

Tax Audit Protection - Questions & Answers

Tax & Government Audit Protection service - what is it and how can it assist me?

If a Government Agency conducts an audit, review or investigation of one of your lodged returns, you will likely want us to either respond, or to assist you in your response. Our Tax Audit Protection service covers the professional fees associated with us having to prepare relevant documentation for the audit, and for any communications with the agency during the audit. As these fees would generally be payable by you, it is an effective solution to these unexpected costs.

What types of audits are covered?

There are a very large number of audits, reviews and enquiries which are being initiated by various agencies every day. The good news is that the vast majority will be covered under this service. Whilst the list of audits covered is quite extensive, common audits covered are:

- ATO Income Tax audits & reviews
- BAS audits and enquiries
- Workers Compensation
- Centrelink
- FBT
- Payroll Tax
- Self Managed Superannuation Funds

Audits can be of current year returns or even prior years returns.

What fees will be covered?

Any of this firm's fees which are specifically associated with attending to or responding to an audit, review or investigation of one of your lodged returns by a Government Agency, will be covered up to the specified limit. In addition, if we need to seek legal or specialist consultancy advice to either respond to the audit or to mount a defence, these fees may also be covered. The fees will be covered until the audit is complete, or the specified limit (as stated on your acceptance form) is exhausted.

Who is CGU?

CGU Insurance Australia is one of only four listed insurers in Australia. CGU Insurance Australia underwrites the Tax Audit Protection Insurance policy held by our firm. If you participate in our service we will need to provide your turnover category and your group entity details to CGU Insurance Australia.

Who is Covered and what are related (associated) entities?

For covered entities classed as either a 'Partnership / Sole Trader' or a 'Business Group', an individual, trust, partnership or company is considered a related entity and can therefore be included under a single cover if:

- (a) they are an individual, company, firm, partnership or trust which holds at least a 50% ownership, interest or shareholding in the entity covered; and/or
- (b) they are a company, firm, partnership or trust in which the entity covered holds a 50% or more ownership, control, interest or shareholding; and/or
- (c) they are spouses and non-working children of individuals that are included in the cover as a result of (a).

For the 'Wage & Salary Earners' and 'Wage & Salary Earners including Spouse' categories, the collective income for the couple can be a maximum of \$500,000 per annum. Spouse is defined according to the Department of Human Services definition of a couple.

Self Managed Superannuation Funds can't be grouped however can be covered separately under a SMSF policy.

Is the cost tax deductible?

Yes, a tax deduction should normally be claimable for your participation fees.

What Items and Audits are not covered under our Audit Protection Service?

- (1) Audits, reviews or investigations where notification was given to either you or to us prior to or on the same day of you confirming your participation in our Audit Protection Service;
- (2) Audits, reviews or investigations arising directly from a preliminary or comprehensive review which was underway prior to you accepting the policy and for which you did not notify us in advance;
- (3) Audits, reviews or investigations of returns which have NOT already been lodged at the time of audit initiation.
- (4) Audits where the auditor imposes a final shortfall or culpability penalty at 75% or greater;
- (5) Where the primary reason for the audit was the result of a material error or omission;
- (6) Fines or other punitive costs such as penalty tax, costs or interest;
- (7) Failure to respond, failure to produce documentation/information in a timely manner to the Auditing agency;
- (8) Audits of returns related to a mass marketed tax minimisation scheme without a prior product ruling;
- (9) Costs accrued after the audit, review or investigation has been completed;
- (10) Costs for work incurred which should have been done prior to the audit, review or investigation taking place.