

Audit Protection Service

Insuring our clients against the cost of random government audits, reviews and investigations

Case Study 1:

A client benefiting from the Audit Protection Service

A large client (\$10-25 million turnover) paid a premium of \$2,970 for the *Audit Protection Service* to cover the various entities within their structure.

This year the ATO requested further information about five BAS statements. Such reviews are commonly undertaken by the ATO when they see sizeable GST refunds on BAS statements (for example when new equipment has been purchased).

With assistance from McLean Delmo, three reviews were quickly dealt with. Two reviews have escalated to audit stage where ongoing consultation with the ATO will be required.

Estimated total fees of at least \$20,000 will all be covered by the *Audit Protection Service*.

Accountants are witnessing an alarming trend with more and more clients being contacted by the Australian Tax Office (ATO) or other government agencies and subjected to random audits, reviews or investigations.

In fact at the end of June 2011, the ATO confirmed they have planned a 25 per cent increase in audits of 2.8 million traders with sales under \$2 million.

Last year, a number of our clients signed up for the *Audit Protection Service* so they had protection to cover the cost of accounting and professional fees if they were subject to an audit. A number of our clients benefited almost instantly as they were audited in their first year and required to draw upon the *Audit Protection Service*.

This year - for a range of reasons - some clients decided not to renew their participation. As bad luck would have it, some of these clients without cover are now in the middle of ATO audits. As they did not pay their *Audit Protection Service* fee, they are no longer covered for the costs associated with the audit.

Random audits, reviews and investigations of Australian organisations - both large and small - are increasing in number. There are dozens of scenarios that may trigger an ATO audit and just because you are certain that you are doing the right thing in your business, you are not immune to an audit.

The ATO has invested in new computer systems to allow data matching of taxpayer information across a range of sources including financial institutions. This allows the ATO to more easily identify when a taxpayer is withholding information or to highlight irregularities requiring further ATO investigation.

There are plenty of audits where the ATO finds that they were indeed wrong and the business owner and their accountant were right. Even in this scenario, however, you have to pay for the time it takes for us to review the files and defend your position to the ATO. But if you have the *Audit Protection Service*, these costs are covered (to a policy limit).

Conversely, tax is a complex area. Sometimes - even with the best intentions - businesses get their taxes wrong. In this case the situation may take some time to resolve. With the *Audit Protection Service*, even if you are found by the ATO to be in the wrong, the cost of your audit is covered (to a policy limit). You will, however, still have to pay any outstanding amounts to the ATO or agency.

The ATO audit process can be lengthy with a series of stages to complete, including objections and appeals where an ATO finding remains in dispute. The information required for an audit is often very technical and detailed. As such we recommend all of our clients get us involved in any ATO audit or review to ensure that your best case is put forward, giving you the strongest chance of success.

Case Study 2:

A client without the Audit Protection Service

A Self-Managed Superannuation Fund Client was recently selected for an ATO review.

This particular client did not take up the offer of the *Audit Protection Service*.

Their bill for the cost of McLean Delmo assistance with the review process was \$1,100 which the client will now have to pay.

So if the client had signed up for the *Audit Protection Service*, the total saving to the client (after payment of a \$395 SMSF Annual Audit fee) would have been \$705.

We understand that insurance can be seen as a paradox. It is only when you need it that you actually get to see the benefits. Indeed, you might never need it. But sometimes you find out all too late that you really should have yourself covered.

At McLean Delmo we have seen clients who have quickly benefited from the *Audit Protection Service* - and now we have also seen many that wished they had taken up or renewed the offer.

We are promoting this service because we believe it is a quality, straight-forward offering that is excellent value - particularly if you become one of the growing number of organisations due to be audited or reviewed this year.

The *Audit Protection Service* covers:

- Accounting fees in responding to audits, reviews and investigations of your lodged returns, including those from previous years
- Random government audit, reviews and investigations for Payroll Tax, Workers Compensation, Self Managed Superannuation Funds, Income Tax, BAS/GST, FBT, R&D, Superannuation Guarantee and Record Keeping to name a few
- Specialist professional fees if we need to engage a tax expert or lawyer for an opinion or defence.

The *Audit Protection Service*:

- Provides 100% coverage of our fees (up to a prescribed limit)
- Is tax deductible
- Is underwritten by Vero, a subsidiary of Suncorp Ltd.

We encourage you to call your McLean Delmo Partner to discuss how you might benefit from the *Audit Protection Service*.

If you sign up now for the *Audit Protection Service*, you will receive a reduced fee for 6 months of coverage to 31 December 2011.

Send back the invoice today and we will ensure your coverage from the date of receipt.