Overview of Tax Audit in the ATO Countries

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Outline

- Types of audits carried out in ATO countries
- The role of tax audits in revenue generation
- How strong are the audit capacities in the ATO?
- Auditor performance and tax recovery rates in the ATO
- Some Good Practices in Audit Efficiency
- On the path to improving audit efficiency in the ATO

Types of audits carried out in ATO countries

Desk Audits

Examination of tax returns against the information available in the taxpayer file held by the revenue service.

Comprehensive

Tax auditors may visit the premises of a taxpayer to ansure the tax returns filed by taxpayers are complete and free of inaccuracies. A field audit may stem from a desk audit and an issue audit may become a comprehensive audit.
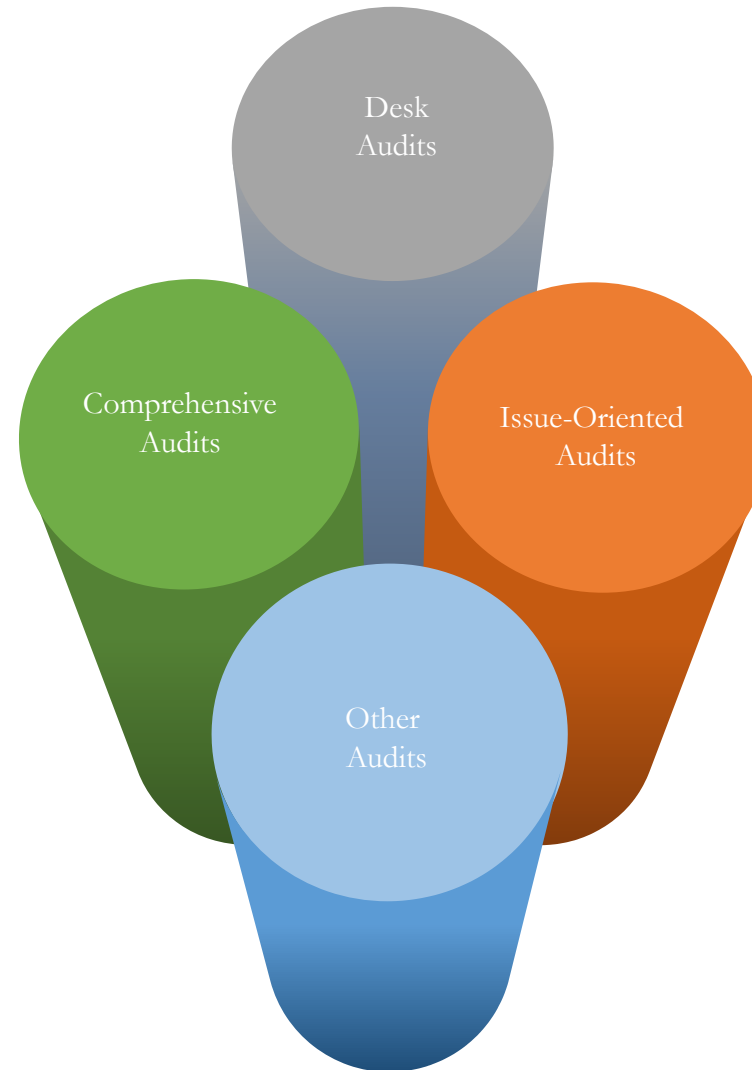
Issue Audits

Arising on-demand by the tax office from any tax issue. An issue audit may be done at the office or in the field.

Other Audits

The composition of "Other Audits" varies by country. Examples include: return examination; compliance advisories; taxpayer self-health checks; Spot inventory audits; inspection actions and register cleaning. TADAT defines "Other Audits" as inspections of books and records, examination of VAT refund claims, and in-depth investigations of suspected tax fraud.

Types of audits carried out in ATO countries

Most widespread type of audit

Comprehensive audit	Desk audit	Issue audit	Other audits
Mozambique Ghana Liberia Gambia	Benin Cape Verde Namibia Senegal	Seychelles Uganda Botswana Malawi Zambia	Mauritius Eswatini

Source: ATO (2020)

