THE JOLLY RODGER GROUP HITS US$ 200M TURNOVER MILESTONE

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You are a tax inspector or auditor and noticed this recent editorial in an electronic newspaper article.

The preliminary tax hygiene verification of the taxpayer's records reflect the following:

1. The company has not submitted Income Tax returns since 2016 (since registration 5 years ago)
2. However, the company submits a bi-monthly VAT return and claims between US$ 10 000 to US$ 30 000 a month in VAT refunds (this is not to different from a similar company)
3. Employees taxes are all paid up to date and no other tax returns are outstanding
4. The customs number of the company is in-active

You decide to visit the taxpayer's premises as a client walk around, observe general business and your gut feeling is that something is wrong from a tax perspective.

When you start a casual conversation with a staff member, they tell you:

- The owner Big John Silver has not been seen in nearly 2 years – he is to busy setting up their new businesses: cash build outlets, hotel, casino and health and spa boutique for his daughter. His sons are here regularly and usually come and leave with suitcases as they love to travel

- According to Timmie (the staff member), Big John is loved by all as he pays good salaries 50% in cash and 50% in your bank account
- If you want a discount this is the place to visit – They beat any price
- They are at least 10% cheaper than anyone else
- You can even go to two special Express till points if you pay in cash AND you do not want an invoice – it is quicker
- Employees, friends, and family also have a special arrangement and are able to buy goods in cash. They only charge you 7% VAT (sales tax)
- If you have a friend which is a company that regularly buys with them you can qualify for a further 10% discount on your account (although they trade on cash basis only)
- Everything is fully automated from receiving goods to selling – their Point of Sales system is state of the art (apparently Slim Shady Accountants backs up all data after 19:00 at night on their server)
- But the other day he heard the accountant, Magic Mapoza complain because they had to wait until 10:00 before they could process any transaction on the accounting system.

You note the taxpayer has 60 tills points all modern and equipped with a state-of-the-art Point of Sale devices

Requirement :

Each group identify **10 potential red flags** which might indicate tax evasion and ML is occurring in a **Point of Sale business environment** like it is described in the Jolly Rodger structure

Consider

- Visible signs from entering the wholesaler to exiting premises
- Documents and records produced
- Tax records and comparative industry norms