

FIRS issues Guidance Notes on Tax Audits and Investigations

Background

The Federal Inland Revenue Service (FIRS), on 22 August 2022, hosted an interactive session with tax agents including tax practitioners and accounting firms. The session was chaired by the Coordinating Director, Compliance Support Group (CD-CSG). The aim of the session was to engage and seek to address the various issues arising during tax audits and investigations.

Further to the session, the FIRS released Guidance Notes on 28 October 2022 which set out general expectations of stakeholders regarding tax audits and investigations including timelines. These Guidelines provide a framework aimed at facilitating seamless tax audits and investigations exercises to increase trust, and reduce compliance cost.

Overview of the Guidance Notes

	FIRS Team	Taxpayer	Consultant
Pre-Audit	<ul style="list-style-type: none"> Serve notifications promptly. Hold pre-notification meetings and fix dates to commence field tax audits. Request and obtain copies of necessary documents in advance 	<ul style="list-style-type: none"> Complete tax audit questionnaire and respond to notification on time. Avoid delaying the start date for field tax audits. Provide copies of requested documents. Ensure attendance of the company's principal officer at the pre-notification meeting, agree audit start date and sign off all resolutions. 	<ul style="list-style-type: none"> Reduce taxpayers' requests to postpone field audit start date. Facilitate provision of all requested documents. Ensure a conducive environment for the audit team and facilitate smooth take off of the exercise.
Field Audit	<ul style="list-style-type: none"> Ensure audits, single issue investigations and comprehensive investigations are conducted within 60, 90 and 180 days, respectively. Maintain ethical behavior. Interview appropriate staff and ask relevant questions to understand the business. Draw attention to findings that require more clarity. Get additional documents where necessary. Conduct: <ul style="list-style-type: none"> Progress meetings at intervals Physical asset verification Exit meeting and set date for 1st reconciliation Sign off all minutes and interviews within an hour. 	<ul style="list-style-type: none"> Ensure conducive environment within company premises for the audit team. Provide necessary documents and clarifications required. Grant interviews on request. Handle all tax audit queries. Work with the audit team during field audit. Attend exit meetings and set date for reconciliation meetings. Sign off all minutes of meeting/ interview within an hour. Maintain ethical behavior. 	<ul style="list-style-type: none"> Provide necessary documents and clarifications required. Make available key taxpayer officer when needed by the audit team. Handle all tax audit queries and inquiries. Sign off all minutes of a meeting/ interviews within an hour. Work with the FIRS team within approved audit and investigation time frame. Attend exit meeting and set date for reconciliation meeting. Maintain ethical behavior.
Post Audit	<ul style="list-style-type: none"> Provide summary of findings and allow review by the taxpayer. Invite taxpayer for a reconciliation meeting. Ensure competent taxpayer representation at reconciliation meetings. Ensure timely escalation of issues to relevant stakeholders. Raise assessment immediately and obtain proof of service. Pursue collection in accordance with relevant laws 	<ul style="list-style-type: none"> Give concise response to tax audit queries 48 hours before reconciliation meeting. Ensure qualified representation at reconciliation meetings. Provide required documents post reconciliation on time. Sign off all resolutions reached, and minutes presented before leaving FIRS premises. Pay or object to assessments in accordance with relevant laws. 	<ul style="list-style-type: none"> Attend reconciliation meeting and avoid postponement. Sign off all resolutions reached, and minutes presented before leaving FIRS premises. Ensure attendance of qualified principal officer of the taxpayer. Facilitate payment of assessment and/or object in accordance with relevant laws.

Takeaway

Tax audits and investigations can be quite time, cost and resource demanding if not properly managed. It is therefore commendable that the FIRS has engaged with key stakeholders to seek input in putting together the Guidance Notes. This is expected to facilitate effective audit and investigation exercises.

The FIRS can further improve the process by adopting a systematic risk-based approach in selecting taxpayers to be audited, and also in carrying out audit or investigation exercises.

The engagement and feedback process with relevant stakeholders should be sustained to ensure regular review of the Guidance Notes and further improvement of the audit and investigation process.

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