



## Why Internal Revenue Department may contact Taxpayer

### Purpose of this publication

1. The purpose of this publication is to inform the taxpayer about why IRD may contact you or to explain why IRD may audit to your work place.

### IRD's role

2. Our role is to ensure taxpayers meet their tax obligations, e.g. file their tax returns and pay any taxes owing. IRD also helps taxpayers understand their tax obligations and where necessary carry out verification activities, e.g. Audits of your tax affairs.

3. We may also from time to time ask taxpayers for information to better understand the business and tax environment to help us improve our taxpayer publications and policies.

4. So there are a range of reasons why we may contact or visit you and it is helpful if you understand the types of visits and reasons why these may happen.

### IRD visits and contacts

5. The followings are the types of IRD visits or contacts:

(a) IRD can visit or contact to taxpayer in the following conditions:

(1) Under Official Assessment System, IRD may send notice to the taxpayers to remind for

(aa) Paying the advance tax under the sub-section (a) and (b) of the section 16 of the income tax law;

(bb) Filing the income tax return under the section 17 of the income tax law and the annual return under section 12 of the commercial tax law;

- (cc) Submitting evidences for the income tax return under the sub-section (b) of the section 19 of the income tax law and the annual return under the sub-section (b) of the section 14 of the commercial tax law and providing information under the section 42 of the income tax law;
  - (dd) Reporting the account on the tax deducted monthly from the income under the salary heading according to the sub-section (a) of the section 16 of the income tax law.
  - (ee) Reporting annual account of salary under the section 18 of the income tax law.
- (2) Under Self-Assessment System, IRD can contact the taxpayers to visit the revenue office:
- (aa) after the Introductory Letter has been sent to the taxpayers;
  - (bb) when the account of the taxpayer needs to be audited.
- (b) Internal Revenue Department can visit the taxpayers for the following conditions:

(1) **Taxpayer Advisory Visit**

We want to help taxpayers understand their tax obligations. So, from time to time we may arrange to visit you, and this visit is likely to take place at your office so as to discuss with you on your tax obligations and to answer your questions. During these visits IRD may provide you an IRD publication on a particular tax area, e.g. ‘What business records are required to be kept by a Taxpayer’ for you to refer back to should you need to better understand your obligations. Moreover, it may be that you have previously contacted IRD and asked for an IRD officer to visit you to help you understand the assessment, tax laws and tax rates. In such cases, we will contact you and arrange a suitable time to meet.

(2) **Researching the business and tax environment**

It is important for us to have a good understanding of what is happening in the business world. This understanding is used by us to improve our existing taxpayer publications, to identify and issue new publications and to help us develop our tax policies and procedures. To gain this understanding we may meet with industry bodies or specific taxpayers. So from time to time we may arrange to visit you, and this visit is likely to take place at your place of business or IRD office.

(3) **IRD Audits or Investigations**

An IRD audit or investigation is an examination of your financial affairs to check that you have paid the correct amount of tax, and you are complying with the tax laws. An audit might simply be a check of a Commercial Tax Return, or it could be a full examination of your business and personal records of expenses. After an audit you may be entitled to refund or you may have to pay more tax. The section of the taxpayer to be audited is chosen according to the following criteria:

- (aa) Non-compliance on tax obligations or practicing in to do so in the past;
- (bb) False returns are uncovered according to the available information;
- (cc) Evidences are found for un-assessed properties;
- (dd) The business is observed too big and not commensurate with the amount of tax paid;
- (ee) IRD needs to record the current condition of the taxpayer's business.

(ff) We will usually give you reasonable warning by letter of an audit. However, sometimes we may make an unannounced visit, e.g. a Spot Check. In this situation, you are required to allow an IRD officer's entry into your business premises and to access your records under section 44 of the Income Tax Law.

(4) **Collecting Outstanding Returns and Tax Debt**

While you are required to file your tax returns on time and pay any tax owing by the due date, you may have failed to do so. In such cases, we may write to you to remind you of your return filing and payment obligations and request that you file the outstanding returns and pay any tax owing by a specific date. However, if you still fail to file the outstanding returns or pay the tax owing, then we may visit you to encourage you to meet your outstanding filing or payment obligations. We will usually contact you to arrange a time to meet to discuss these matters, but sometimes we may make an unannounced visit.

