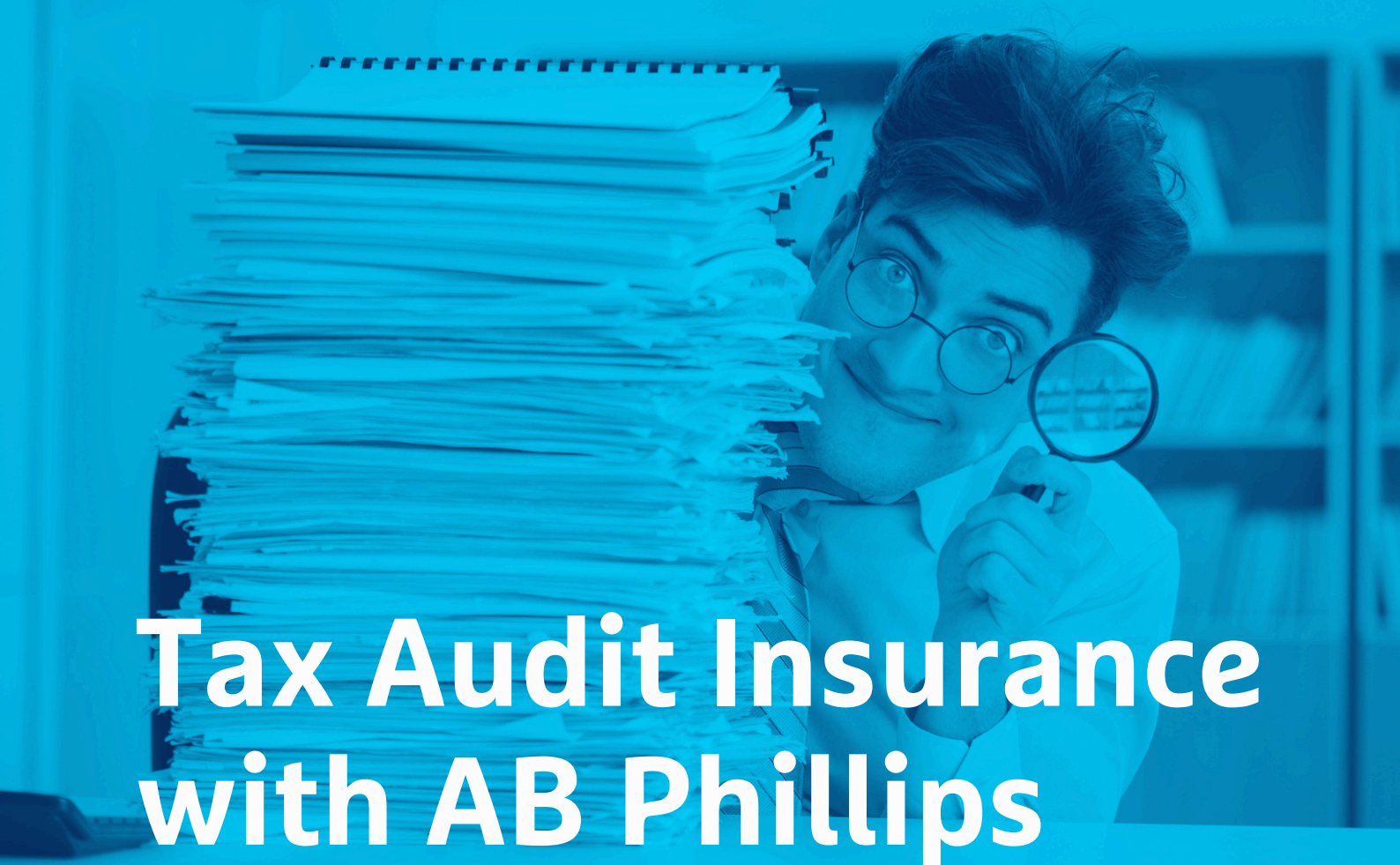




Tax Audit Insurance with AB Phillips

ATO and other government audits, reviews and investigations are increasing in number and scope every year. If a State or Federal revenue authority audits your tax return or compliance obligation, you might consider hiring external accountants and other professionals for help. Tax audit insurance can cover certain costs associated with responding to an official tax audit.

Why it matters

Dealing with a tax audit can be overwhelming, time- consuming, and expensive, even if you're not at fault. Tax audit insurance offers a practical way to handle the costs associated with an audit. It covers expenses for accountants or other professionals hired to assist during the audit process. The duration of an audit varies based on your business size, breadth and detail of the request, as well as quality of record- keeping, ranging from days to months.

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 **ABPhillips**
Insurance and Risk Minimisation
powered by  **AuditCover**

How likely am I to get audited?

The ATO now employs advanced data matching methods, making it simpler for them to uncover inconsistencies between tax returns and information obtained from various sources like government agencies, health funds, banks, and other businesses.

Tax audits and investigations may not only be conducted by the ATO but also by multiple State and Federal Government bodies, meaning you're accountable for the expenses associated with providing necessary information.

Even a basic inquiry can demand significant time and resources to address, potentially resulting in substantial costs for small businesses.

Did you know?

The ATO conducts 2 million taxpayer audits each year...

The ATO frequently encounters four common mistakes in small business tax returns:

- Poor record keeping
- Failure to declare all income
- Misunderstanding leading to errors
- Omitting private use of business assets or funds.

Additionally, the ATO monitors social media platforms to compare reported income with displays of wealth, identifying inconsistencies.

1. ATO, Small business random enquiry program findings, 15 May 2023

What's covered?

- ✓ Accountant's fees
- ✓ Tax agent fees
- ✓ Other specialist professional fees

Always read the Policy Wording to understand the terms and conditions of Tax Audit Insurance cover, including any applicable exclusions.

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Case Studies

Individual

The ATO audited an individual with a rental property for his income tax return. The ATO requested evidence of the expenses claimed for the rental property as they appeared disproportionately high compared to the reported income.

The audit was focused on the tax returns for the years 2021, 2022, and 2023. AuditCover tax audit insurance covered the professional fees of \$3,200 charged by the accounting firm (and engaged by the client) to engage with the ATO and manage the audit on the client's behalf.

Business

Revenue NSW audited a construction company to review its payroll tax obligations for the last several financial years. The ATO's data-matching identified a possible error in the payroll tax returns relating to contractor payments.

The policyholder's accountant needed to provide evidence of all payments to contractors, including other financial information for each contractor for the above financial years.

The client had tax audit insurance and was able to recover professional fees in excess of \$20,000.

Most common claims in 2023:

1. Income Audits
2. Work-Related Expense Audits
3. Rental Property Audits
4. GST Audits
5. FBT Audits
6. Superannuation Audits
7. Transfer Pricing Reviews
8. International Tax Audits
9. Small Business Audits
10. PAYG Withholding Audits

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