

Taxation Audits

If you are a taxpayer in Australia, at some stage in your lifetime you will hear from the auditors of the Tax Office. In fact, the statistics are quite high – In 2006/2007, the ATO expects to contact 329,000 individuals out of the total 11 million individual taxpayers in Australia. This doesn't include companies, trusts, super funds, and so on – if you run a business, the chances of an audit are even higher.

Audits from the Tax Office are wide ranging and are designed to verify claims made on tax returns (including BAS). The ATO works on the basis of “self-assessment” - that means we declare (to the best of our ability) truthful information relating to our tax affairs, then the ATO will determine whether the information we declared are correct!

Most common audits involve GST (Business Activity Statements), undeclared income, deductions (particularly rental properties), and superannuation / PAYG. This are usually done by way of a letter/phone call from the Tax Office (known as a “desk audit” – which is an audit from someone's desk!), or a face-to-face meeting with an auditor at your premises (or ours) or the offices of the ATO.

So you might ask – how does the ATO select its “target”? The answer to this question is that it depends on the level of “risk” to the Tax Office's revenue. For a GST (BAS) audit, if a large refund is expected, in our experience it automatically triggers a desk audit from the ATO's “Compliance Verification Centre” within 48 hours of the BAS being lodged. Income and deductions audits are common where a taxpayer's amounts are outside the norm, for example if a taxpayer claims five motor vehicles as a tax deduction. Superannuation and PAYG audits are also common for businesses, particularly if employees' superannuation is not paid to their super fund on a timely manner.

If you are contacted by the ATO in relation to an audit, we can assist by identifying the issues at hand, assess your risk from the audit, identifying the information required to be provided, liaising with the ATO on your behalf, and if necessary arrange & attend meetings on your behalf. If you have any questions in the meantime, please do not hesitate to contact us.