

# Goods & Services Tax Guide

**PREPARING  
FOR AN AUDIT**

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# TABLE OF CONTENTS

<b>1.0 INTRODUCTION</b>	<b>1</b>
<b>2.0 ABOUT GST AUDITS</b>	<b>2</b>
<b>3.0 IRD'S ROLE IN A GST AUDIT</b>	<b>3</b>
<b>4.0 ASCERTAINING GST READINESS AND COMPLIANCE</b>	<b>4</b>
<b>5.0 HOW TO PREPARE FOR AN AUDIT</b>	<b>5</b>
<b>6.0 ADVANTAGES OF GST AUDIT PREPARATION</b>	<b>6</b>

## **DISCLAIMER**

These notes are for guidance only. They reflect the law and the tax position at the time of publication. They do not replace the legislation or affect your right to object and appeal.

If in doubt, you should consult the Inland Revenue Department.

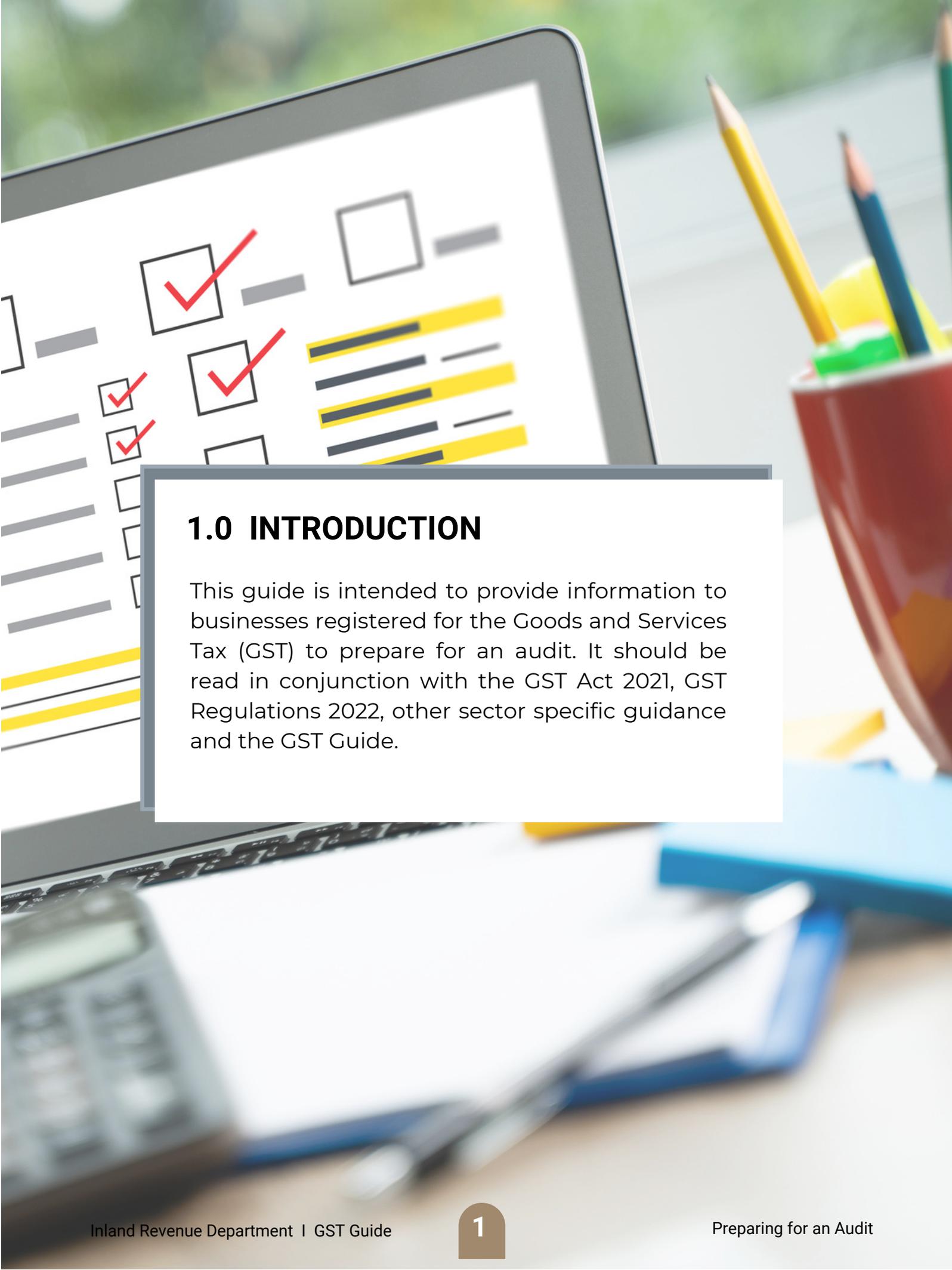
You may find the following documents useful for further explanation on specific issues:

GST Act 2021

GST Regulations 2022

GST Guide

Specific Sector Guides



## 1.0 INTRODUCTION

This guide is intended to provide information to businesses registered for the Goods and Services Tax (GST) to prepare for an audit. It should be read in conjunction with the GST Act 2021, GST Regulations 2022, other sector specific guidance and the GST Guide.

## 2.0 ABOUT GST AUDITS

### 2.1 What is the purpose of a GST audit?

The purpose of a GST audit is to verify the correctness of value of supplies declared, GST paid, excess credit, refund claimed, and input tax credit claimed, and to assess the compliance with the provisions of the GST Act. It also serves to identify and correct inconsistencies, errors, lapses, and ambiguities.