Types of audits carried out in ATO countries

Legend: Comprehensive audit, Issue audit, Desk audit, Other types of audits
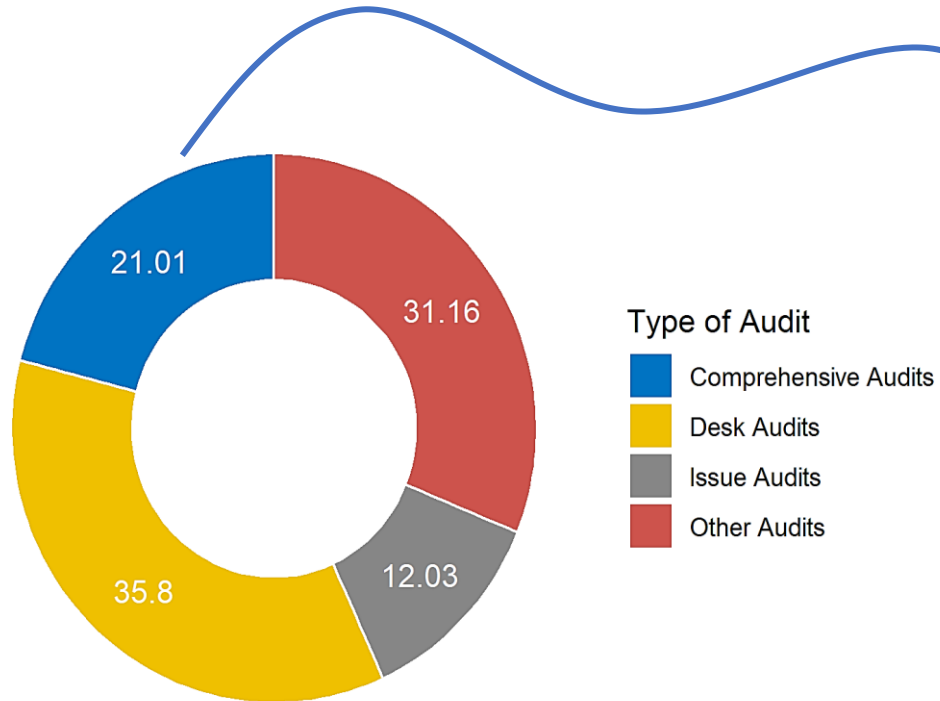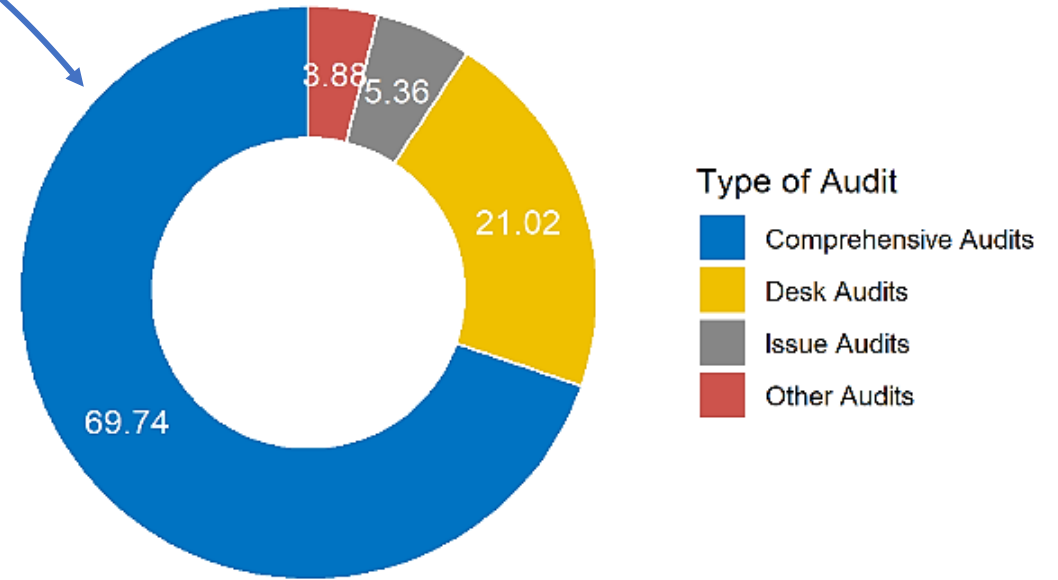
Source: ATO (2020)

Types of audits carried out in ATO countries

Panel A: Tax Audits by Frequency

Panel B: Revenue Yield per Tax Audits

Source: ATAF (2020)

The role of tax audits in revenue generation

Direct Effect

A direct effect includes revenue assessments and audit yield following a tax audit.

Direct Effect

Indirect Effect

Indirect Effect

In the indirect case, the revenue arises from increased compliance and reduced tax evasion.
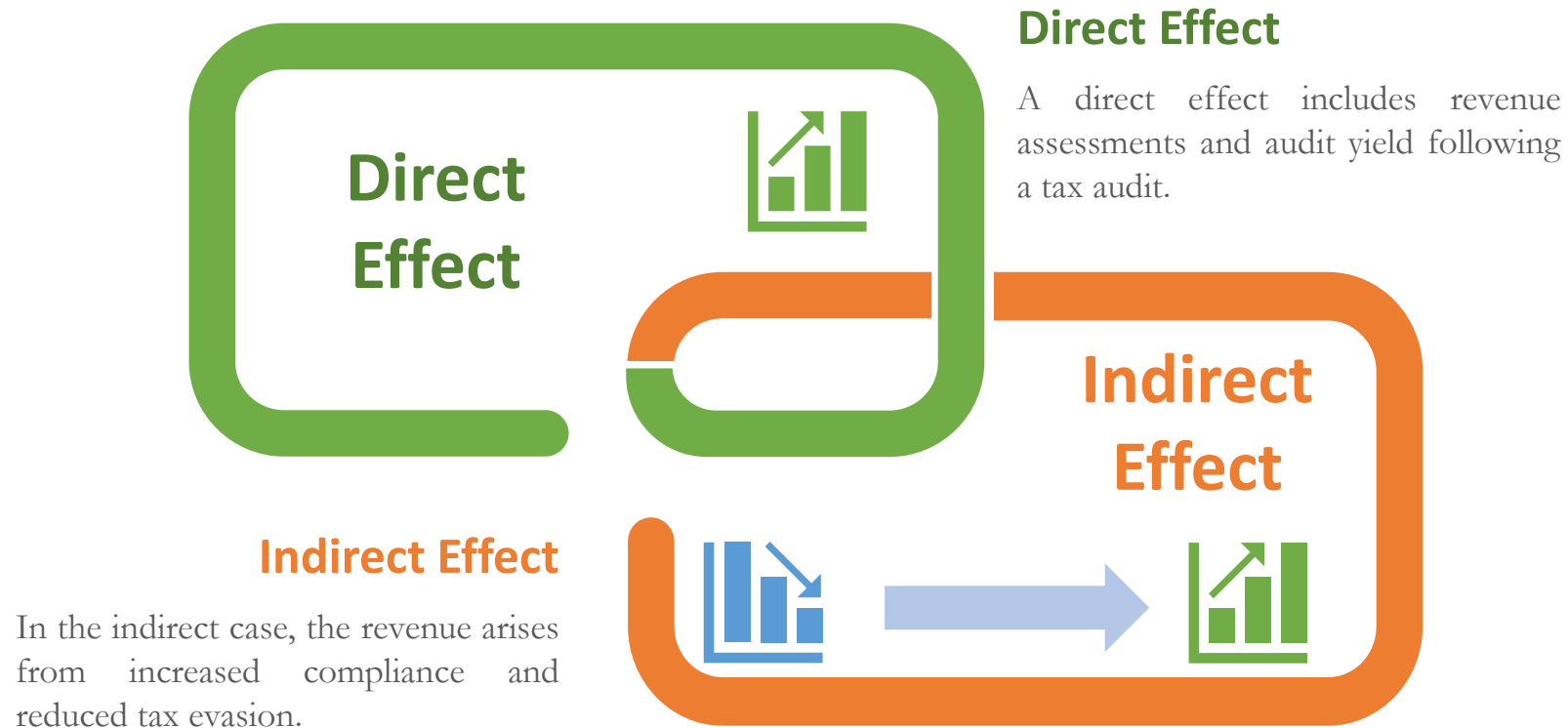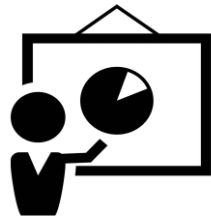
The role of tax audits in revenue generation

