



# Fact sheet Tax Audit Insurance

July 2023

## Tax Audit insurance in a nutshell

If your accounts are audited by the Australian Tax Office, you may need to hire external accountants to assist in the process. Tax Audit insurance\* covers a business for specified costs in responding to an official tax audit.

## 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, which is a cover option within a business pack, 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.

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# Do you 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.



## Did you know?

4 of the most common mistakes the ATO receives from small business tax returns are:

- Errors from poor record keeping
- Not declaring all income
- Failing to account for private use of business assets or funds
- Making mistakes because they don't understand their tax obligations

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.<sup>1</sup>

1. ATO, [Small business random enquiry program findings](#), 15 May 2023

## What is typically covered?\*

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

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## What is typically not covered?\*

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

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

## 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.



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