### 2.2 What is the legal authority of a GST audit?

Part 13 of the GST Act "Records and Investigative Powers" describes what accounting records are, what must be kept and for how long and outlines the powers of an authorised officer to enter premises and gain access to records and evidence to assess a registered person's GST liability.

The GST Act specifically requires taxable persons to keep books and records to determine the tax payable and authorizes the Inland Revenue Department (IRD) to audit these for any purpose related to the enforcement or administration of the GST. The GST Act further authorizes IRD officers to request and receive information, records, documents etc., from any registered person and enter business premises during a reasonable time.

### 2.3 Who is liable for a GST Audit?

Every GST registered person is subject to an audit periodically.

#### GST AUDIT

A GST audit is the process of examining records, returns and other documents maintained by a registered person.

## 3.0 IRD'S ROLE IN A GST AUDIT



IRD generally utilizes a risk-based approach to select cases for audits. However, audits can be selected for other reasons.



Once a case is selected for audit, an IRD auditor will contact the registered person and/or the accountant or representative to arrange a date to commence the audit.



The IRD auditor will notify the registered person by way of the 'Notice of Audit' letter of the scope and date of audit and books/records to be reviewed.



The IRD will assign no less than two (2) auditors per case and the auditors will conduct the audit in accordance with the GST legislation, in the most efficient and timely manner and with the least disruption of the registered person's business activities.



At the conclusion of the audit, the IRD auditors will inform the registered person of the findings of the audit, invite the registered person to a meeting to discuss the findings and finalize the audit findings.



IRD auditors will inform the registered person in writing of the findings and issue Notice of Assessment to the registered person, if required.

## 4.0 ASCERTAINING GST READINESS AND COMPLIANCE

A systematic approach is essential for smooth business operations. As a GST registered business in Anguilla, you are encouraged to evaluate and review your business activities regularly. The following will assist you in establishing GST readiness and compliance:

- **Understanding:** The most important thing is understanding the operational processes and business domains. It will help you to determine the irregularities that exist internally and establish internal controls.
- **Preparation:** Prepare a checklist of your GST obligations and formulate a GST operation strategy.
- **IT Systems:** Ensure that the business' IT systems including point-of-sale systems are reprogrammed or programmable for GST purposes. Follow all legal regulations for complying with GST requirements.
- **Current Accounting:** Keep your accounting systems up to date. Pay keen attention to the time of supply. Ensure your tax invoices (sales and purchases) contained the particulars outlined in the GST Act.
- **Accounting for GST:** All sales and purchases must be declared in the tax period in which they occur. Always ensure that the amounts in the GST account is accurate before transferring to the GST return.
- **GST Return:** Returns are submitted monthly to the IRD. Ensure that you have all the correct account details set up for generating the return. The GST return must be filed on or before the 20th of the following month or the next working day if the 20th falls on a weekend or public holiday. A nil return must be filed if no transaction occurred within a tax period.
- **Employees:** Ensure your employees understand GST and specifically mention GST duties and responsibilities in your employees' contract documents and job descriptions.
- **GST Representative:** Appoint a knowledgeable person/employee to represent your business on GST matters.
- **GST Manual:** If necessary, develop a policy manual for your business to cover the business' GST policies. (Refer to GST Act, GST Regulations, guides etc.)
- **Contracts:** Update your contracts with vendors and customers to reflect GST requirements and change in policies.

## 5.0 HOW TO PREPARE FOR AN AUDIT

Audit preparation helps you to address the GST requirements and facilitate a seamless audit process. A list of books and records that the IRD Auditor intends to examine will be included in the Notice of Audit letter. The following will assist you in preparing the requisite information to present to the IRD auditor for the timely and satisfactory completion of an audit:

### 1 **Review the tax returns being audited:**

Before meeting the auditor, you should thoroughly review the tax returns being audited. Be ready to explain how you, or your representative, came up with the figures. If you cannot, consider contacting an accountant.

### 2 **Organization counts:**

It is not advisable to dump records for the IRD auditor to rummage through. This may result in more scrutiny from the auditor. Organize your records for the auditor in a logical fashion. Your pre-audit organization of invoices, receipts, and other records will benefit you and the IRD Auditor during the audit. Organization helps to build your credibility.

### 3 **Find all records to substantiate your GST return:**

The IRD has a right to look at any records used to prepare your GST return. For example, you may need to substantiate your claims for input tax credit; evidence is therefore critical. If your data is on a computer, it is very likely the auditor will request a printout.

If you do not produce adequate records, the auditor may estimate GST on your sales and/or expenses and impose a separate penalty on you for failure to keep proper records.

At a minimum, the IRD expects you to produce the documents generally kept by a GST registered business including but not limited to:

- GST Account;
- Sales and purchases journals;
- Tax invoices issued and received;
- Sales receipts issued and received;
- Debit notes and credit notes;
- Customs declarations; and
- Bank statements.

Please refer to the **Guide on Keeping Proper Books and Records** for more details on the record keeping requirement for GST.

## 6.0 ADVANTAGES OF GST AUDIT PREPARATION

- You can easily assess your compliance with the GST ACT and Regulations;
- You can readily respond to audit questions and provide supporting documentation;
- You will become more knowledgeable on GST audit procedures and follow the guidelines;
- You will be able to ascertain your business' financial status.





## **CONTACT US**

For more information, feel free to contact the Inland Revenue Department at [gst@gov.ai](mailto:gst@gov.ai) or [inlandrevenue@gov.ai](mailto:inlandrevenue@gov.ai).

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