The ATAF Secretariat has conducted 26 Transfer pricing Missions to 9 African countries. The technical assistance offered was twofold:

Workshops

To build effective international tax auditing skills with a focus on transfer pricing auditing skills.

Reviewing regulations

Assistance with reviewing existing regulations on transfer pricing, interest deductibility and any other legislation relating to profit shifting

The role of tax audits in revenue generation

In 11 ATAF member countries, US$3 billion has been assessed from 2016 while US$1 billion has been collected in a period of 7 years.

In one ATAF member country, US$5.1 million was collected out of US$14.38 million that was assessed in 2019. The assessed amount represented 0.1 percent of the country's Nominal Gross Domestic Product (GDP) for the year 2018.

135 audit cases were opened in 2021 and 67 audit cases closed in 2021. Cumulatively, 491 audits open and 300 closed.

How strong are the audit capacities in the ATO?

Two indicators are used to measure the audit capacities of a revenue administration service:

(i) the percentage of auditors in the total tax workforce.

(ii) the number of registered taxpayers per auditor.

	Auditors	Taxpayers per auditor
2019	9.9%	3 675
2018	9.9%	2 982
2017	10.1%	2 873

Source: ATO (2020)

How strong are the audit capacities in the ATO?

(i) the percentage of auditors in the total tax workforce.

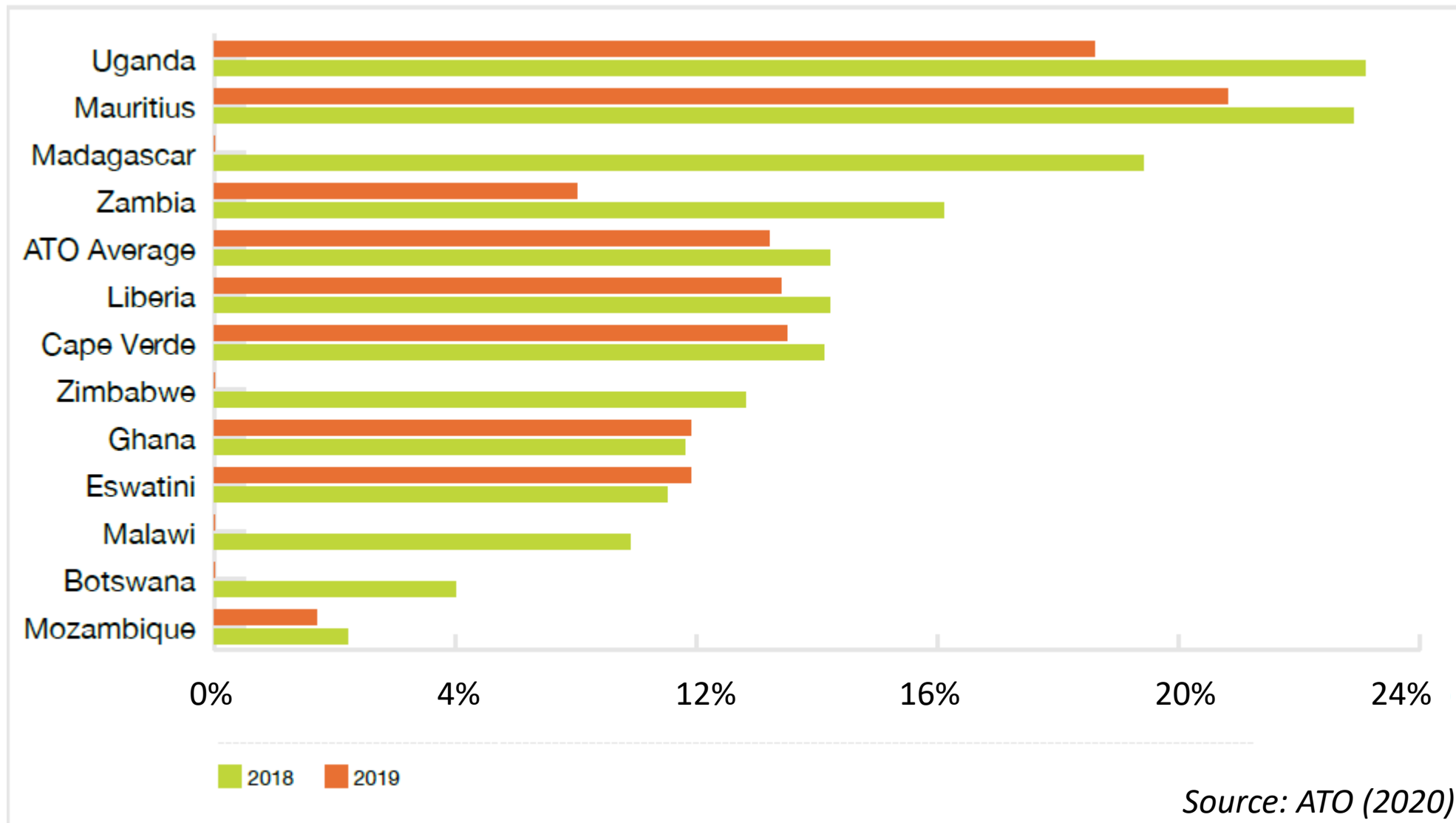Distribution of Tax Auditor to Core Revenue Staff

