

25 May 2020

Mr W Gale
Gale Family Superannuation Fund
27 Yaldara Street
CARSELDINE QLD 4034

Audit Shield Service – Your participation expires on 30 June 2020

Dear Wayne,

With government revenue authorities increasingly using data matching, artificial intelligence and even social media, they are able to compare disclosures made in your lodged tax returns to those of other taxpayers or benchmarks. If a data matching check escalates to an official enquiry, investigation, review or audit, our costs in defending your position can accumulate quickly, regardless of whether any adjustments are made to your returns or not. Our Audit Shield service covers those costs (up to predetermined limits).

Audit Shield is not just for business owners and SMSFs. The Australian Taxation Office has also identified individual taxpayers who have rental properties and those with excessive work related deductions for special scrutiny.

Benefits of our Audit Shield service:

- **JobKeeper payment:** Audits and reviews of payments are covered (n.b. post any payments being made by the ATO only).
- **Retrospective protection:** Previously lodged returns are covered automatically.
- **Specialist fees:** Fees of any other external specialist (e.g. taxation lawyers) or relevant consultant engaged or instructed by us to assist us in a response to audit activity are also covered.
- **You have a choice:** The offering is optional, so there is no compulsion to participate.

Important information about our Audit Shield service:

- We hold a tax audit insurance policy in our business name. By proceeding with our Audit Shield service, we will include you and your entities in our policy.
- The policy we hold is a group policy underwritten by AAI Limited (trading as Vero Insurance).
- Payment is tax deductible. In addition, included in your payment is a fee payable to us. This is simply used as recovery of our administrative costs for managing this service.
- You can benefit from the service on the proviso that we are acting as your registered tax agent.
- Participation in this service is not automatic. Protection will commence on the next business day after we have received your payment, and expires on **30 June 2021**.

In order for your protection to be uninterrupted, simply provide payment as indicated on the "Client Acceptance Form" prior to 30 June 2020. We have worked closely with our service provider and Macquarie Bank to offer you an automated payment portal (DEFT Payment Systems). Please note that this portal is for Audit Shield service payments only. If you do not want to participate, you don't have to do anything but if you wish to formally decline, please follow the instructions on the "Client Decline Form".

If you have any queries with respect to this offer, refer to the enclosed FAQs or contact us.

Yours faithfully,



Sam Greco
Sam Greco & Co.

CLIENT ACCEPTANCE FORM

Gale Family Superannuation Fund
 27 Yaldara Street
 CARSELDINE QLD 4034

Tax Invoice

TAI-20479150

Ref: GALE0010
 25 May 2020

This *Client Acceptance Form* is your invitation to participate in the Sam Greco & Co Audit Shield service. Participation in the Audit Shield service is active the next business day upon receipt of payment. Liability limited by a scheme approved under Professional Standards Legislation. This document serves as a tax invoice/receipt upon payment.

Details

Expiry Date: 30 June 2021 at 4p.m.
 Level of Cover: \$ 10,000.00
 Turnover Category: Self-Managed Super Fund

Name of Entities / Individuals to be covered:

Gale Family Superannuation Fund

Payment

Fee for Audit Shield service participation:	\$ 290.91
GST Added:	\$ 29.09
<u>Amount Due:</u>	\$ 320.00

Privacy Statement

By paying this invoice, and in the event of any claims, you authorise us to provide reasonable personal/private information about you and/or any related entity to support the claim.

-----✂----- For cheque payments, please detach beneath this line and forward it along with your cheque payment to the address listed below. -----✂-----



DEFT
 PAYMENT SYSTEMS

DEFT Reference Number: 404251204791503

BPAY

To pay via BPAY, use the following details:



Biller Code: 253575

Biller Reference: 404251204791503

Contact your participating financial institution to make a payment from your cheque or savings account.

Mail

Post cheques to: GPO BOX 794,
 BRISBANE QLD 4001.



