

Ignoring tax health checks is risky

Businesses evolve especially given the technological advances we see unfolding every day. Accordingly, as the operating environment changes so does the fiscal laws and regulations. It is therefore essential for business operators to adapt and conform to such changes as it is key for business growth and impacts their tax compliance status. In this case, it is imperative that businesses regularly review their tax position to safeguard against any tax exposures that might be detrimental to operations. A tax health check (THC) is one of the most useful tools that can help business operators to manage, plan and minimise tax exposures. Consequently, ignoring or neglecting a tax health check may be catastrophic. Keep on reading and allow us to help you understand the importance of a tax health check. In this article, words importing the masculine shall be deemed to include the feminine.

Enter tax health check

Basically, a THC is a detailed examination of ones' tax affairs including a review of past, present and contemplated future transactions with an aim to determine and mitigate any arising tax exposures. Put differently, it is basically a review of an entity or person's financial and tax records to ascertain the level of compliance with the tax laws.

As alluded to above, tax laws are constantly changing and at times becoming complex. Therefore, such changes may actually pose a business risk to the transacting business community as some business operators fail to keep up with the ever-changing tax laws. Consequently, such business operators may inadvertently fail to comply with the prevailing tax laws which may result in over or under paying tax and may result in penalties and interest. In this regard, it is prudent for business operators to constantly engage tax experts to conduct tax health check of their business to avoid falling in tax potholes.

Why a tax health check?

As a rule of thumb, any valued transaction conducted by any business has a potential tax implication. The question of whether the implication is favourable or adverse is basically the gist of concern. Businesses conduct numerous transactions including, mergers, acquisitions, new deals etc. More often than not, some of these transactions appear to be risk free at face value whilst they are actually embedded with tax exposures that may require an expert's assistance. Due to that fact alone, some people or businesses inadvertently end up swamped in a tax debt arising from past transactions. In such cases, a tax health check helps to manage risk as such exposures are brought to light before a BURS audit.

In this regard, a tax health check becomes a key tool in ensuring that a business's tax affairs are compliant with the tax laws. As an addition, tax authorities are generally lenient to taxpayers who come forward and voluntarily declare unpaid taxes or incorrect application of tax provisions as opposed to an instance where they deploy resources to unearth the same. Therefore, a tax health check is key in minimising tax penalties as a company may voluntarily comply and liaise with the tax authorities.

Looking at it from another perspective, it is common knowledge that every business relies on its internal processes to ensure that internal information including tax records are free from errors and material misstatements. Therefore, investing in a tax health check may be a perfect way to validate all fiscal records. Accordingly, where gaps are found, the business has the opportunity to address them as early as possible.

Conclusion

Essentially, a THC is an integral business tool that helps business to manage and mitigate tax risk. A THC does not only add value to a business but provides a platform for a business to strategically arrange its tax affairs.

Well folks, we hope that was insightful. As us the two Yours Truly say goodbye, remember to pay to Caesar what belongs to him. If you want to consult, join our free Tax WhatsApp group or to know about our 9 Tax e-books, send us a text on the cell number below. You can read more tax articles on our website, www.aupracontax.co.bw under the 'Tax articles' tab.