Source: ATO data (2010-2020)
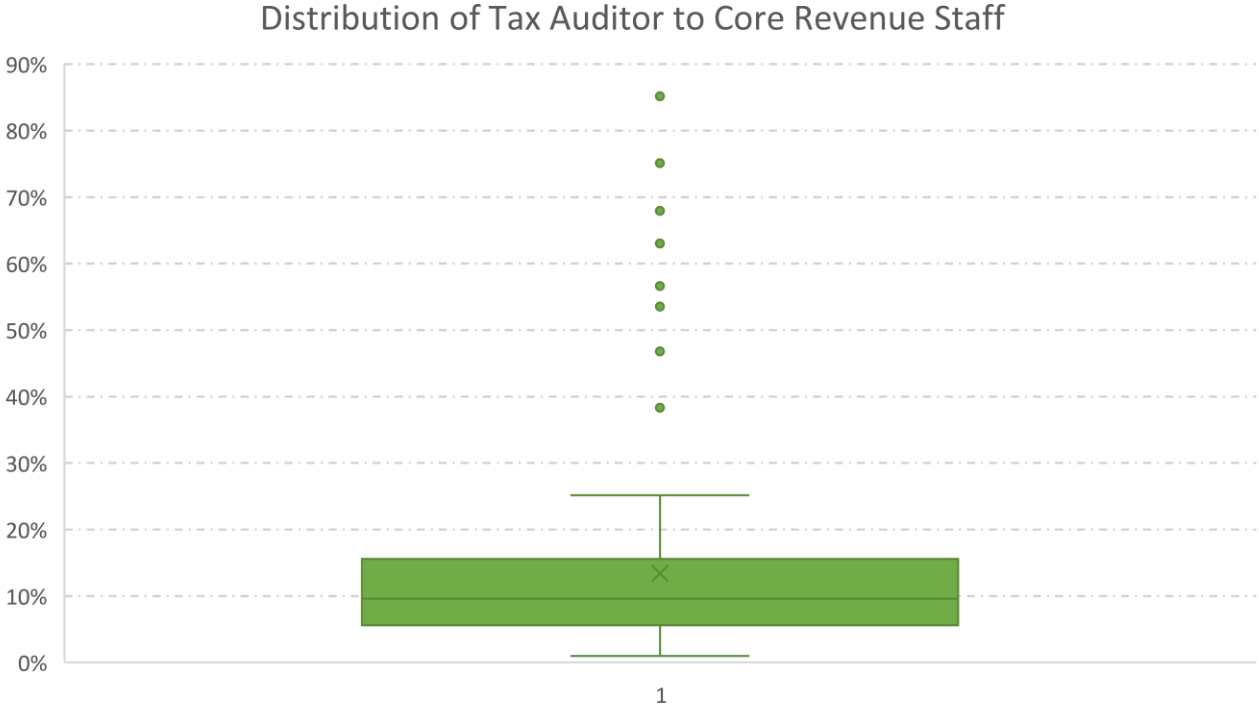
(i) A significant number of countries (from 2010-2020) within 5-18 percent composition of tax auditors. Only 8 outliers beyond 40% composition.
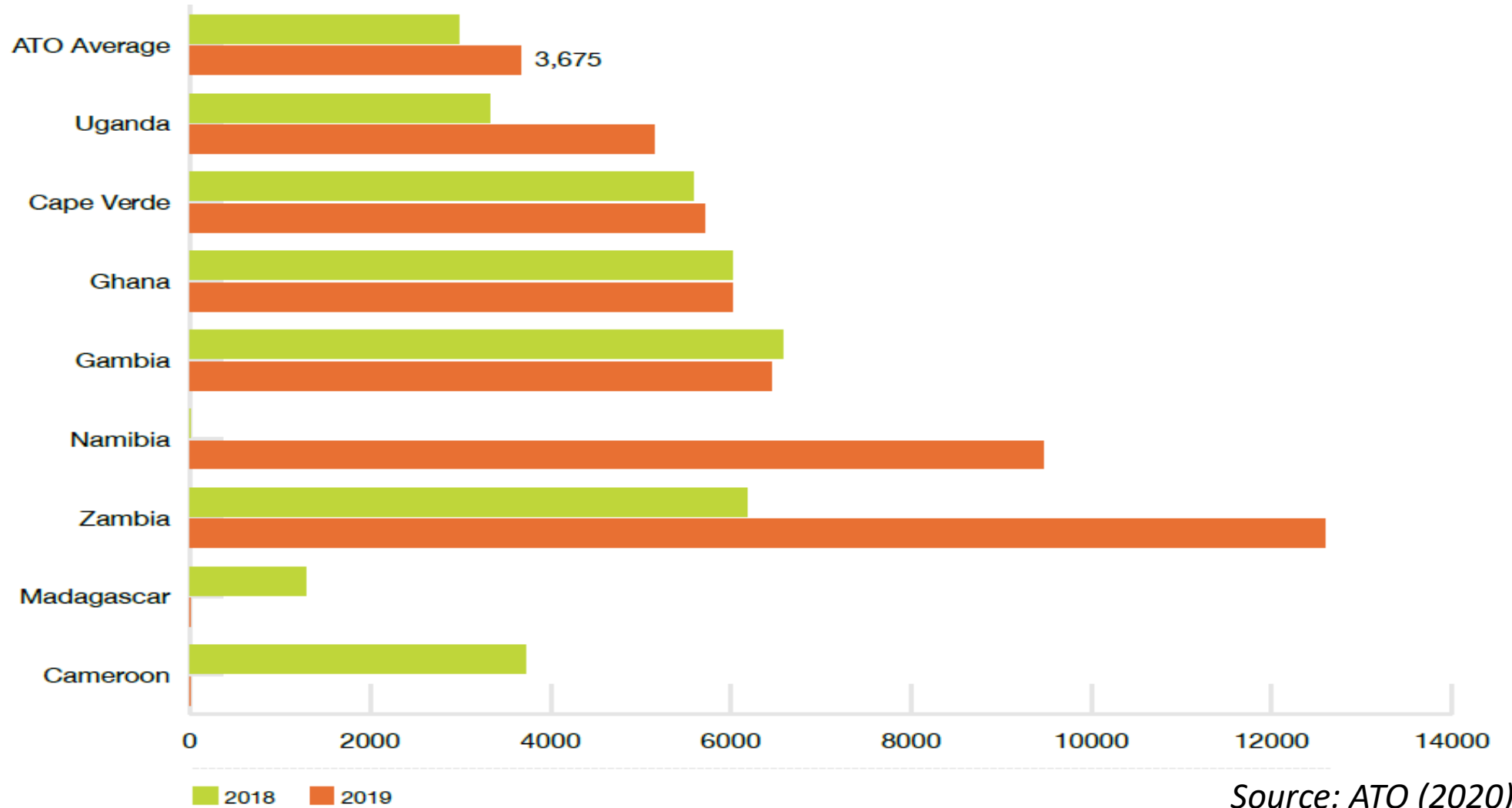
How strong are the audit capacities in the ATO?

