



## Tax Office to face inquiry over audits of wealthy entrepreneurs and SMEs

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The Inspector General of Taxation has formally launched an inquiry into the way the ATO audits wealthy taxpayers and SMEs, after complaints the Tax Office auditors have acted inappropriately and left some tax payers facing high compliance costs.

Inspector General Ali Noroozi will examine the conduct of ATO auditors in relation to high wealth individuals (HWIs) and SMEs with annual turnovers of between \$100 million and \$250 million.

In the last two years, the Government has allocated an additional \$559 million to step up the ATO's auditing of these groups, but Noroozi's office has received a high number of complaints from tax payers about the way the audits have been conducted.

Complaints include suggestions that the audits are little more than fishing expeditions, with auditors demanding high levels of documentation that can cost thousands for taxpayers and their advisors to prepare.

"These taxpayers have asserted that they incur significant unnecessary costs stemming from the wide scope of ATO information gathering requests and delays. They have also alleged that ATO audit staff lack sufficient commercial awareness and tax technical skills as well as engage in inappropriate conduct," Noroozi said.

Sue Prestney, principal and accounting firm MGI Melbourne, has helped several wealthy clients through tax office audits and reviews.

She says the process can be particularly difficult to deal with.

"They do require an enormous amount of information that can cost a lot money. From the taxpayer's points of view, it's not a nice process," she says.

One particular complaint among her clients is the time the review process can take.

After an arduous preliminary review, the ATO can often take up to six months to inform the taxpayer if a full audit is going ahead. That full audit will also take many months.

"It's not a nice position to be in when you think that the Tax Office is auditing you. The client is wandering around with a cloud over their head when there wasn't necessarily anything to spark the audit, other than the ATO has identified that they have a certain level of wealth."

Noroozi's inquiry will look at the ATO's information gathering, the way it makes compliance decisions and the resourcing of its audit area.

The Institute of Chartered Accountants plans to hold workshops with HWIs to gather information for its submission to the inquiry, according to tax counsel Yasser El-Ansary