Cheques must accompany this form and are payable to: **Audit Shield - Sam Greco & Co**
 Please note this GPO Box is for cheque payments only.

Total Due

\$320.00

Please ensure payment for this remittance advice is made from your Super Fund only.

+404251 204791503<

00032000<4+

Protect yourself from unexpected tax audit costs



There's nothing more frustrating than being selected for a review or audit of your lodged returns instigated by the Australian Taxation Office (ATO) or other government revenue authorities. The cost of being properly represented can be quite considerable depending on the circumstances. Even a simple enquiry can require hours of work.

Audit activity can affect all taxpayers regardless of whether you are an individual, business or have a Self Managed Superannuation Fund. Below are just a few examples of recent focus areas:



Single Touch Payroll (STP) & Superannuation Guarantee (SG)

The ATO now knows every business that is registered for STP that has not met their PAYG and SG payment requirements. That enables greater compliance cross-checking which leads to more audit activity.



BAS Reviews (Pre & Post Assessment)

BAS Reviews attract a lot of audit attention from the ATO and were noted as one of the most highly reviewed audit focus areas in the last financial year. The ATO are trying to stamp out errors in BAS submissions by introducing the online BAS check tool however this only reinforces that it is a key focus area.



Payroll Tax

Payroll Tax continues to be a major focus area. Data sharing with other government authorities is assisting in raising red flags in this area, as well as in other related tax areas such as Land Tax and Stamp Duty.



Black Economy or Cash Economy

Accepting cash as payment is legitimate however the ATO has benchmarks that it uses to determine if a business is not declaring all of their income. Businesses that do not comply may be audited.



Self Managed Superannuation Funds (SMSF)

A SMSF is an excellent nest egg for the future but there are a lot of compliance issues related to the risk, return, and liquidity of the funds' investments that need to be fully addressed. One minor issue could flag attention from the ATO that will place the SMSF under scrutiny.



Work Related Expenses

Many individuals have fully claimable work related expenses but the ATO has stated recently that individuals have been making excessive claims and this has led to the ATO scrutinising work related expenses much more closely.



Rental Properties

The ATO intends to significantly increase the number of reviews and audits it conducts in relation to rental property claims with respect to capital works, capital assets, or other rental property related expense claims. The ATO also wants all taxpayers to be aware that if you earn income through sharing-economy services like Airbnb that this must be declared in your tax return.



Want to know more?

If you would like to know more about our Audit Shield service, please contact us.

Frequently Asked Questions - SMSFs



What is our Audit Shield service?

Our Audit Shield service provides for the payment of our professional fees otherwise payable by you when incurred as a result of our accounting firm being required to respond, on your behalf, to an audit, enquiry, investigation, review or examination (audit activity) of your lodged returns or your financial compliance obligations instigated by the Australian Taxation Office (ATO) or other government revenue authorities.

What is the benefit of our Audit Shield service?

Data matching becomes more sophisticated each year. This makes it simpler and far more likely for previously untargeted tax payers to encounter audit activity, despite compliance. With our Audit Shield service, you can rest assured knowing that our professional fees will be covered, and the accounting and taxation work will be undertaken, in relation to the audit activity. Often these fees can be greater than those we may charge you for completing the return(s).

What is included under our Audit Shield service?

Professional fees otherwise payable to us that have been incurred in responding to audit activity until the completion of the matter, or until the level of cover as stated on your Client Acceptance Form is exhausted, will be covered under our Audit Shield service. Fees of any other external specialist (e.g. taxation lawyers) or relevant consultant engaged or instructed by us to assist us in a response to audit activity are also covered. Both during (interim payments) and/or upon conclusion of the audit activity, we will present for payment our fees on your behalf to the insurer for recovery against the policy. Should a difference arise between our fees and the amount available to be covered against the policy, we may need to seek the shortfall payment of our fees from you. Your cover begins from the next business day after our receipt of your participation fee (see the attached Client Acceptance Form for further details).

Will my professional fees be covered?