Proportion of auditors in the tax administration workforce, 2018-2019

Source: ATO (2020)

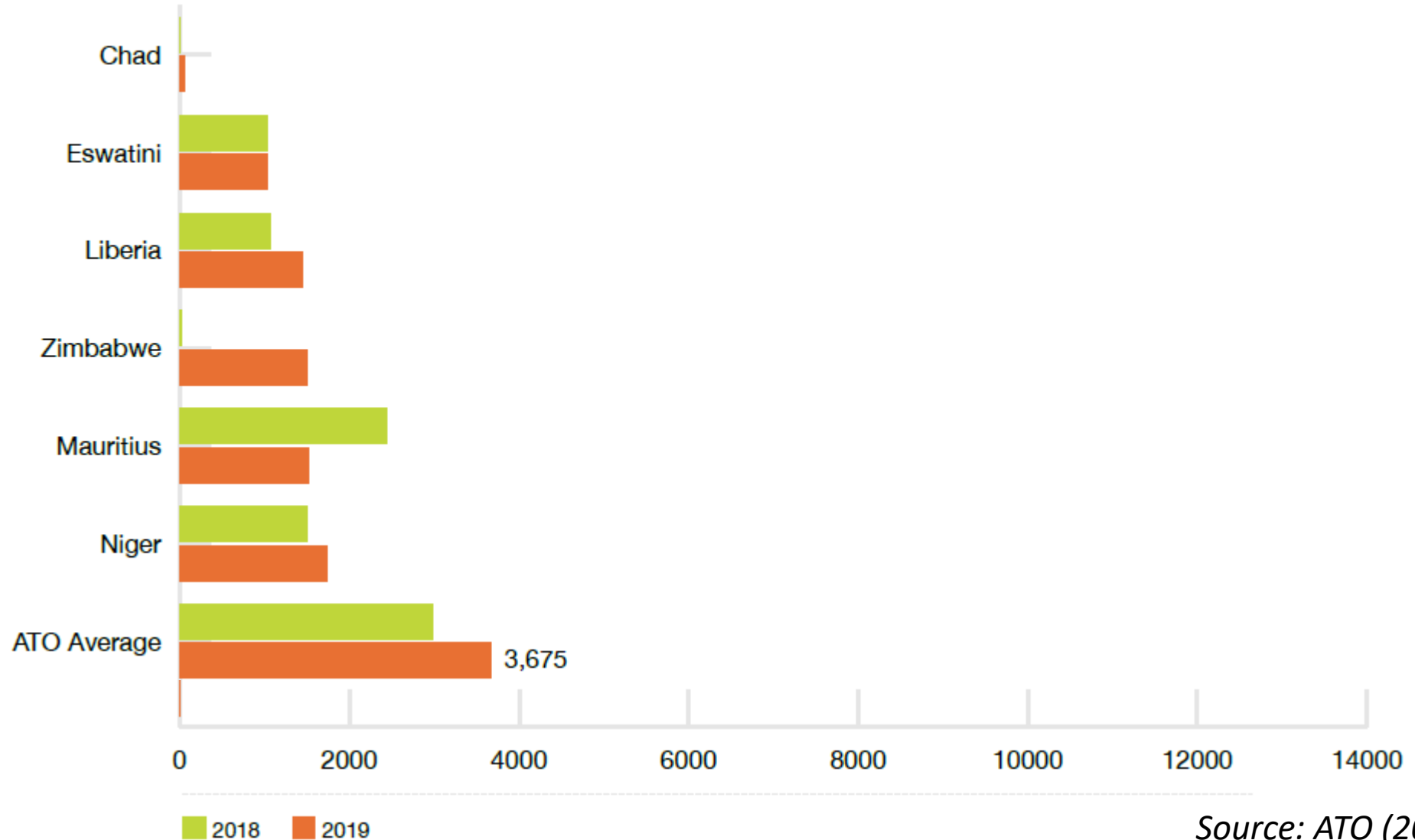# How strong are the audit capacities in the ATO?

