

## Part 18 - CAT audit

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## Capital Acquisitions Tax

### 18 Part 18 - CAT audit

#### 18.1 Introduction

It is recognised by Revenue that the prospect of a tax audit can raise concerns for taxpayers.

In this part of the manual, the aim is to answer many of the most commonly asked questions. It covers such matters as, the purpose of audits, the rights of a taxpayer and the steps involved in a typical audit.

#### 18.2 What is a CAT audit?

A CAT audit is a detailed check of the information and figures shown in the tax returns submitted by the taxpayer.

CAT audit covers the following types of tax returns:

- ❖ Inheritance Tax, Gift Tax and Discretionary Trust Tax returns.
- ❖ There are two types of audit, field audit and desk audit. A field audit is an audit usually conducted at the taxpayer's agent's premises.

#### 18.3 Why does Revenue carry out audits?

The Irish tax system is based on self-assessment principles. Under this system, returns of taxable benefits are received and the corresponding tax paid.

While Revenue assumes that tax returns made under self-assessment are correct a number of returns and declarations are subjected to a more detailed check and audit. This is to ensure the accuracy of the return and to validate the entire process.

#### 18.4 How are taxpayers selected for audit?

Revenue uses 3 methods of selection: These are:

##### Screening of tax returns:

The vast majority of audit cases are selected in this way. Screening involves examining the returns made by taxpayers. The figures in the returns are then analysed and evaluated against other available information.

**Projects on claims to relief's and exemptions:**

From time-to-time, projects are conducted to examine tax compliance levels where particular reliefs or exemptions are claimed.

**Random selection:**

This is in addition to the first two methods. It means that all taxpayers have a possibility of being audited. Each year, a proportion of audit cases are selected using this method.

**18.5 What notice is given?**

**Desk Audit:**

In general, correspondence is sent to the taxpayer's agent. Notice in writing is given that the return has been selected for audit. The notification will indicate:

- ❖ The name of the person who is carrying out the audit,
- ❖ The returns which are the subject of the audit and
- ❖ The initial information that is required.

**Field Audit:**

This is usually conducted when a desk audit has failed to finalise a case or complex issues are involved and a person- to-person discussion is essential. Generally at least 14 days advance notice in writing will be given to the taxpayer's agent. The notification will indicate:

- ❖ The name of the person who is carrying out the audit, and
- ❖ The date and time of the audit.

**18.6 What if the proposed date does not suit?**

Revenue seeks to minimise inconvenience to taxpayers. Should the chosen date not suit the taxpayer or agent, they should contact the auditor to discuss an alternative date.

**18.7 How long will the audit take?**

**(a) Desk Audits**

This will vary depending on the nature of the case.

**(b) Field Audits**

Usually one day is sufficient to complete the audit.

**18.8 Questions on the costs in preparing for an audit**

Taxpayers should be assured that Revenue is conscious that preparing for an audit can involve additional costs. The auditor will aim to complete the audit as quickly as possible and will notify the taxpayer or agent promptly of the results.

**18.9 What is the relevance of the Taxpayer's Charter of Rights to the Audit?**

All Revenue audits are conducted under the terms of the Taxpayer's Charter of Rights.

**18.10 Can the auditor enter a private residence?**

No. Revenue officers are not entitled to enter a private residence unless invited to do so by the taxpayer.

**18.11 Where can I obtain more detailed information on Revenue Audits?**

Please refer to the Revenue publication [Code of Practice for Revenue Auditors](#) for detailed information.