

TAX AUDIT COVER EXPLAINED

WHY TAX AUDIT COVER?



COMPUTER MODELS are run on every tax return to flag suspicious data*



THE ATO undertakes almost 1 million 'compliance activities' each year*

70%

of randomly selected tax returns **CONTAINED ERRORS***

What is Tax Audit Cover?

Fees and charges for an accountant or tax agent to respond to a notice from the Australian Tax Office to pay relevant tax such as income tax, capital gains tax, GST, termination payments tax etc.

The policy is not designed to cover legal fees, or any payments, fines or penalties issued by the ATO, and is not designed for the Directors personal tax.

What About other Audits?

Cover can be purchased to extend the policy to cover Australian Commonwealth State or Territory department reviews or audits

What is a Risk Review?

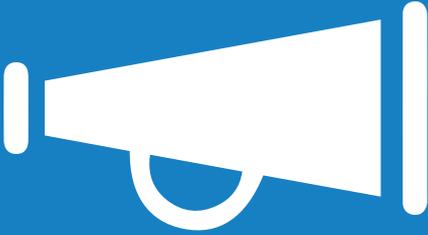
A risk review will determine if there are any compliance issues that need a more in-depth investigation and response. Risk reviews give the insured an opportunity to resolve concerns about compliance issues. It also gives the ATO an understanding of the insureds business context and environment and the processes in place to manage and oversee tax risk. Generally the ATO will ask for information from the insured first, but may also seek information from Accountant or tax agent if needed.

DUAL's Tax Audit Cover:

Cover for the Company for Tax Audits by the ATO. Optional extensions:

- State and Territory Tax Audits (subject to EP) and/or;
- ATO Risk Reviews (subject to EP).

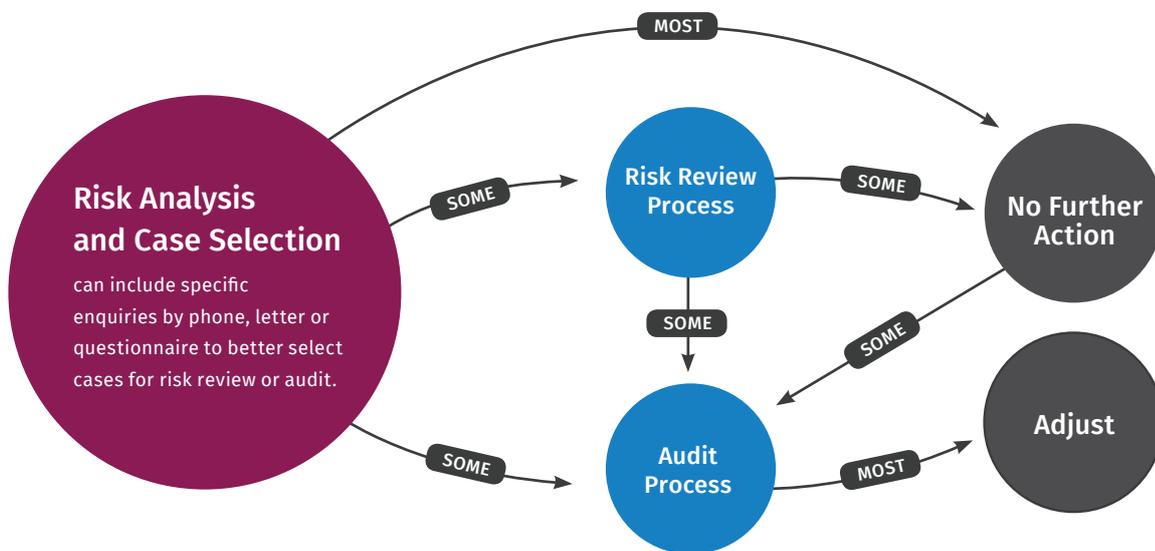
*Source: etax.com.au and ato.com.au



4 Common Audit Triggers

- Variance between tax returns and business activity statements
- Financial performance compared to industry peers
- Incorrect superannuation payments to employees
- Consistently show operating losses

TAX AUDIT PROCESS



CLAIM EXAMPLE 1

PROFILE:

Bed & Breakfast Hotel, sole trader Employing 7 staff, \$900,000 turnover.

BACKGROUND:

The office of State Revenue conducted an audit in relation to tax returns previously lodged by the Insured.

OUTCOME:

The insured purchased the Tax Audit Extension for State and territory bodies under their management liability policy and were able to claim in respect to ‘Accountants’ costs in responding to the audit.

PAYMENT: \$40,000

CLAIM EXAMPLE 2

PROFILE:

Construction Company, 20 staff, \$30M turnover.

BACKGROUND:

The Insured was the subject of an ATO Audit for its tax returns between the years of 2011 – 2015.

OUTCOME:

The Insured engaged their Accountant to assist in responding to the audit. The Insured was able to claim under the Tax Audit section of the Policy in respect to reimbursement for Accountant fees.

PAYMENT: \$67,000