Average workload for each tax auditor, 2018 and 2019-HIGH

Source: ATO (2020)

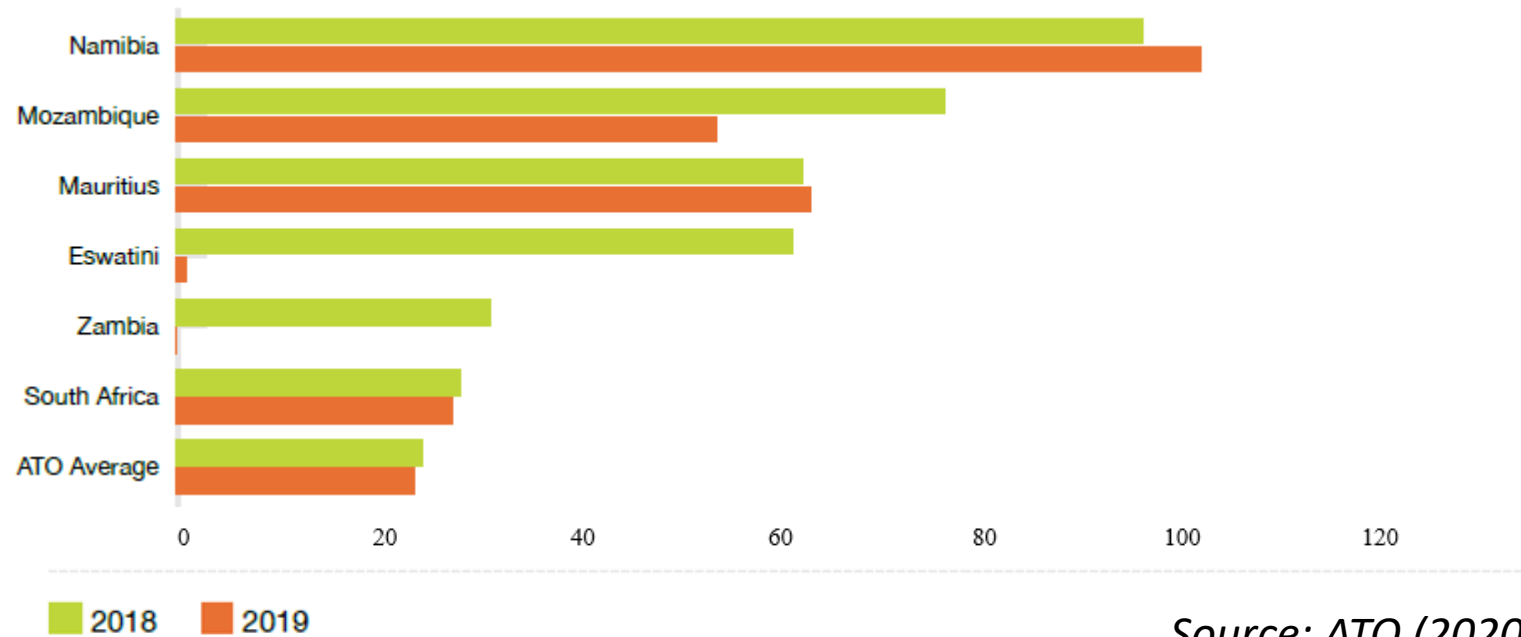# How strong are the audit capacities in the ATO?

Average workload for each tax auditor, 2018 and 2019-LOW

Source: ATO (2020)

Auditor performance and tax recovery rates in the ATO

Number of audits per auditor per year in ATO countries, 2018 and 2019-HIGH

Source: ATO (2020)

In ATO countries, the average auditor performed 25 audits per year between 2017 and 2019. Figure shows countries that had a higher average than the ATO.

