ATO ramps up tax review programs

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The Australian Taxation Office (ATO) has advised that it will be proceeding with various tax review programs with a view to protecting the integrity of Australia's tax system.

The programs include targeting high wealth individuals, medium and emerging private groups, trust tax avoidance and international tax avoidance.

The ATO program focussing on high wealth individuals is known as the "The Next 5,000 Tax Performance Program", which is considered by the ATO to be a key element of the Tax Avoidance Taskforce. The program is scheduled to run for 4 years from 2019-20. It will focus on high wealth private groups who, together with associates, control wealth of more than $50 million.

In relation to 'The Next 5,000 Tax Performance Program", the ATO advised that the review of taxpayer's will be tailored using a justified tax methodology which considers 4 key pillars: -

- Taxpayer Governance (including taxpayer processes and controls)
- Risks already flagged by the ATO to the market
- New and significant transactions
- Comparison of Business performance and Tax performance

The ATO has advised: -

- Taxpayers will be notified of a review in writing
- Meetings will be scheduled to enable the ATO to understand the business
- Taxpayers will be notified of information requests in writing
- Taxpayers will be contacted to discuss subsequent steps

In addition, the ATO will also focus on medium and emerging private groups in a program targeting groups linked to Australian individuals who, together with associates control wealth between $5 million and $50 million and Australian businesses with annual turnover greater than $10 million. The scope of this program is risk driven reviews, audits and early engagement.

The ATO's tax avoidance program focusing on trusts will also continue. The ATO has a view that key trust risks include Tax Return lodgement, complex distributions, Trust and Taxable income mis-matches, Unidentified beneficiaries, and Cross border transactions.

The ATO will also allocate resources in relation to international matters. The ATO has the view that risks areas include related party financing, interest deductions in Australia, deferral or avoidance of income recognition in Australia, deferral or avoidance of withholding taxes and migration of IP rights offshore.

Clearly the ATO will be utilising significant resources in engaging with taxpayers mentioned above. In that light, taxpayers should take opportunities prior to an ATO review to understand and mitigate the tax risk associated with the ramped up ATO programs. Given the ATO has allocated significant resources to audits and reviews of taxpayers, it would be prudent for taxpayers to consider and review their Tax Audit insurance requirements.

If you have any queries, or would like to discuss the above further, please contact your Fordham Partner.

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