Malawi Revenue Authority

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Msonkho House
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Blantyre, Malawi

Zomba Domestic Taxes
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MRA/DTD/ZA/CC/MK/04/2022

27 January, 2023

TPIN: 31004162

Attention: The taxpayer Representative

e-Communications Research Group Consulting
P.O. Box 280
Zomba

Dear Sir,

FINAL AUDIT REPORT

This is to inform you that the audit exercise that covered the period July 2017 to June 2021 is now over. This report follows the preliminary report which was issued to you.

The total amount of additional tax charged by this audit is **MK1, 245, 366. 20**. More details are as per the attached report. Please make necessary arrangements to make a payment to that effect as soon as possible before necessary action is taken by the Authority to recover the same.

Finally, we appreciate the cooperation that you rendered to us during the entire exercise.

Yours faithfully

Bentry Jumbo
Acting Station Manager - Zomba Domestic Taxes
FOR: COMMISSIONER GENERAL

DOMESTIC TAX DIVISION

Final Audit Report to Taxpayer

Taxpayer Identification Number (TPIN)	**Name of Taxpayer**
3 1 0 0 4 1 6 2	MIKEKA CHOMORA

Address Visited : P.O. BOX 280, ZOMBA

Contact Persons : TROY KADANGO- ACCOUNTANT

Date(s) of Visit : VARIOUS

Audit Period :JULY 2017 TO JUNE 2021

Type of Audit :COMPREHENSIVE

DETAILS OF REPORT

An audit that was being conducted on your business has been completed and we now present a final report of the findings. The report follows the preliminary report which was issued to you, to which you responded.

(i) AUDIT FINDINGS

We analyzed your response to the draft audit findings and the evidence that was brought forth and we have come up with the following:

1. INCOME TAX (MK750, 912.32)

EXPENSES: Donations and Labors/Builders

In your 2019, 2020 as well as 2021 financial statements, you claimed donations as part of your expenses. After further analysis of your documents, we noted that these donations were made to churches. However, donations that can be claimed are those made to charitable/non-profit institutions that have been approved by the minister to receive donations **as is stipulated in section 39(1) (d) and (e) of the Taxation Act.** Therefore, we have disallowed all amounts claimed under this expense.

In addition, in 2021 financial statements, you claimed an expense on labors/ builders. However, this expense is of capital in nature hence it was supposed to be capitalized and not claimed under expenses as is stipulated by **the taxation Act, section 32** which states that,

"*...Sums actually expended by the taxpayer during the year of assessment for repairs* ***not being expenditure of a capital nature****...shall be an allowable deduction.*"

We therefore find this expense to be of a capital nature hence we have add back the amounts claimed under this expenses. See schedule 1 for further details.
The total income tax to be charged is **(MK750, 912.32)**

1. VALUE ADDED TAX (MK442, 193.48)

A comparative analysis of Value added tax returns against Income tax returns has revealed that less income was declared on the VAT returns in the years 2019, and 2020.

There was a sales discrepancy of **MK1, 731,800.00** in 2019 whereby sales were under declared on VAT returns. We have charged VAT and interest to the total of all under declared sales as is stipulated under **section 36(1)(a) and 38(1) of the Value added tax.**

Total VAT charged amounts to **MK442, 193.48**. Refer to schedule 2 attached.

2. WITHHOLDING TAX

We noted that no WHT was deducted nor remitted to MRA when accountancy fees payments were being made. According to **Section 102 A (1)** and **the Fourteenth Schedule of the Taxation Act**, you are required to deduct 20% Withholding tax when payments are being made. We therefore have charged WHT on all the fees paid to the accountant from 2018 to 2021.

The total WHT charged amounts to **MK52, 260.00.**

(ii) TOTAL TAX AND PENALTY QUANTIFIED

TYPE OF TAX	PRINCIPLE (MK)	PENALTY/INTEREST (MK)	TOTAL (MK)
Income Tax	440,088.00	310,824.72	750,912.72
Value Added Tax	285,747.00	156,446.48	442,193.48
Withholding Tax	39,000.00	13,260.00	52,260.00
TOTAL	**764,835.00**	**480,531.20**	**1,245,366.20**

(iii) **ADVICE**

You are advised as follows:

i. To declare correct figures on both annual and VAT returns to avoid unnecessary penalties
ii. To deduct WHT when making payments to suppliers of goods and services.
iii. You are required to start settling the quantified amounts immediatley.
iv. If you are not satisfied with our findings you can lodge an objection with our office so that they may be reviewed.

