

**Senate Economics Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury**

**Australian Taxation Office**

Budget Estimates 2004-05, (3 June)

**Outcome 2, Output 2.2.1**

**Topic: Audits-big business, medium and micro business**

**Hansard Page: E119-E120**

Senator Sherry asked:

- (1) How many audits does the ATO plan to have completed of big business by the end of this financial year?

*Mr Carmody—I cannot give you exactly the number completed. Our large corporate is over \$100 million turnover. At the current time, we have something like 160 audits going on for large corporate groups.*

Senator SHERRY—Could you get me historical data going back to 1995-96?  
Mr Carmody—I will attempt to provide it. I will take it on notice.

Senator SHERRY—It is the number of audits.  
Mr Carmody—I would have to take that on notice and get back to you.

- (2) Senator SHERRY—Yes. And the same with medium-sized businesses?  
Mr Carmody—The same?

**Senator SHERRY—The same data.**

- (3) **Senator SHERRY—My next question goes to the audits on micro-sized businesses for the same periods. I assume you will take that on notice.**

*Mr Carmody—I will.*

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Answer:

Our active compliance program is delivered through a range of field and office based activities, including outbound phone calls, awareness letters, specific reviews and full comprehensive audits, which can vary depending on the circumstances of each case being treated.

Most of our active compliance work relates to the verification and audit of tax returns, activity statements and other business statements across the Income Tax, GST, Superannuation and Excise revenue products. Work is conducted through various delivery channels, including office based phone and letter action and through field work. Risk reviews of individual businesses are also conducted in the field.

New business visits are also a key active compliance activity. During 2003-04 nearly 27,000 visits were undertaken in the micro segment. We also undertake a range of pre and post issue checks of refunds that do not require contact with the business or individual. Over 132,000 checks were undertaken in 2003-04.

Table 1 shows the number of active compliance contacts with clients for 2003-04. Attachment A contains more information on the audits and reviews undertaken in each market. Data for previous years is not available.

<b>Segment</b>	<b>Contacts made in 2003-04</b>
Large business	14,001
Small to medium enterprises	51,949
Micro businesses	356,564

*Table 1 Contacts 2003-04*

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Table 2 shows the number of active compliance Income Tax products undertaken by Large Business and International (LB&I) business line between 1997 and 2004. The majority of this work relates to client groups with turnover greater than \$10 million per annum, but includes some work in other market segments. It also includes work undertaken by the High Wealth Individuals (HWI) Taskforce.

Over the past eight years, the mix and definition of active compliance products has evolved and changed. Thus, to provide comparable data it is necessary to include all active compliance products undertaken by LB&I. Active compliance products for the purpose of this table include:

- all audit products;
- all client risk products;
- advance pricing agreements; and
- monitoring and watching briefs.

	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
<b>Income Tax products</b>	182	340	416	672	659	819	960	1,253

*Table 2: Income Tax products undertaken by  
 Large Business – 1997-2004*

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**Attachment A:**

**Audits and Reviews undertaken with client contact in 2003-04**

**Large Business**

<b>LARGE</b>	<b>INCOME TAX</b>
	1,537 Refund reviews
	498 Risk reviews
	18 Advanced pricing agreements
	133 Field audits
	<b>2,186 Total</b>
	<b>GST</b>
	17 Field audits
	693 Specific issue audits
	89 BAS audits
	200 Property & construction audits
	829 Pre-issue refund reviews
	4,122 Registration integrity reviews
	2,512 Risk reviews
	<b>8,462 Total</b>
	<b>EXCISE</b>
	5 Field audits
	56 Field reviews
	3,292 Energy Grants Scheme claim reviews
	<b>3,353 Total</b>

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**Small and Medium Business**

<b>SME</b>	<b>INCOME TAX</b>	
	4,099	Refund reviews
	1,071	Risk reviews
	110	Consolidation reviews
	1,107	PAYG(W) audits
	204	Audits in the building and construction industry
	141	Audits on phoenix companies
	152	Company and trust loss reviews
	5	reviews of taxpayers using offshore credit/debit cards
	57	Tax haven reviews
	27	Reviews of R&D claims
	123	Transfer pricing reviews
	274	Offshore Investment reviews
	3,066	PAYG(W) reviews
	216	CGT audits
	332	Verification reviews
	<b>10,984</b>	<b>Total</b>
	<b>GST</b>	
	1,594	Cash economy field reviews
	5,390	Letters sent regarding asset sales
	702	Field reviews regarding the disposal of assets
	4,938	Reviews of non-lodgement & registration integrity
	238	Reviews of margin scheme
	163	Serious evasion audits
	6,906	Refund reviews
	1,547	Refund audits
	3,700	Reviews of deferred GST claims
	45	Risk reviews
	1,361	Audits and reviews of specific issues
	<b>26,584</b>	<b>Total</b>
	<b>EXCISE</b>	
	246	Audits and reviews on specific issues
	38	Field audits and reviews of EGS claims
	13,461	Desk reviews of EGS and FSGS claims
<b>13,745</b>	<b>Total</b>	
<b>SUPERANNUATION</b>		
636	Superannuation audits and reviews	
<b>636</b>	<b>Total</b>	

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**Micro Business**

<b>MICRO</b>	<b>INCOME TAX</b>	
	12,515	Reviews of non-commercial losses
	13,133	Income tax refunds reviewed
	23,700	PAYG audits and reviews
	94	Audits in Building & Construction Industry
	32	Phoenix company audits
	644	Reviews of internationals issues
	832	Alienation audits
	1,890	FBT audits and reviews
	430	reviews of private binding rulings
	<b>53,270</b>	<b>Total</b>
	<b>GST</b>	
	26,877	New business advisory visits
	27,256	Registration integrity reviews
	41,561	Verification reviews
	60,223	Refunds reviewed
	4,333	Letters sent to taxpayers resulting from community
	14,770	Letters regarding sale of business assets
	550	Audits on issues of non-compliance
	<b>175,570</b>	<b>Total</b>
	<b>EXCISE</b>	
	350	Record keeping reviews in the alcohol industry
	674	Audits and reviews of specific Excise issues
	88,392	Desk reviews of energy and fuel grant claims
	286	Field reviews of licensed tobacco growers
	297	fuel tests conducted in the field
	<b>89,999</b>	<b>Total</b>
	<b>SUPERANNUATION</b>	
	16,200	Superannuation Guarantee audits
	9,923	audits of employers following employee notification
	2,029	Reminder letters to employers
	1,055	SMSF audits
	222	Audits of approved auditors of SMSFs
1,155	lodgement of Surcharge Member Contribution Statements	
1,966	reviews of SMSF trustees	
5,175	reviews to verify regulatory requirements are met	
<b>37,725</b>	<b>Total</b>	