



## ***What To Do If You're Audited From The ATO***

***It's no secret. The ATO is swooping down on Australian taxpayers in an invested effort to recoup the \$8.7 billion tax gap it incurred last year, which means thousands of Australian could receive a letter from the ATO.***

On the hit list are dodgy vehicle expense related claims, rental on homes and holiday houses, earning from cryptocurrencies and earning from the shared economy.

If you work in the shared economy, for example, Uber, Airtasker and Air B&B, make sure you're vigilant with your bookkeeping and only deduct your business-related expenses. The ATO is paying extra attention and making sure expenses are correctly lodged.

The ATO has also released that it is paying particular attention to people who over-claim work expenses, such as clothing. You need to be able to show that you have incurred a cost that you haven't been reimbursed for and that the clothing you're claiming is directly related to your job.

Claiming a black T-shirt may not qualify unless the T-shirt has a distinctive logo for the business you work for. The total expense for an item of clothing or even tools exceeding \$300 each may not be able to be claimed in the same year and might need to be depreciated.

Another area up for scrutiny is people who claim deductions on a family home as well as their rental. People who make claims on excessive interest will tag the red light in the ATO's sophisticated data matching software program.

The ATO isn't just looking at this year either. Data has shown that their software can go back over four years, examining sales of capital assets, dividends, shares, rent, and mismatching PAYG summaries.

**To stay safe, ITP recommends:**

### **Keeping all your receipts**

Bank statements may not contain enough information for the ATO. Just because the deduction shows on your account, the ATO will need to know who you incurred the expense with, the date, the items, the amount and the GST.

### **Only claim what you've spent**

The ATO has three golden rules when it comes to claiming tax deductions:

1. You must have already incurred the expense
2. It must be directly related to your income
3. Only claim the business-related portion of goods and services that may also be used privately

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## Don't rush

A lot of people make the mistake of rushing to file their tax returns. The ATO doesn't start to process claims until the 5th of July and doesn't issue refunds until around the 14th of July. Generally, your tax return takes up to two weeks, but it may take up to 30 days based on the complexity and ATO audit checks in their software.

The date for lodging your return by is the 31st of October, but you could have more time if a tax agent lodged it for you – up to mid-May 2020. Make sure you have all of your income statements ready before you proceed with lodging your tax return.

## *What do you do if you receive a letter?*

### Don't panic.

Don't stick the letter in your drawer either. It won't go away. Any letter sent by the ATO allows 28 days for you to collect your information and get your records into shape. Don't delay. The more time you take the less credible your situation may appear. If you do not respond then you'll be issued with an amended assessment letter and you may incur penalties.

Penalties are calculated depending on the severity of the mistake. The bigger the claim, the higher the penalty – with interest.

Contact your tax agent. They will investigate your case and will tell you exactly what you'll need to do. They'll help you understand what records and receipts you'll need, how to get them and can file an amendment for you.

### Don't worry.

If your claims are legitimate and you have the records to prove it, then you should have nothing to worry about. When lodging your tax return, your tax agent will advise whether or not your claim is legal and will also advise what else you're eligible to claim. You never know. You might even get a nice refund at the end.

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*ITP The Income Tax Professionals are more than tax agents. They have been helping Australian individuals and businesses with their business accounting and advice for 50 years and offer a wealth of knowledge. Speak to a Professional today and see how your business can be more profitable.*



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