



Media release

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Stress less if you have nothing to confess

As part of our ongoing focus on closing tax gaps, the Australian Taxation Office (ATO) are scrutinising every tax return lodged and are on the lookout for incorrect claims this tax time.

Assistant Commissioner Karen Foat is assuring taxpayers who are doing the right thing, and only claiming what they're entitled to, that they have nothing to fear from a potential audit. For people who have done the wrong thing, even if that's over-claiming by a little, her advice is that the best thing they can do is to fess up sooner rather than later.

"Each year the ATO contacts around two million people about their returns. In most cases, audits are not our first action.

"Third party data indicating underreported income, and deductions that appear high compared to people with a similar job and income level, tend to raise concerns.

What to expect if you are audited

"If we do decide to look a little closer through an audit, you can expect that we will contact you or your tax agent to make further enquiries.

"The sort of information we may need from you or your agent will vary depending on the circumstances. Often, we are just looking for an explanation and documentation on a deduction. For example, if you've claimed deductions for clothing but you work in a job where a compulsory uniform is unlikely – we may just want to know a little more about why you've claimed that deduction.

"Other times, we may need to have a more detailed review. Though again, this generally involves us asking you or your agent for more information or evidence to support your claims

"We will always let you know what issues have attracted our attention and what information we will need from you.

"Our biggest tip is to ensure you work with us from the beginning and provide the information required to help us resolve any concerns and finalise the audit.

"We understand it can be frustrating to dig up old receipts and information, but it is necessary. A small amount of over-claiming by a large number of people adds up to \$8.7 billion dollars less each year for essential services, we can't turn a blind eye to that.

"Instead, we are focused on making it easier for you to keep the required records - the myDeductions tool in the ATO app allows you to snap a picture of all your receipts and upload your deduction details directly to your tax return. For more information visit: ato.gov.au/mydeductions.

"The better your record keeping is throughout the year, the easier the audit process is likely to be when we request to see your records.

"Our staff may also request information from others, for example in some circumstances we may contact your employer to check that you weren't reimbursed for any expenses that you claimed or to verify that your expense was related to earning your income.

"Whether we apply penalties will depend on your behaviour. We see behaviours ranging from genuine mistakes through to deliberate over claiming. In the most extreme cases of intentional fraud we may seek to prosecute through the courts.

"We will keep you updated throughout the audit process. This includes letting you know in writing that the audit is finished, whether or not we have made any changes to your return, and how we came to our decision.

"The best way to ensure a smooth audit process is engage with us early and to keep accurate records" Ms Foat said.

What if you know you've over-claimed (even by just a little)?

"If you think you've made a mistake or an error in your tax return, the best thing you can do is to 'fess up' as soon as possible" Ms Foat said.

"If we haven't been in touch with you yet, you can amend your return yourself on myTax or if you use an agent to ask them to lodge an amendment for you.

"If the ATO has been in contact to review your claims and you know you've over-claimed, it is important to be honest and get the matter resolved quickly. Taxpayers are more likely to face penalties if they aren't honest with us once we come knocking" Ms Foat said

Case studies

1. Claims adjusted in the taxpayers favour

We audited the 2018 income tax return of a chef who had claimed a number of expenses, including tuition fees, laptop depreciation and the purchase of a USB.

The taxpayer's tax agent responded quickly with the information we requested and the taxpayer was able to provide an employer letter, apportionment methodology for use of the laptop, proof of ownership for the laptop and a USB receipt. As the taxpayer was undertaking a certificate in commercial cookery, there was a direct correlation of the expenses to the taxpayer's assessable income. He was also able to provide receipts of the courses completed and a course list.

In this audit we identified that the taxpayer had incorrectly calculated depreciation, so we corrected the calculation to increase the deduction and he received a higher refund. We also provided him with information to help him claim his full entitlement in the future.

2. Some claims allowed whilst claims for private expenses disallowed

A taxpayer had claimed roughly \$20,000 in self education expenses relation to his MBA. We called the taxpayer and asked for information about how his studies related to his work. The taxpayer provided receipts for expenses such as tuition and textbooks, and was able to explain how these costs related to his work as a business analyst. We accepted these expenses and allowed the deductions.

However the taxpayer also claimed expenses for headphones and a sports backpack, believing he was entitled to do so because he used them for study sometimes. We explained that these items are private in nature and are not deductible and these claims were disallowed and his refund was reduced. He was sent educational information relating to self-education expenses to help him make correct claims next year.

Because the taxpayer had taken reasonable care and had made an honest mistake in claiming some items that were private in nature, no penalty was applied.

3. Fraudulent claims and application of penalties

We audited the 2018 income tax return of a scaffolder. During the audit the taxpayer provided us with documents for deductions relating to the purchase of a vehicle.

When we contacted the invoice supplier to confirm his vehicle invoice, it was shown that the taxpayer had fraudulently changed the invoice date, addressee name and purchase price of the vehicle on the invoice. He had also claimed a deduction for repairs and maintenance on the vehicle that he did not own. The taxpayer provided an employer letter from an employer that he didn't work for in the 2018 financial year.

The deductions claimed totalled approximately \$20,000. Based on the evidence provided, the claims were reduced to \$0 and the taxpayer was required to repay over \$4,000. We also applied penalties of \$2,500.

4. Prosecution action

On 21 June 2019 a Queensland woman was convicted of three criminal offences after making false and misleading statements on her income tax returns.

The chef was employed at a hospital, where she was supplied with a full work uniform, including personal protective equipment and tools, by her employer. She was also not required to travel or use her own vehicle in the course of her employment.

Despite this, she claimed travel and clothing expenses as work-related deductions on her 2016, 2017 and 2018 income tax returns despite previously being advised by the ATO that she was not entitled to claim these expenses. She also claimed charitable donations to an organisation that was not registered as a deductible gift recipient, in order to obtain refunds. Refunds of more than \$45,000 were received over three years.

In addition to repaying the refunds, in June 2019 she was ordered to pay a fine of \$3,000 and was penalised an additional \$20,000 and court costs.