

Expert warns of 'nasty surprise' for SMEs as Tax Office targets GFC tax losses

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Madeleine Heffernan



Tax experts warn SMEs need to be on the front foot ahead of a Tax Office crackdown on the soaring number of tax losses claimed by small businesses during the financial crisis.

The Australian Taxation Office says it is attempting to verify tax losses by writing to select SMEs which generated, deducted or carried forward significant losses in the 2008 and 2009 financial years.

"This letter will notify them that we may seek further verification of those loss amounts through a questionnaire, or where necessary, a more formal review or audit process," the ATO says.

Sue Prestney, SME business issue spokeswoman for the Institute of Chartered Accountants, advises concerned parties see their accountants to avoid the possibility of penalties and interest fees.

"It looks like the ATO is going to do a vigorous review by selecting businesses which have generated or used losses throughout the GFC period," Prestney said.

"Because the area is so difficult, it's my guess that there'll be quite a few people who are in for a nasty surprise.

"Ninety-nine per cent of people would not have intentionally claimed losses when they technically couldn't."

Prestney, principal at MGI Boyd Accountants, says even businesses which consider their tax affairs straightforward might be at risk if they brought in an equity partner or restructured during the downturn.

"People think they've incurred the losses and therefore they're entitled to use them," Prestney said.

"But there are technical problems with using those losses."

Prestney advises relevant SMEs to contact their accountant, and a second opinion if any doubt.

"Get in first and say to the ATO, we've made a mistake," she said, warning the tax office could slap SMEs with penalties or interest charges should it uncover inappropriate claims.