a suitable date and time to conduct the visit. The officer will also begin by giving you some general information, such as the scope of the assurance visit, what periods will be covered, what information the tax officer will need from you to carry out the task, where the visit will take place and how much time the visit will take.

### Location and materials

The tax officer will generally conduct the assurance visit on your premises. However, in some situations the tax officer may borrow your books and records and give you a detailed receipt for the borrowed documents. It may also be necessary at times to make copies of your electronic records.

### Time involved

An Assurance Visit should be no more than a few hours or few days to complete, depending on;

- The complexity of your business
- Your level of co-operation with the officers and;
- The state of your accounting records and related documents

## What happens during an Audit and Assurance visit

As officers strive to achieve the objectives of the assurance visits, each officer will be required to conduct an interview with the aid of a questionnaire to:

- Verify taxpayer's registration information
- Establish an understanding of the taxpayer's operation
- Ascertain an understanding of the taxpayer's accounting system
- Verify the accounting system is calculating VAT correctly for all types of goods or services
- Formulate an assessment of your audit risk to determine the level of testing required to verify your tax return and
- Assess non-business transactions and its impact upon your tax return

**Officers will also use their analytical skills to:**

- Check banking records
- Compare VAT Returns submitted by the registered taxpayer with the records kept by the registered taxpayer
- Confirm purchases and sales records and
- Review input tax deductions for appropriate supporting documentation

### Discussing issues

During the assurance visit, the tax officer will identify issues and discuss them with you. At any time, you may raise your concerns with the officer and seek clarification.

## What are your responsibilities

By law, you are required to keep proper records to determine your tax obligations and your entitlements.

Records refer to accounting records, accounts, books, computer-stored information and any other relevant documents.

The law stipulates that these records must be retained for a period of six years after the end of the period to which they relate.

If you use a computer to maintain your accounting records, you must keep the books and records in an electronically readable format, even if they are also kept on paper.

Using the services of an accountant, auditor or a tax professional does not relieve you of these responsibilities.

For an assurance visit, we ask that you make available to the tax officer your books and records (both paper and electronic), as well as any supporting documents and provide explanations to the questions that the tax officer will have.

## What happens after an Assurance visit?

### **End of the field visit:**

At a reasonable time after the end of the field visits the tax officer should arrange a meeting with you to discuss any areas of non-compliance and if the assurance visit would result in a Proposed Adjustment or a no tax change statement from the department.

### **What is a 'No Tax Change' Statement:**

It's simply a notice from the Department that the Assurance Visit at this time has not detected any material under-reporting issues that require a reassessment. However, the department reserves the right to conduct an in-depth review of your business in the future for the same periods and a tax re-assessment may be issued for undiscovered compliance issues.

### **Responding to a proposed adjustment:**

The tax officer will discuss any proposed adjustments and explain the rationale for them. The officer will give you a reasonable amount of time to respond to the proposal. Before finalizing the visit, the officer will carefully consider your explanations and respond to your questions about the findings. If issues remain unresolved, you can contact the auditor's supervisor to discuss them further.

### **Notice of Assessment:**

If we must adjust your return, the officer will arrange to have a Notice of Assessment mailed to you. If the adjustment results in an increase in the amount of your refund, the additional amount will be carried forward as a credit adjustment on your account, in the prescribed time frame for credit payments.

### **Objection to your assessment:**

If you disagree with the assessment made, you may in writing appeal to the Comptroller within one (1) month of the reassessment to have the assessment re-examined.

The Department will make every effort to resolve the matter with you within a reasonable time frame.

## Your feedback is important to us

Periodically, we contact taxpayers who have had Assurance Visits to obtain their feedback on the Assurance Visit Process.

If you are not contacted but wish to make comments about your Assurance Visit, please feel free to contact us.

### Contact Information

#### **St. Christopher**

Inland Revenue Department, Bay Road, Basseterre, St. Christopher

Tel: 1 - 869 465-8485

#### **Nevis**

Main Street, Charlestown, and Nevis

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