Auditor performance and tax recovery rates in the ATO

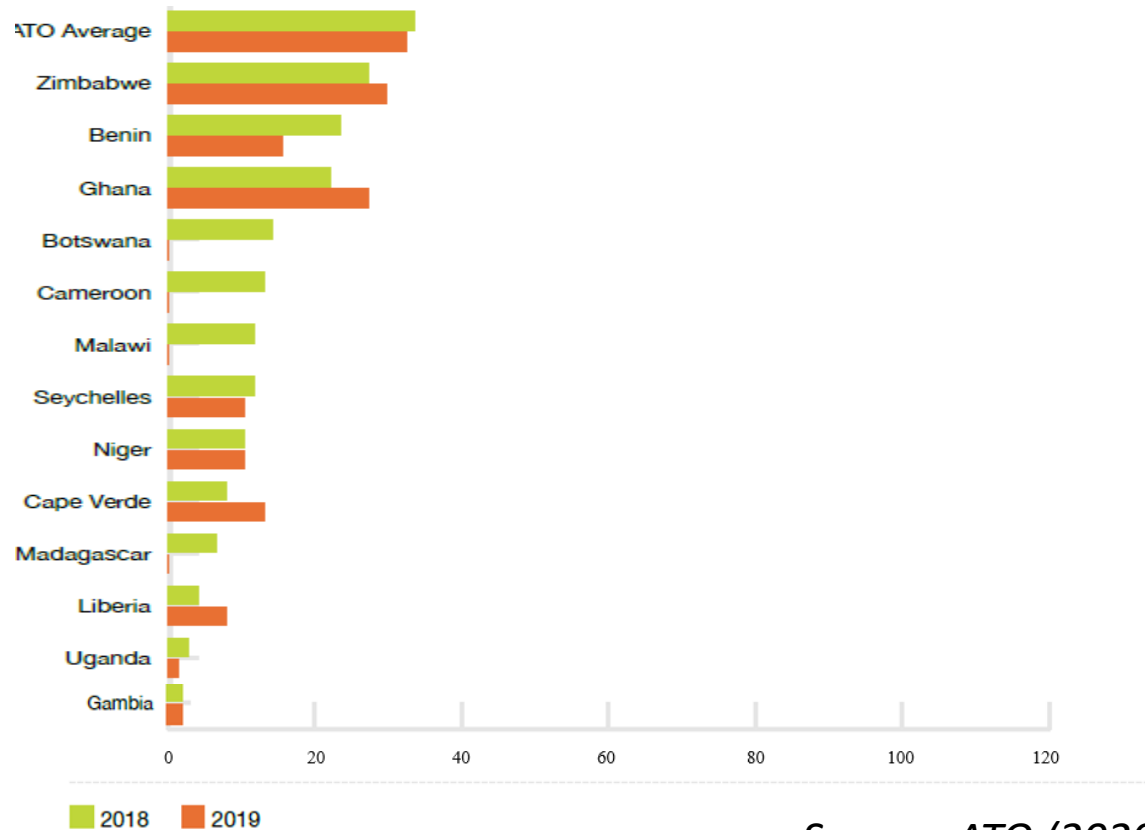**Number of audits per auditor per year in ATO countries, 2018 and 2019-LOW**
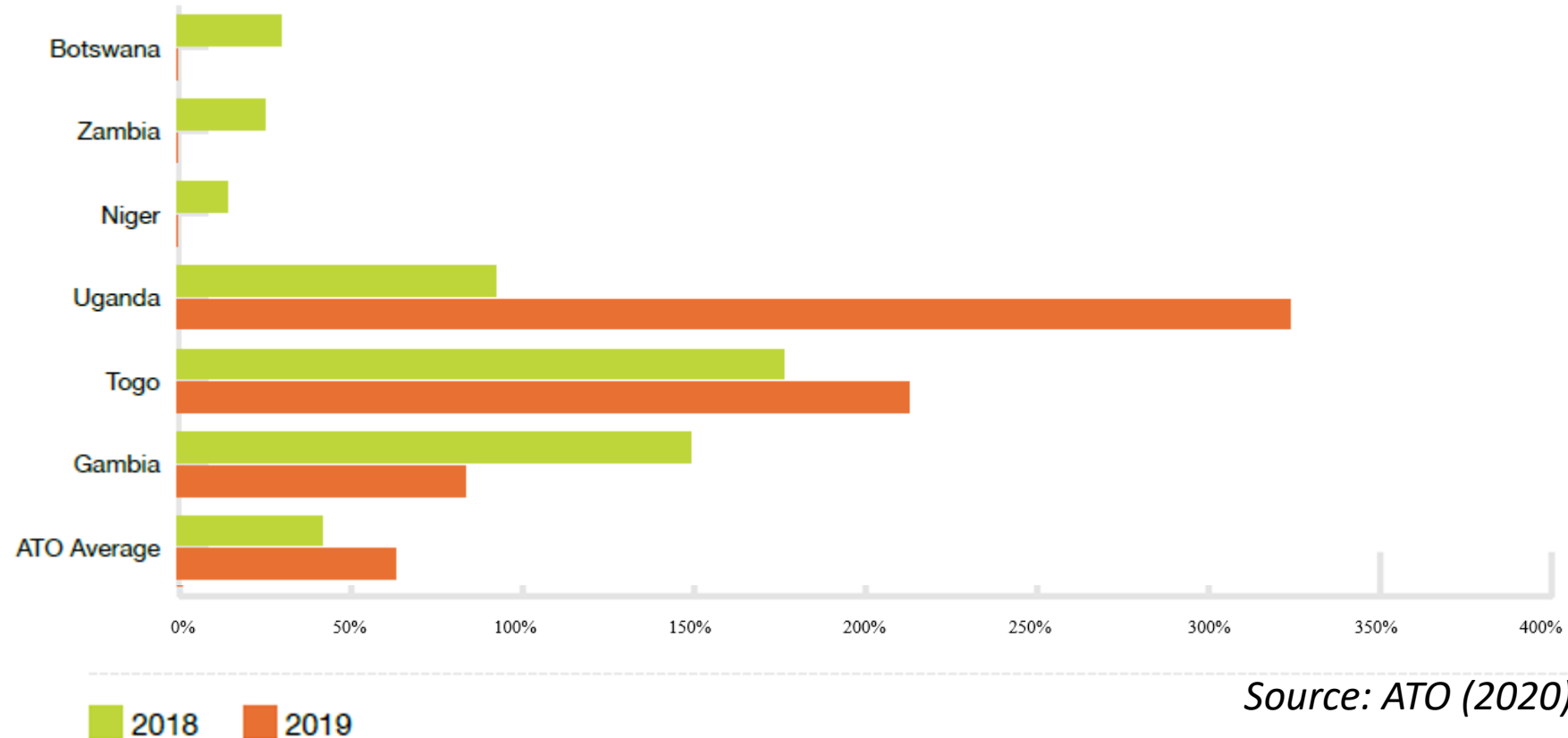
Source: ATO (2020)

In ATO countries, the average auditor performed 25 audits per year between 2017 and 2019. Figure shows countries that had a lower average.

