

Smart Tax check

Are you at risk of an audit?

The ATO uses industry benchmarks to identify businesses that may be avoiding their tax obligations by not reporting some or all of their income by running industry benchmark tests against your business tax return. These tests will highlight areas where a return may not include all sales (especially cash sales).

Benchmarks show key business ratios ranging from high, medium to low turnover ranges. Businesses reporting outside the benchmarks may attract the attention of the ATO. Although there could be good reasons for this it could also be an indication that a business is not recording and paying tax all transactions, especially tax transactions.

The Smart Tax Benchmark Test can help you determine if your business is outside the industry benchmark and if so you may be at risk of an ATO audit or review.

Input benchmarks show an expected range of income for tradespeople and are based on the labour and materials they use. Input benchmarks are developed by the ATO using information provided by industry participants and trade associations.

Input benchmarks may help you to:

- > Compare your business to your industry's benchmark range
- > Check that your records accurately reflect your income
- > Estimate your turnover based on the labour and materials used.

If you are outside the benchmarks for your industry a review should be undertaken to:

- > Work out if all income has been correctly recorded and reported
- > Ensure all business deductions have been correctly recorded and reported.

It is important that a review of your record keeping should be undertaken to ensure they meet legal requirements otherwise huge penalties can apply. And it will stop at the year under review but will include a review of previous years.