Tax Reporting and Strategy (TRS)

Preparation, review and filing of tax computations
Tax health checks

Monthly Withholding tax filing

Tax…

Tax Reporting

Tax reporting starts with a tax return

- A tax return is the tax form or forms used to report income and file income taxes with tax authorities. Tax returns allow taxpayers to calculate their tax liability and remit payments or request refunds, as the case may be. In most countries, tax returns must be filed every year for an individual or business that received income during the year, whether through wages, interest, dividends, capital gains or other profits.

Tax Reporting

- The Revenue Authority has provided different forms to report taxes for different classes of tax payers.
- Classes of tax payers (delegates to contribute)
- Individual Return
- Partnership Return
- Company return

Breakdown of Tax Reporting

Income

- In this part of the return, the person preparing it must indicate all forms of income received during the year from all sources. Revenues, salaries, dividends, royalties and, in many countries, capital gains must be reported.

Deductions

- Taxpayers will then be entitled to various deductions. These vary greatly from jurisdiction to jurisdiction, but typical examples include contributions to retirement savings plans, alimony paid and interest deductions on certain loans. For businesses, all expenses incurred in order to conduct the business is deductible.
- **At this point in the return, the taxpayer will be able to determine his taxable income and tax payable.**

Tax Credits

- A tax credit is an amount of money a taxpayer is able to subtract from taxes owed to the government. The value of a tax credit depends on the nature of the credit, and certain types of tax credits are granted to individuals or businesses in specific locations, classifications or industries. Unlike deductions and exemptions, which reduce the amount of taxable income, tax credits reduce the actual amount of tax owed.

Tax Credits (previous year as brought forwards)

The next section of the return deals with any tax credits that the taxpayer may be entitled to. Again, these vary greatly from jurisdiction to jurisdiction, old age pensions, education and many more. The total credits are subtracted from the taxpayer's tax payable.

The end of the return is used to calculate if the taxpayer has an amount to pay or is entitled to a refund. Most salaried employees have taxes withheld at source on each pay, so they may be entitled to a refund if too much tax has been withheld during the year. Similarly, corporations and individuals in business may make quarterly advance payment to keep their tax balance running as close to $0 as possible and avoid oversized tax bills at the end of the year.

Non Refundable vs. Refundable tax credits

- Non refundable tax credits are items directly deducted from the tax liability until the tax liability equals $0. Any excess non refundable tax credit is not utilized, as any amount that would potentially reduce the tax liability further is not paid out. Non refundable tax credits negatively impact low-income taxpayers, as they are often unable to utilize the entire amount of the credit. They are only valid in the year of reporting only, expire after the return is filed, and may not be carried over to future years. As of 2016, specific examples of non refundable tax credits include; Owner Occupier interest, allowable pensions, Life insurance.

Refundable tax deductions..

- Refundable tax credits are the most beneficial credit, as they are entirely refundable. This indicates that, regardless of a taxpayer's income or tax liability, he is entitled to the entire amount of the credit. This is true even if the refundable tax credit reduces the tax liability below $0, indicating the taxpayer is due a refund. A good example is VAT overpayments for VAT registered tax payers.

Inaccurate Tax Return…

- Use caution when selecting/being a tax preparer. Some aren't always accurate and, according to the Revenue Authority you are responsible for what's on the return. This means you may have to pay additional taxes and interest or face a penalty. Fixing inaccurate returns involves additional paperwork but you can avoid this hassle to by picking a good tax preparer and double checking the return for mistakes.
- When a professional is hired to help with your taxes, don't assume that your return will be error free. If the revenue authority detects an error, an amended return can help in fixing the error when revenues, deductions or credits.

Tax Breaks in Tax Reports

- A tax break is a savings on a taxpayer's liability. A tax break provides a savings through tax deductions, tax credits, tax exemptions and other incentives.
- Tax breaks can greatly reduce a taxpayer's liability. Deductions are expenses that can be subtracted from gross income to reduce taxable income

Tax Strategies

- Capital Deductions. Their treatment should be as clear as possible to avoid… and reporting incomes according to sources
- Issuance of an estimated assessment by the revenue authority
- Change of accounting period. Which must have the consent of the commissioner. This change usually accompanies a tax audit to ensure compliance with various tax regimes e.g instalment tax and VAT due.
- VAT Refunds
- Benefits to Directors Chargeable to tax.