6. For more information, please contact the respective IRD offices as follows:

Internal Revenue Department (Headquarters)	: 067-430009
Taxpayer Services Office (Yangon)	: 01-378372
Taxpayer Services Office (Mandalay)	: 02-30192

## **Internal Revenue Audits**

### **Information for Taxpayers**

#### **Introduction**

1. The state needs the revenue in order to build hospitals, schools, roads, bridges, fire brigade, etc. that are the basic services for the public. In order to fulfil such budget, Internal Revenue Department collects proper revenues from the public in accord with the tax law. The Internal Revenue Department supports the taxpayer education programmes and provides skilful services which in turn contribute to achieve the voluntary compliance of the people with their willingness.
2. We help people to comply through the information available on our website, our booklets and guides, advisory services and through local tax offices.
3. Under the Self-Assessment system taxpayers assess themselves on the income they have received or have accrued and pay the tax which they calculate on this income. The taxpayer is responsible for proper accounting, assessment and payment of their tax liability. However, IRD will from time to time select taxpayers for audits to verify the correctness of the tax return lodged by the taxpayer.

#### **What is an audit?**

4. An Internal Revenue audit is an examination of your financial affairs to check that you—ve paid the correct amount of tax, and you’ re complying with the tax laws.
5. An audit may simply be a check of a Commercial Tax Return or it could be a full examination of business and personal records. After an audit, you may be entitled to a refund or you may have to pay more tax.
6. There are various types of business audits. These include reviews of a particular transaction or return, such as a commercial tax return; employer obligation checks, e.g. PAYE (Pay-as-you-earn); and numerous technical checks, such as deductibility of expenditure, shareholder continuity etc.

## How we select taxpayer for an audit

7. There are a number of reasons taxpayer may be selected for an audit, for example:
- (a) our current compliance focus includes the industry or activity taxpayers are involved in
  - (b) we have received information (this could be from a variety of sources) that suggests taxpayers' returns are not correct
  - (c) we're aware that taxpayer has a history of not complying with taxpayer's tax obligations
  - (d) we have received local knowledge, perhaps arising from media reports or unexplained wealth, or
  - (e) we may choose taxpayers randomly
8. We review our selection methods and compliance focus regularly.

## Starting an Audit

9. We'll usually give you reasonable warning by letter of an audit. However, sometimes we may make an unannounced visit. In this situation you're required by law to allow an IRD officer's entry into your business premises and access to your records. We generally request some records to review to gain an understanding of your business prior to the first meeting.

## The First Meeting

10. The first meeting is an opportunity for the IRD officer to meet you to discuss the audit in general and make arrangements for how the audit will be carried out. The IRD officer will advise in his/her letter whether the meeting is to be held at the IRD office or at your premises (Tax Offices or Taxpayers' Premises). Our officer will ask you a number of questions relating to the records you keep, your accounting system and return-preparation procedures, and your business activities. Our officer may also check your records and look at some parts of your return(s). If you know there's something wrong with your tax affairs, this is **a good time** to let us know.

### **How long does an audit take?**

11. There is no set time for an audit. How long it takes depends on:

- (a) the size and complexity of your business
- (b) the standard of your records, and
- (c) your cooperation

We'll provide an estimate of the timeframe at the outset of the audit and if we need to extend it we'll discuss this with you.

### **The IRD Officer's role**

12. You can expect an officer to:

- (a) be prompt, courteous and professional
- (b) correctly apply the tax laws
- (c) respect your privacy and treat all information about you as private and confidential

13. All officers carry a staff IRD card showing their name and photograph. You can ask to see this at any time, and we recommend you do, before you give them any information.

### **Taxpayer's role**

14. The officer can expect you to be courteous and honest and to give them reasonable assistance during an audit. This includes giving access to your business premises and supplying information and documents in a timely manner. We don't expect you to stop all business activity and focus on the audit, but your cooperation will mean we can finish the audit as quickly as possible with minimal disruption to your business.

### **Gifts**

15. We can't accept any gift from taxpayers. If you'd like to recognize the work done by our officer, you're welcome to send us a letter of acknowledgment.

### **During the audit**

16. If any of our officers' questions are not clear, ask them to clarify the question so there's no misunderstanding. Most of the questions will be about your business, but some may be about your private activities.

### **Obstructing the IRD officer**

17. It's a serious matter if you obstruct Internal Revenue officers as they carry out their audit. Obstruction can mean:

- (a) refusing reasonable access to your business premises
- (b) destroying relevant information
- (c) lying and falsifying detail information, facts, data
- (d) creating deliberate delays to frustrate Internal Revenue enquiries

### **Solving problems with cooperation**

18. You and the IRD Officer should try to sort out any problems that arise between you and the IRD Officer. If this isn't possible you may need to contact the officer's team leader or Assistant Director, whose details will be provided to you in the initial audit letter.