Prepared by:
Chikumbutso Chiingeni -- Date: 27/01/23

Other Officer:
Sumaya Naliwa -- Date: 27/01/23

Checked by:
Patrick Nkhumba -- Date:
Audit Supervisor

Approved by:
Bentry Jumbo -- Date: 27/01/23
Acting Station Manager
Zomba Domestic Taxes
FOR: COMMISSIONER GENERAL

Schedule 1
MALAWI REVENUE AUTHORITY
ZOMBA DOMESTIC TAXES
AUDIT DEPARTMENT

MIKEKA CHOMORA TRADING AS e-Communication Research Group Consulting
31004162

TAX COMPUTATION

A. INCOME TAX

2021

Item	Per Accounts	Per Exam	Variation
Donations	1,389,800.00	-	1,389,800.00
Labors/builders	1,510,000.00	-	1,510,000.00
Total taxable income			**2,899,800.00**
Taxable income			2,899,800.00
Less: loss per accounts			11,600,124.09
Adjusted loss			**(8,700,324.09)**
Tax payable:			
6% penalty on loss adjustment			173,988.00
interest on penalty @ bank lending rate(14%)			24,358.32
Plus 5% additional interest			8,699.40
Total Income tax			**207,045.72**

2020

ITEM	PER RETURN	Per Exam	VARIATION
Donations	100,000.00	-	100,000.00
Total taxable income			**100,000.00**
Tax payable:			
Tax @ 30%			30,000.00
Audit penalty @ 20%			6,000.00
Interest on tax @ bank lending rate(14%)			4,200.00
Plus 5% interest			1,500.00
Total Income tax			**41,700.00**

2019

ITEM	PER RETURN	PER EXAM	VARIATION
Donations	281,000.00	-	281,000.00
Total taxable income			**281,000.00**
Tax payable:			
Tax @ 30%			84,300.00
Audit penalty @ 20%			16,860.00
Interest on tax @ bank lending rate(14%)			11,802.00
Plus 5% interest			4,215.00
Total Income tax			$\boxed{\textbf{117,177.00}}$

2018

ITEM	PER RETURN	PER EXAM	VARIATION
Donations	506,000.00	-	506,000.00
Total taxable income			**506,000.00**
Tax payable:			
Tax @ 30%			151,800.00
Audit penalty @ 20%			30,360.00
Interest on tax @ bank lending rate(14%)			21,252.00
Plus additional 5% interest			7,590.00
Total Income tax			$\boxed{\textbf{211,002.00}}$

Schedule 2

B. VALUE ADDED TAX

YEAR	PER VAT RETURN	PER EXAM	UNDERDECLARATION(VAT return)
2019	-	1,731,800.00	1,731,800.00
Total			**1,731,800.00**

Taxable income	1,731,800.00
VAT @16.5%	285,747.00
VAT per month	23,812.250

Month	VAT	Vat assessment Interest rate	Interest	VAT due
Jul-20	23,812.25	0.63	15,001.72	38,813.97
Aug-20	23,812.25	0.61	14,525.47	38,337.72
Sep-20	23,812.25	0.6	14,287.35	38,099.60
Oct-20	23,812.25	0.58	13,811.11	37,623.36
Nov-20	23,812.25	0.57	13,572.98	37,385.23
Dec-20	23,812.25	0.55	13,096.74	36,908.99
Jan-21	23,812.25	0.54	12,858.62	36,670.87
Feb-21	23,812.25	0.53	12,620.49	36,432.74
Mar-21	23,812.25	0.51	12,144.25	35,956.50
Apr-21	23,812.25	0.5	11,906.13	35,718.38
May-21	23,812.25	0.48	11,429.88	35,242.13
Jun-21	23,812.25	0.47	11,191.76	35,004.01
TOTAL	**285,747.00**		**156,446.48**	**442,193.48**

Tax payable

VAT	285,747.00
Interest	156,446.48
Total VAT Due	**442,193.48**

Schedule 3

C. WITHHOLDING TAX

YEAR	ACCOUNTANCY F	WHT @ 20%
2019	65,000.00	13,000.00
2020	65,000.00	13,000.00
2021	65,000.00	13,000.00
Total		**39,000.00**

Tax payable	
Tax @ 20%	39,000.00
Audit penalty @20%	7,800.00
Interest @ bank lending rate(14%)	5,460.00
Additional 5% interest	1,950.00
Total WHT	**54,210.00**

Schedule 4

TAX SUMMARY

TYPE OF TAX	PRINCIPLE	PENALTY	INTEREST	TOTAL
Income Tax	440,088.00	227,208.00	83,616.72	750,912.72
Value Added Tax	285,747.00	-	156,446.48	442,193.48
Withholding Tax	39,000.00	7,800.00	5,460.00	52,260.00
TOTAL	**764,835.00**	**235,008.00**	**245,523.20**	**1,245,366.20**

Case Officers: Name: C.Chiingeni
Signature:
Date: 27/01/23

Name: S.Naliwa
Signature: S. Na
Date: 27/01/23