Yes. Costs (professional fees) which are directly related to the work we are required to undertake as a result of audit activity will ordinarily be covered (up to the prescribed cover limit). The cost of these additional fees can be considerable depending on the amount of time required to attend to the audit activity. Standard fees associated with any typical compliance or other work conducted throughout the year are excluded.

Is the cost tax deductible?

Yes. A tax deduction should ordinarily be claimable for your participation fees.

Important information:

Please note that any ATO or other government revenue authorities official enquiries, investigations, reviews or examinations that subsequently change or increase in scope or continue, progress, expand, escalate or evolve into an official audit are always considered to be the one claim matter under our Audit Shield service that commenced on the date of first contact made by the ATO or other government revenue authorities to either our clients or to us.

Is it possible to arrange a pro rata fee for our Audit Shield service?

Yes, depending on your date of payment a pro rata fee may be available. Please speak with us to discuss the specifics of this option.

What could the ATO target via audits, enquiries, investigations and reviews of lodged SMSF returns?

- | | |
|---------------------------|--------------------------------------|
| > Asset Valuations | > Borrowing Rules (LRBAs) |
| > Capital Gains Tax | > Conditions of Release |
| > Contributions Tax | > Disqualified Trustees |
| > GST/BAS (if applicable) | > Income Tax |
| > In House Asset Rules | > Investments in Non Listed Entities |
| > Overseas Assets | > Non Arms-Length Transactions |
| > Ownership of Assets | > Pension/Benefit Payments |
| > Preservation Rules | > Record Keeping |
| > Related Party Assets | > SIS Contraventions |
| > Sole Purpose Test | > Plus much more |

What is not included?

We have carefully selected our Audit Shield policy to provide the widest possible coverage for us and our clients. However, we do remind our clients that such items or circumstances as listed below are not covered:

- > Actions in regard to any notices from the ATO or any other government revenue authorities that are educational or advisory in nature or merely suggest, invite or propose actions to be taken by you; or act as a warning to you that you may be selected for audit activity at a future time; or do not compel you to take any action.
- > If the ATO auditor imposes final culpability/shortfall penalties of 75% or more, and/or the return is deemed to have been fraudulently lodged.
- > Any matter in relation to applications, assessments or reviews of government benefits or entitlements and any form of activity involving a review relevant to you maintaining industry status, licence compliance, membership or any form of application, registration or re-registration process.
- > Any fine or penalties imposed or for any amounts payable pursuant to an amended notice of assessment or adjustment including but not limited to any additional tax, duty, government impost or similar payments.
- > Costs for work incurred which should have been undertaken prior to the audit activity (e.g. outstanding lodgements).
- > Audit activity where notification was given prior to the inception of cover (i.e. prior to our receipt of your participation fee).
- > Excess superannuation contribution tax issues are not included in the SMSF specific cover as these issues are directed at the individual member, not the SMSF.

Who is Vero Insurance and how can they be contacted?

AAI Limited trading as Vero Insurance is a wholly owned subsidiary of Suncorp Group Limited.

Postal Address: GPO Box 3999, Sydney NSW 2001

Telephone: 13 18 13

Email: veroinformation@vero.com.au

Want to know more?

If you would like to know more about our Audit Shield service, please contact us.

CLIENT DECLINE FORM

Gale Family Superannuation Fund

Client Code: GALE0010

DEFT Reference Number: 404251204791503

If you do not wish to participate in our Audit Shield service, please decline by following the instructions listed below:

- Step 1.** Visit <https://pay.auditshield.com.au/samgreco>
- Step 2.** Click the 'Decline Participation' link at the bottom of the page.
- Step 3.** Complete the 'Decline Participation' form and submit.

By following the steps listed above, you confirm that you have been offered participation in Sam Greco & Co Audit Shield service and do not wish to participate. You acknowledge that you will be excluded from the coverage the service provides and will be charged separately for any professional fees and/or costs that may occur in the event of any audit activity by the Australian Taxation Office (ATO) or any other government revenue authorities.