

5 Simple Tax Mistakes Most Likely to Get You Audited

Tax time of the year is fast approaching, one day at a time. If you are like most people, that undoubtedly reminds you of a time when you are under the most stress. Financially so, that is.

You would have to keep everything in order, itemize the proper stuff and keep your house in order. Afterall, you wouldn't want to get caught up in the ATO's web.

So that this doesn't happen, we have highlighted the five simple mistakes you should totally avoid if you don't want to get audited.

1 Unnecessary Oversight

One of the biggest reasons why people get audited by the ATO is based on a couple of honest mistakes and oversights that they have made while preparing their tax statement. Before you send anything to the ATO, it is good practice to go over your files a couple more times to see confirm you haven't missed anything.

Many people rely on the judgement of a hired accountant to get this done. You should understand that even though they are professionals, they are humans too. That means they are also susceptible to making this mistake and messing things up for you. Simply asking to see the financial sheet before they send it in could save you a lot of trouble.

When doing your review, you will want to look at the maths to make sure they add up. If you have a complex financial situation, bring in an accountant. In all you do, ensure everything adds up

2 Non-declaration of Total Income

You should know that the ATO is meticulous enough to go through the data submitted by your employers and match it to yours. If the numbers don't tally, you could be putting a big red dot over your own forehead. That is why you should never leave out your source(s) of income – either wholly or partially.

It is good practice to keep a spreadsheet for recording all the income you receive in a year – especially if you have multiple streams of such income. Income from royalties, casual work, one-off gigs and so on should also be made available to your accountant.

If you think it is taxable, for no reason should you leave it out of your income bracket

3 Bogus Deductions

Deductions provide a great way to lower the volume of your income which would be taxable. However, there is a point where the deductions are deemed so much, your financial life becomes a point of interest for the ATO.

The best thing to do is speak with your accountant to know what you can deduct and what you shouldn't. If you are a self-employed person, you will find out that you can even deduct more without going overboard.

Some of the common deductions a good accountant will look into for you are on:

- Home office expenses
- Vehicle expenses
- Capital costs
- Transaction fees (bank, credit cards, online remittance services e.g. PayPal, etc.)
- Business membership fees
- Internet bills
- Phone subscription
- Running costs of business and
- Utilities, to mention but a few

4 Inflated Charitable Contributions

Many people try to get out of a higher tax bracket by inflating how much they have donated to charity in the financial year under review.

The ATO is composed of a group of intelligent accountants who can always see what income level you fall in, determine your standard of living and from there, make estimates of what a reasonable donation from you should have been.

Thus, it is better to keep the receipts from any and all donations and deduct them from the total taxable income accordingly. No more, no less!

5 Writing off Bad Business Losses

The ATO understands that the first year of setting up a business could end in losses. What they won't understand is if you keep writing off the business as making losses some 3 – 4 years after establishment. This sure sets the bells ringing, making them peg such a business as a front to avoid payment of taxes.

The worst part of this is not only that you could get audited. You will also have to pay more taxes and might have your right to deductions taken away from you in partiality or totality.

Getting Audited?

That is not the end of the line.

Hire a good accountant to handle the pieces for you. Work with them by providing all the necessary information to see where you might have been the wrong.

Should you believe that the ATO is at fault, don't hesitate to fight back against the system – following the regulated paths, of course.

