

## vat's important

Help! - A VAT audit was announced

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**A call from a VAT auditor announcing VAT controls of up to five previous years can concern, unsettle or even panic businesses. „He will dig until he finds something“; this is the general fear of VAT liable businesses. Is a VAT audit really that terrible?**

VAT is a self-assessment tax, i.e. the taxable persons are by themselves responsible for the correct application of the VAT rules. In particular, they independently check their VAT obligations, register with the Swiss Federal Tax Administration (SFTA) for VAT purposes if necessary, regularly prepare VAT returns and pay any resulting VAT amount (more or less) without being asked. In principle, the state has confidence in the entrepreneur to meet his VAT obligations. Trust is good, but control is better! For this reason, the SFTA, based on Art. 78 VAT law, periodically carries out VAT controls, which usually cover the last five tax years.

### **What is the procedure for VAT audit?**

After contacting the taxable person or his fiscal representative by phone to arrange an appointment, the auditor sends a written confirmation of the inspection date, the tax periods to be inspected and a standardised list of documents that should be available for VAT inspection. The SFTA generally requests access to all accounting records, contracts or other business documents.

The VAT audit usually begins with an introductory meeting, in which, for example, the business model of the company to be audited and the particularities of the company are explained and comments are made on existing or non-existent documents; in addition, the auditor receives information on the procedure for preparing VAT returns. The auditor then goes to work on his own; he checks the declaration of the total turnover, other revenues and input VAT, examines the formal and material correctness and completeness of the accounting and searches for special taxable transactions.



The auditor notes down his findings and discusses critical points and the overall result at the end of the VAT audit with the taxable person or his fiscal representative. The result of the control is then handed over with the relevant enclosures. The VAT audit is completed within 360 days of written notification by means of an assessment notice, which sets out the scope of the tax claim in the tax period being controlled; this notice is sent by letter mail.

### What does this mean for my company?

The assessment notice and the tax periods controlled become legally binding upon written recognition or unconditional payment (art. 43 para. 1 let. b VAT law). If the taxable person does not agree with the assessment notice, he may request a ruling (art. 82 VAT law). This must include instructions on the right of appeal and an appropriate justification. Rulings can be contested by a written appeal within 30 days of communication.

### What do I have to consider?

An important document that provides the auditor with an initial overview of an entire tax year is the turnover and input VAT reconciliation for the years under review. The taxable person must carry out this reconciliation by himself after preparing the annual financial statements. Companies whose financial year ends on December 31 must declare any ascertained differences by August 31 of the following year with the correction return „year-end reconciliation“. Further information on the so-called finalization can be found in our [newsletter of March 2018](#).

Furthermore, the auditor also likes to check the following revenues and special taxable transactions, among others:

- Supplies to closely related persons
- Income from the sale of assets and equipment
- Offsettings
- Advance payments
- Acquisition tax (Reverse charge)
- Input VAT adjustments due to supplies exempt from the VAT without credit and/or mixed use
- Own use and private contributions such as the private use of company cars
- Real Estate

For the auditor it is also important that the so-called audit trail is ensured. An audit trail is the tracking of business transactions from the individual document to the accounting and VAT return and vice versa. This audit trail must be guaranteed at all times - even on a random sample basis - without loss of time.

Is a VAT revision now the „end of the world“? Not at all - we hope we have been able to convince you that a VAT audit is not really as bad as you might have initially thought. It is very important to be well prepared so that all documents can be handed over to the auditor (preferably electronically) on the day the audit begins.

As your VAT and customs team, we would be pleased to support you in preparing a VAT audit or to answer any specific questions you may have regarding special VAT transactions.

With best regards from your VAT team

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