# Auditor performance and tax recovery rates in the ATO

Tax audit recovery rates in ATO countries, 2018-2019 -HIGH

Source: ATO (2020)

Legend: 2018, 2019

In 2019, the average recovery rate for ATO countries was 76.21%, a significant improvement on the 49.91% of 2018. Uganda drove the increase with a recovery rate of 388.2%. Also noteworthy were the performances of Togo, Senegal and Gambia, with rates of more than 75%.

Auditor performance and tax recovery rates in the ATO

Tax audit recovery rates in ATO countries, 2018-2019 -LOW
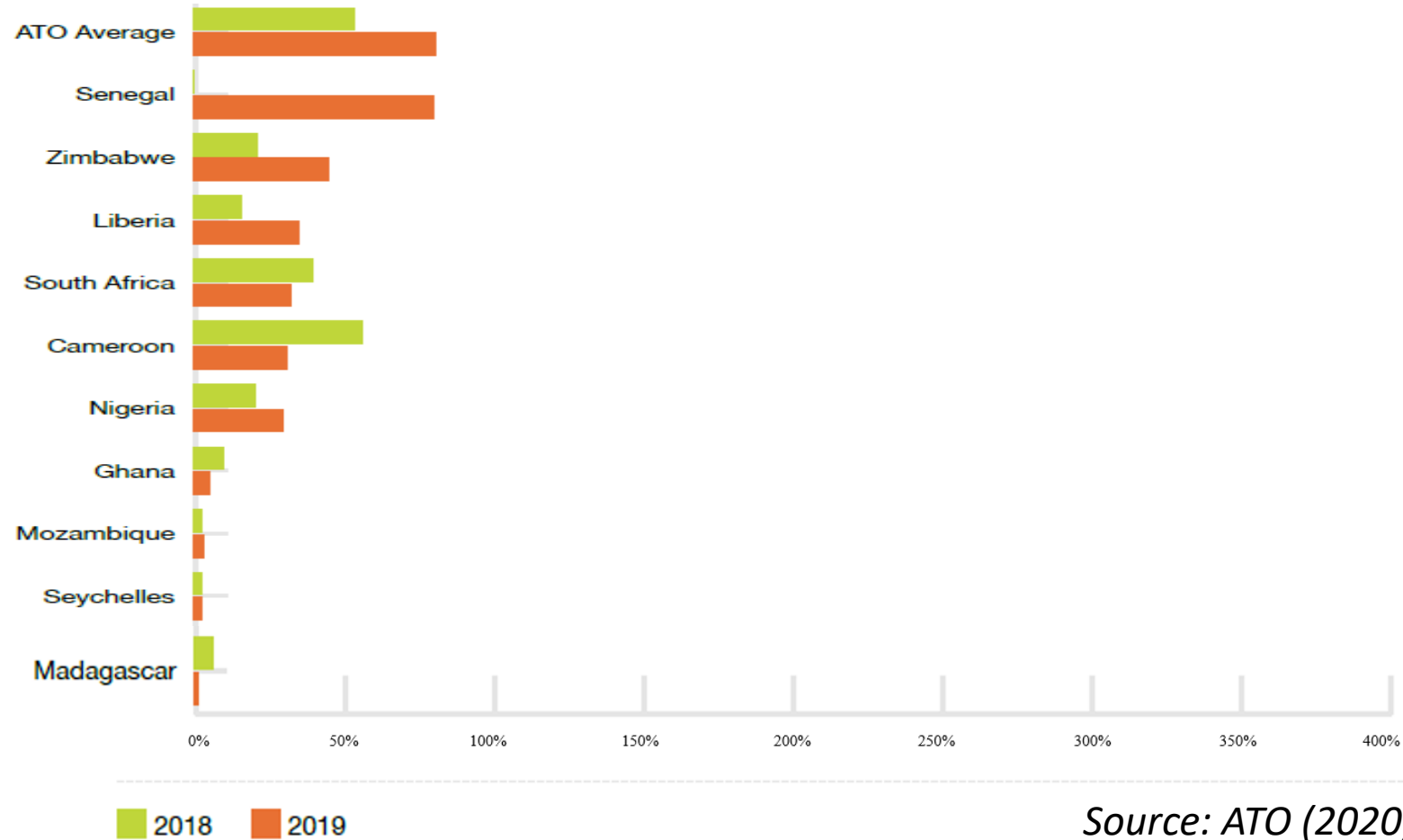
Source: ATO (2020)

In 2019, the average recovery rate for ATO countries was 76.21%, a significant improvement on the 49.91% of 2018. However, recovery rates were less than 50% in most countries, while Madagascar, Seychelles, Mozambique and Ghana recorded under 10%.

Some Good Practices in Audit Efficiency

Good practice Zimbabwe: Electronic Case Management

- Electronic case management is a system that is designed to select audit cases using set parameters, allocate the cases, monitor case progress, record decisions, store working papers and data, and generate management reports (ATAF, 2017).

- The use of Electronic Case Mgt platform has made the ZIMRA administration more efficient.

- The system is supported by staff and client's alike leading to a better audit experience for the parties as clients are able to get feedback from the process.

- The Electronic Service Platform also performs a function of audit logging of system interactions and events, thereby providing the additional benefit of being able to retrieve audit data for the previous three years, taxpayer data for the previous six, and archived data older than six years (ATAF, 2017).

On the path to improving audit efficiency in the ATO

Some Policy Considerations to enhance audit efficiency in the ATO:

Investing more in comprehensive audit

Adopting Technological Solutions in Audit

A robust Compliance-Risk Management System

Strengthened Internal departmental synergies

Enhanced Auditor training

Enhanced data management

Automated data crosschecking

Exchange of information

END