

SERIES

**TECHNICAL COMMITTEE
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VALUE-ADDED TAX (VAT) AUDIT:

SUMMARY OF CONSIDERATIONS
AND ACTIVITIES



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Caveat

The recommendations brought forward, and the considerations suggested in this technical note are general in nature. Each jurisdiction is subject to its own laws that may impact on the scope and application of the considerations.

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TABLE OF CONTENTS

1. Introduction	6
2. Objective of VAT Audit.....	7
3. Legal Provisions Enabling VAT Audit.....	7
4. Knowledge/Information Required Before Examination of Records.....	8
5. Examinations of Records	8
6. VAT Accounting and Remittance.....	11
7. Other Considerations	12
8. Post Audit Report	13
9. Conclusion	13

1 INTRODUCTION

Value-added tax (VAT) is an indirect tax on goods and services. The rate of VAT applicable on standard rated supplies is as per VAT Act/Regulations of relevant tax jurisdictions. VAT represents about 30% of all taxes collected by African revenue administrations (ATO 2020). However, there is empirical evidence to show that through proper planning and performance of VAT audit, more revenue in terms of VAT might be collected. The tax law usually provides wide powers to tax officers to perform VAT audit and imposes strong obligations on the taxable persons in terms of keeping of records, operating the VAT system, their liabilities to VAT and remitting VAT collected.

This paper explores avenues to assist tax auditors to familiarize themselves with considerations and activities for effective VAT audit. It is to be highlighted that the content of this paper is not exhaustive thus depends on the circumstances of the case being examined and the tax laws, procedures and processes of the tax jurisdiction.

VAT audit is a planned and documented activity performed by tax officials to determine through in-depth review and examination:

- a. The adequacy of the books and records kept by the taxpayer.
- b. Whether VAT has properly been computed and remitted to the Revenue Authority.

2 OBJECTIVE OF VAT AUDIT

The objective of VAT Audit is to provide assurance:

- a. Total supplies made by a taxable person have properly been accounted for.
- b. Input tax has properly been claimed.
- c. VAT has properly been accounted for and remitted.
- d. VAT implications of taxable transactions conducted prior to date of registration have been properly accounted for (where applicable as per jurisdiction's legislation).
- e. There is no splitting of business with a view to reduce or avoid VAT liability.
- f. General compliance with the VAT and tax administration legislations or obligations.

3 LEGAL PROVISIONS ENABLING VAT AUDIT

The following legal provisions enable VAT Audit:

- a. Power to require information
- b. Obligation to furnish information
- c. Production of books and records
- d. Power to inspect books, records, and goods
- e. Power to access computers and other electronic devices
- f. Power to have access to business premises of the taxpayer
- g. Power to obtain and make copies of documents or records
- h. Time limit to require information, books or records
- i. Power to raise additional assessment
- j. Power to administer and enforce the VAT law

