

GET A TAX-HEALTH CHECK TODAY! By Jonathan Hore

Almost every day when I drive to work, I see a couple of people on the roads exercising and I know all they need is to stay healthy. The experts tell us that staying healthy and engaging in certain exercises helps plug out some health complications which may cost us in the future. In as much as individuals need to stay healthy, businesses also need to stay healthy, from a tax perspective. Individuals go to doctors for health screening or a general health check and this helps them identify any complications and timeously address them. Likewise, every business requires a regular tax-health check, which we shall call THC. Ideally, every business should have a THC at least once in a 4 year-period. In this article, words importing the masculine shall be deemed to include the feminine.

WHAT'S A THC?

A THC is an exercise that is conducted by a tax expert on a business' affairs to establish its level of compliance with the tax laws. The business and tax expert first agree on the things that need to be checked, commonly known as scoping. Once the scoping is done, the tax expert can start the THC, either at the client's premises or from a remote area. However, experience shows that THCs that are conducted at a client's premises are more fruitful than those conducted off-site. Actually, I have noted that off-site THCs leave a number of tax gaps unidentified, posing tax risks to the client in case of a tax audit by the taxman.

The tax consultant reviews the client's business systems, financial records and tax returns, among others, to check for any tax gaps. He then provides the client with a report narrating areas where tax gaps exist and how they can be closed. The client can then make an assessment of their business processes to determine which tax gaps to close first.

WHAT ARE THE BENEFITS OF A THC?

Well, what are the benefits of going to a doctor and getting him to screen you for any health problems? The answers are almost obvious and they are also similar to how a business benefits from a THC. I narrate below the benefits of a THC to a business:

- **Diagnosis:** A THC helps diagnose the various tax gaps that may exist. This is more like knowing that your sugar levels have been rising over the past year. That information helps you know the challenges you have and prepare you to take corrective measures.
- **Correction:** When you realize that your sugar levels have been rising, that may mean you should reduce sugar intake or stop taking sugar completely. If a business is advised that it has not been deducting PAYE from free benefits, then it should immediately take action and start deducting that tax.
- **Prevention:** A THC may also speak to potential tax gaps that may arise or grow to be significant in the future. With the guidance from a tax expert, a business then takes preventative measures to ensure that the gaps don't show or widen.
- **Keep the taxman's fury away:** One of the greatest benefits of a THC is that it helps you clean your tax gaps and keep the taxman away. Let me inform you that the last thing you would want is for the taxman to discover that you have not been compliant with your tax affairs as he can charge penalties of up to 200% over and above 1.5% compound monthly interest.

WHAT IF I HAVE EXTERNAL AUDITORS?

Well, let me be clear that the fact that you have external financial auditors is not a guarantee that your tax affairs are clean. Unless the auditors bring along their tax expert as part of the audit team, then my advice is simple; even if you get a clean audit report, your tax affairs could still be in shambles. Hold on now, am I trying to downplay the role and knowledge of an external auditor? Not at all but experience is the greatest teacher. I have conducted so many THCs for clients who had had clean external audit reports and yet found so much in unearthed tax gaps. Let's get this clear; an auditor is not a tax specialist and there is no debate about that.

The fact that they understand the VAT and Income tax language to some extent does not mean that they will unearth your tax gaps. Now tell me, why do we have general medical practitioners referring complex matters to specialist medical practitioners? This is simply because there is a point where a general practitioner falls short and they need a specialist. If a tax expert would not have participated in your external audit, I would advise that you do not sign the financial accounts as you may have undisclosed significant tax obligations, which may make the accounts materially inaccurate.

Well folks, I hope that was insightful. As Yours Truly says goodbye, remember to pay to Caesar what belongs to him.