



ICCA NEWS

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Special points of interest:

- What attracts the ATO's attention?
- Activities that constitute an audit risk to the ATO

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SME Business Income Tax Compliance Risks

What attracts the ATO's attention?

ATO focus areas	What the ATO is looking for
Financial and tax performance	Financial or tax performance that varies substantially from industry patterns. Significant variations in the amounts or patterns of tax payments compared to past performance, relevant economic indicators and industry trends.
Variations between economic and tax performance	Unexplained variations between economic performance, productivity and tax performance.
Economic and tax losses	Unexplained losses, low effective tax rates, and cases where a business or entity consistently pays relatively little or no tax.
Tax outcomes vs. intent of the law	Tax outcomes that are inconsistent with the policy intent of the law.
Material transactions	Significant or unusual transactions, adjustments or arrangements.
Business changes	Businesses experiencing rapid growth, restructure, mergers or demergers, deploying new accounting software or undergoing changes of accounting staff.
Aggressive tax planning	A history of aggressive tax planning by the corporation, board members, key executives or advisors.
Tax schemes	Use or promotion of tax exploitation schemes.
Corporate tax governance	Weakness in compliance structures, processes and approaches.
Interpretive advice	Transactions that are inconsistent or materially different to that described in a product ruling.

Activities that constitute an audit risk to the ATO

- Involvement in cross-border and tax haven dealings between related parties, where tax deduction is made in Australia with no corresponding amount of assessable income.
- Using complex structures and intra-group transactions to generate tax benefits that are not related to the economic substance of your commercial activities.
- Receiving disproportionately high tax benefits from financial and other arrangements when compared to the financial exposure, or where there is a divergence between the real and claimed economic substance of your business activities.
- Using arrangements or products (such as tax rulings) to transfer or create tax benefits in ways not contemplated by the law.
- Characterising transactions in a way that is at odds with their economic substance for tax purposes.
- Using distorted or inconsistent market valuations.
- Promoting tax exploitation schemes
- Conducting transactions in a way that is materially different to what is described in the product ruling for that transaction.