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Case: Tax audit for minimizing fiscal risks

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Situation

A Kazakhstani production company concluded about 40 contracts with foreign companies from 2008 to 2010. Company also paid a portion of wages to foreign workers. It received a notice about the planned tax inspection. Company's finance department was sure that they were properly waging taxation management and making fiscal payments in time. There were not any free accountants or lawyers in the department to prepare for the tax inspection. All accountants of the company were busy doing their daily activities.

What can be done in such situation?

Solution

The Finance Department convinced the company's management to appoint an external consultant to conduct a tax audit before the tax inspection. As the non-resident taxation issues are the most problematic in practice, the company appointed experts to conduct a tax audit relating non-residents earning more than 50 000 US dollars. Also, the company decided to analyze all payments to foreign workers during this audit.

In addition, the Finance Department assigned one accountant to assist external tax auditors.

During audit, experts revealed a number of inconsistencies with tax legislation, which, together with a recommendation for the audit completion, were presented to the company by preliminary report. As a result, the company paid all fiscal payments timely, thereby solving some of the unrecorded and controversial issues.

Later thematic tax inspection regarding the company was carried out, the results of which charged small amounts of fines from the company. In total, tax audit expenditures cost several times less than if the company paid huge fines and additional charge with penalties by tax inspection results.

One of the advantages of tax audit is in objectivity and a fresh perspective for tax registration in the audited company. As often as not, many companies do not include tax registration service which is usually conducted by accounting department. However, even the presence of tax service in the company does not eliminate all potential tax risks that the company may face.

We recommend companies to conduct comprehensive tax audit, because as practice shows, additional charge may occur unexpectedly. Tax audit should cover the period of five years, as this is the period of the so-called limitation for taxpayer tax liabilities during which the tax authorities have the right to review the previous periods and assess taxes.In order to save company's financial resources, tax audit can be carried out selectively.