

A silhouette of a row of wind turbines against a blue sky with light clouds. The turbines are positioned along a dark horizon line.

# Technical update

Corporate & International Tax

## Tax Office risk reviews underway

As discussed in recent editions of 'Tax News' and 'Technical Update', the Tax Commissioner has released the 2008-09 Compliance Program. The Program outlines the compliance priorities for the Tax Office over the coming year, details the areas of risk to compliance and how the Tax Office intends to respond to those risks.

In those recent publications, we noted that over the next four years the Tax Office was planning to 'risk assess' all enterprises with turnover between \$100 million and \$250 million. The purpose of these reviews is to form a preliminary opinion of the level of risk in this sector and to follow it up with more reviews and audits.

The Tax Office also noted that with the increased Government funding that it received in the 2008-09 Budget, it would have greater capacity to assess income tax and GST compliance by entities in this turnover range.

We have now become aware that the Tax Office has commenced its 'risk assessing' process of entities in the \$100 to \$250 million range. It is expected that the number of these 'reviews' will now escalate as the Tax Office utilises its additional resources to implement its schedule outlined in the Compliance Program.

The Compliance Program also notes that the Tax Office will be focussing on loss generation and utilisation in this turnover range. This is due to recent legislative changes which provided for shorter periods for amending income tax returns disclosing losses (that is, there is no longer an indefinite period for the Tax Office to amend these types of returns).

The areas under focus include the general creation and utilisation of losses and in particular recouping losses without taking into account changes in ownership or business, misclassifying losses as capital or revenue, and incorrectly applying the consolidation loss rules.

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Again, we understand that the Tax Office has commenced these reviews and they will involve an examination of the operations of the business, financial reports and other relevant tax information. If the entity is consolidated for tax purposes, the reviews will also examine the impact of tax consolidation on the losses of the group.

According to the Compliance Program, there are a number of other issues and areas under review in the SME sector and given the predicted drop in revenue collections as a result of the fallout from the global financial crisis, it may be expected that the Tax Office's audit activities can only increase in the next twelve months.

Readers should contact their BDO Kendalls Corporate & International Tax adviser if they are concerned about the treatment or recoupment of losses within their business or any other issues arising out of the Tax Office's Compliance Program.

## More information

Phone 1300 138 991 or visit [www.bdo.com.au](http://www.bdo.com.au)

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