

PAY AS YOU EARN – AUDIT INSPECTION

Introduction

This leaflet is intended to explain what PAYE Audit Inspections are all about. The leaflet will also show you the responsibility which you have as an employer and the consequences which you may face for failing to operate PAYE or failure to operate PAYE correctly. Our Audit Inspectors who carry out the audits are expected to be professional, efficient, knowledgeable and to conduct themselves properly and courteously and without being arrogant. If our Audit Inspectors do not live up to these expectations, please inform the Authority. You are entitled to proper and fair treatment, and in return we expect you to be honest and open on your operations of PAYE.

Why are PAYE Audit Inspection visits made?

- To ensure that employers are in compliance with their obligations as required by law, to deduct tax under PAYE on emoluments paid to their employees.
- To provide education, where necessary, on the correct operation of PAYE
- To ensure that all payments which are supposed to be taxed, are taxed and taxed correctly.
- To calculate tax on emoluments which might have been left out on gross pay
- To charge penalties and interest on tax that has been left out on gross pay
- To quantify tax which is outstanding
- To provide any information relevant to the correct and successful operation of PAYE

How often are Audit Inspections visits made?

In a normal situation, most employers will be visited at least once a year. However, where it is discovered that there is need to re – visit the employer within the same year, the employer will be visited more than once.

How are Audit Inspection visits arranged?

The Audit Manager will normally contact the employer by telephone to fix an appointment. If this is not possible, he will send a letter indicating the date and time when the audit inspection will be carried out.

Please help us to give you a better service by being present at the stated time have the documents ready.

All Audit Inspectors carry a plastic laminated Zambia Revenue Authority Identity Card and ZRA warrant card (bearing a photograph of the officer) and will show it to you on arrival.

How long will an Audit Inspection take?

For employers who have a large labour force and make diverse payments to their employees, the excise can take two to three days. For most other employers, an Audit inspection will take not more than a day. Please ensure that the person in charge of preparing salaries / wages is present during the period the Audit Inspectors are carrying out their work to answer any question that may arise and that all the required records and documents are correct and complete.

We are mindful of the importance of time to any employer and will always try to minimise the demand on your time, needless to say, the standard of record keeping and accuracy of the calculation of tax play an important part in determining the length of the visit.

Should my Auditor / Accountant be there?

If salaries /wages are prepared by someone else other than your employee, then it is essential for that person to be called and be in attendance while the Audit Inspection is going on.

Where will the Audit Inspection take place?

At your principal place where preparation of salaries /wages are prepared by someone else other than your employee, then it is essential for that person to be called and be in attendance while the Audit Inspection is going on.

What will the Audit Inspectors do?

The main things will be to:

- Discuss the operations of PAYE
- Examine pay records and other emolument payment systems
- Where necessary calculate tax and charge penalties and interest
- Qualify tax deducted but not remitted to ZRA

What records will the Audit Inspectors need to see?

The Audit Inspector will need to see the following:-

- Tax deduction cards (if they are maintained), pay rolls and pay sheets
- Tax Remittance Cards

- Official receipts for payment of tax to ZRA
- Cash books and cheque stubs
- Petty cash book and vouchers
- Ledger accounts
- Pay records for employees, staff and directors

Please ensure these records are readily available as it will help in making the exercise easier and be completed in the shortest possible time. If some records are with your Auditors / Accountants, please retrieve them and have them ready with you before the Audit Inspectors arrive.

What powers do Audit Inspectors have?

Audit Inspectors have powers to enter and have free access to any business premises at any reasonable time and to inspect all documents and records (whether held on paper, computer, microfilm, etc). Documents and records so removed will be kept by the Audit Inspectors for as long as necessary. In case of suspected fraud, may visit the employer to carry out some investigations work.

What happens after a visit by Audit Inspectors?

Audit Inspectors may not issue a report there and then. But if errors of the operation of PAYE are found, the Audit Inspectors will discuss them with the employer before they leave. They will then send you an assessment (DTD 31P) or (DTD 31Q) as the case might be. In both cases the employers' advised to settle the outstanding tax without further delay.

All tax assessments or qualified tax should be paid by cheque to a local Collector of Taxes of the Domestic Taxes Division. Audit Inspectors are not allowed to accept any payment for tax during visits.

What are some of the rights of the employees?

Information

Employers are entitled to expect that ZRA will make every reasonable effort to provide them with full accurate and timely information about the operations of PAYE.

Impartiality

Employers are entitled to an impartial determination of the PAYE inspections and facts by ZRA staff who seek to collect only the correct amount of tax, no more and no less.

Courtesy and Consideration

Employers are entitled to courtesy and considerate treatment from ZRA staff at all times.

What if I have a complaint?

If you wish to give us a feedback on the conduct of Audit Inspectors while at your premises, please contact:

**The Commissioner – Domestic Taxes,
P.O. Box 35710,
Lusaka.**

TELEPHONE:

FAX:

For further information contact the ZRA Advice Centres – Lusaka and Kitwe Offices or your nearest Domestic Taxes Office.