

# TAX AUDIT INSURANCE



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## Fact Sheet

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### What is it for?

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.

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### 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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## 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?

- ✓ **Accountants' fees**
- ✓ **Tax Agent fees**
- ✓ **Other specialist professional fees**

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**Personalised tax audit insurance that puts the customer in control**

Tax audit insurance that delivers personalised and fairer policies, pricing and protection for all.



## How we compare

	AuditCover	Audit Shield
Client Distribution	Business Groups in 1st year only	85% minimum every year
Waiting Periods	No waiting period	6 weeks minimum
Grouping	No limits	25% ownership required
Flexibility on Turnover	✓	✗
Automated Renewals	✓	✗
Automated Refunds	✓	✗
Limit of Cover Options	✓	✗
Campaign Scheduling	✓	✗
Call Centre Support	1300 895 797	Booking required

## Most common claims in 2024

<b>1</b> Income Audits	<b>2</b> Work-Related Expense Audits	<b>3</b> Rental Property Audits	<b>4</b> GST Audits	<b>5</b> FBT Audits	<b>6</b> Superannuation Audits	<b>7</b> Transfer Pricing Reviews	<b>8</b> International Tax Audits	<b>9</b> Small Business Audits	<b>10</b> PAYG Withholding Audits
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### Individual Case Study

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 Case Study

The NSW State Revenue Office conducted an investigation into a construction company's payroll tax obligations after identifying potential errors in payroll tax returns, particularly concerning payments to contractors.

The company's accountant was required to provide financial year records, contractor payment summaries, and additional documentation. Following the review, the policy covered the accountant's professional fees of \$20,129.00, ensuring the company was able to use their tax audit insurance.



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