



TANZANIA REVENUE AUTHORITY

ISO 9001: 2015 Certified

TAX INVESTIGATION DEPARTMENT

Tax Investigations

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1.0 Introduction

What is Tax Investigation

- Tax investigations are carried out when a taxpayer is suspected of **tax evasion or on doubtful tax** related practices.
- It refers to gathering of admissible evidence with a view to prosecute and convict the tax evader for commission of tax **crime/offence/fraud** before the court of law.
- Tax Investigation is carried out where there is an indication of precise and definite evidence that the taxpayer is not paying tax **deliberately or has willfully violated tax laws.**
- The **intentional breach of tax laws** amounts to tax evasion which is **punishable by law.**

2.0 Objective of Tax Investigations

- Deter tax evasion through measures which counteract fraud and other forms of tax and fiscal evasion. **To counteract tax fraud.**
- Ascertaining the **person responsible for the offence**, to pursue criminal prosecution and to witness in the court of laws on the findings of the case
- Ensure the **correct amount of tax** is collected
- **Enhance tax compliance** through sending **impact** to other non-compliance taxpayers by prosecuting the offenders

3.0 Tax Audit VS Tax Investigation



Difference between Tax Investigations and Tax Audit

- **Tax audit** is a process of examining business records which were used to prepare tax returns (financial statements) of an organization or of an individual to verify whether or not they were correctly reported.
- **On the other hand, tax investigation** goes **beyond the tax audit process**, with the aim of proving the **integrity of the documents/Information** contained in tax returns. Further to this, tax investigation deals with **specific issues**
- The practical process of examining business records of the taxpayer during investigation and audit is the same but **skills applied, approach, scope, process, legal obligation, period and objectives** are different.

4.0 Methods of Proof



i. Direct Method

In a specific item case, the investigator **tries to prove that specific transactions** in which the taxpayer engaged during the year, and were not completely reported or were misreported.

Advantages: Easiest to understand, most difficult for the taxpayer to deny, easiest method for the prosecuting attorney to present at trial

Examples: Keeping Parallel books of accounts, Making false entries in books of account, Claiming personal expenses as business expenses, Claiming false deductions, Hiding or transferring assets or income, Misidentification of Country of Origin, Misclassification of the Goods being Imported, Undervaluation of Goods, Evasion of Specialty Tariffs such as Anti-Dumping Tariffs

4.0 Methods of Proof (Cont...)



ii. Indirect Method

The Tax Investigator will use an Indirect Method of Proof when specific evidences are unidentifiable. Forexample, for Income Tax Cases, taxable income often has to be computed indirectly based upon the taxpayer's application or use of funds.

Courts have upheld the use of the:-

- net worth,
- expenditures, and
- bank deposits methods of proving income,
- Percentage Markup and Margin (GPR) Method
- **Unit and Volume**

5.0 Tax Investigation Organization



i. The Organisational Model

Tax Investigations in Tanzania are **Caried out within the Revenue Authority**, with a Commissioner for Tax Investigations reporting directly to the Commissioner General of the Authority. **The Public prosecutor** may provide advice on the cases but does not direct the investigations.

iii. Investigative Powers

- Powers to obtain third party documentary information
- Power to search and seize computer hardware, software, cell phones and digital media
- Powers to Search seizure and arrest a person
- Powers to Search without warrant
- Power to interview
- Customs Officers have Powers of Police Officer

5.0 Tax Investigation Organization (Cont...)



iii. Sections in the department and their roles

SN.	SECTION	ROLES
1	DIGITAL FORENSIC	Acquisition of Digital Forensic Evidence Examination of Digital Forensic Evidence
2	CASE DEVELOPMENT	Case Development for Investigation Case Development for Prosecution Reward informers
3	TAX EXEMPTION MONITORING	Monitoring of granted tax exemption
4	TAX INTELLIGENCE	Handling of information Request information from sectors Dissemination of intelligence
5	TECHNICAL SERVICES	Tax Objection
6	ZONAL OFFICES	Manages the Execution of Investigations

6.0 Challenges Facing Tax Investigations

- Technological challenges
- Information exchange and sharing challenges (Inter-agency and international)
- Legal challenges where civil remedies are mandatory before invoking the criminal measures
- Interferences and limited independency



Thank You