

# Fact sheet

## Tax Audit Insurance

July 2019



### Tax Audit Insurance in a nutshell

Tax Audit Insurance\* covers a business for specified costs in responding to an audit by the Australian Tax Office (ATO) so you can continue running your business without the worry of the tax man on your back.

#### The low-down

Responding to a tax audit can be a very stressful, time consuming and costly experience, even if you haven't done anything wrong.

**Tax Audit Insurance** is a cost-effective solution to manage the expenses incurred if your business is audited by the ATO. It reimburses you for fees paid to accountants or other specified professionals for their time and service incurred because of the audit.

Depending on the size of your business and the state of your books, an investigation or audit could take anywhere from a few days to a few months.

#### Do I really need it?

With the ATO implementing sophisticated data matching techniques, it is easier for them to detect discrepancies between tax returns and the data they receive from government agencies, health funds, banks and other companies.

Random tax audits and investigations can be carried out not only by the ATO, but by several State and Federal Government agencies, leaving you responsible for the costs involved in presenting the required information. Even a simple enquiry can take hours to respond to, potentially costing a small fortune.

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## What is typically covered?\*

- ✓ Accountants' fees
- ✓ Tax agent fees
- ✓ Other specified professional fees

## What is typically not covered?\*

- ✗ Fines and taxes imposed
- ✗ Your time or salary or lost opportunities
- ✗ Your employee's time or wages

## Did you know?

- The ATO reviewed over 26,000 small businesses during the 2014/15 financial year, raising tax liabilities of \$910 million (ATO, 2016)
- In 2015, there were approximately 22,000 penalties imposed on small businesses for false or misleading statements in income tax returns and activity statements (ATO, 2016)
- The ATO uses information available on social media platforms to monitor for displays of wealth from individuals that do not match up with what they report on income tax returns

## Claim Case Study

A health food business was audited by the ATO requiring them to provide four years' worth of accounting records from July 2013 to June 2017. As the business owner claimed that the business was not operational for a period of 12 months between April 2015 and March 2016, the ATO required evidence of funds for personal living expenses during this time. Tax Audit insurance covered the excess of \$6,000 in costs charged by an accounting firm which was engaged by the insured to present the required documentation.

\*Subject to the policy terms, conditions and exclusions.

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