

Documentation key in ATO audits

Business clients and taxpayers have been urged to maintain contemporaneous documentation in light of increasing ATO audits.

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Moore Stephens associate director Simon DePaoli said the ATO's increasing use of data matching has allowed the agency to have greater visibility of clients' transaction history, opening up the risk to audits should red flags pop up.

Last year, Change Accountants and Advisers managing director Timothy Munro predicted an [increase in ATO audits over the next 12 months](#) after seeing a spike in accounts being linked to the Tax Office's databases.

"Every year they are linking more and more – over the last few years they've linked interest and dividends but now they are starting to get a lot further, linking the databases to match property sales, to match high-value car purchases and a whole range of things," said Mr Munro.

Mr DePaoli believes taxpayers can best prepare for a potential audit by ensuring that they have all the necessary documentation dating back a minimum of five years in place.

"If you're under audit, you can expect the level of information that the ATO requests will be incredibly detailed. Nothing will be overlooked, including the minutiae of specific transactions," said Mr DePaoli.

"The subject of an audit has just 28 days to gather the necessary documentation once it begins, which can leave some scrambling to meet such a tight deadline.

"There are ways to ensure an audit is a minor rather than major blip, and that starts with having a good relationship with the case officer assigned to your file. Providing all the information promptly and being available to answer questions readily will help all involved."

Acknowledging that no one is immune from mistakes, Mr DePaoli believes a voluntary disclosure is the best step to take, should an error be discovered.

"Most ATO case managers appreciate when the information is willingly disclosed, and while they can't be forgiving of any oversight, they are more likely to be cooperative when finalising payment terms," he said.