

Case Study:

XYZ Favorable tax inspection in the absence of client accounting personnel



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Executive Summary:

- A foreign non-resident company faced significant tax disallowances due to the absence of accounting personnel and supporting documents. RSM Kuwait tax team, managed to locate the documents and held extensive negotiations with the tax inspector which resulted in reducing the disallowance to a significant amount.



The key challenge

- The departure of the accountant, who held responsibility for this task and subsequent tax inspection. With their absence in Kuwait and lack of local presence, acquiring the necessary documents became arduous, further impeding their ability to identify pertinent documentation for the tax year.
- To address this issue, the client engaged RSM Kuwait to address these disallowances and ensure compliance with the tax laws.



Our Approach

- The key issue faced by the client was the absence of supporting documents for significant portions of the costs, leading to disallowances by the tax inspector. The absence of supporting document was due to absence of accounting team in Kuwait as the main accounting employee of company left the company.
- RSM Kuwait applied for an objection and initiated discussions with the tax inspector to reduce the disallowances.
- We held several meetings with the tax inspector, providing additional information and clarification regarding the disallowed expenses.



Results

- Extensive efforts to thoroughly search for and organize supporting documents at the client's premises in Kuwait. Our diligent work successfully located and correlated relevant documents with our inspection process, significantly contributing to resolving this issue.
- Through persistent follow-ups and thorough provision of necessary information, we leveraged our extensive experience with the tax inspector / department and the strong, respectful relationships we have built with tax inspectors over the years, we successfully negotiated a favorable outcome.
- RSM Kuwait reached a settlement agreement with the tax inspector, resulting in a reduction of approximately 80% of the total disallowances.
- This settlement secured a substantial financial benefit for the client, demonstrating our commitment to achieving the best possible outcomes for our clients.



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