



**Australian Government**  
**Australian Taxation Office**

# Software Assurance Project

Common client errors

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## Summary

The following list of common errors have been identified by staff from the issues they found during their client interactions in 2014-15, 2015-16 and are currently finding in 2016-17. Many of these errors could have been avoided if the system/s were set-up correctly in the first instance. Use of an Audit Trail, reconciliation checks, and error detection, if provided by their Software, would have prevented many of the errors.

In summary, the feedback and analysis identified 55 broad category errors across all taxation obligations, with 189 low level common errors, ranging across 21 risks. Previous integrity of business systems analysis by ITX has found that the most common factor driving non-compliance with our clients is Governance and System Issues across all markets, with BAS Preparation Errors\* the most common manifestation.

# GST

Errors pertaining specifically to GST in isolation cover 13 of the broad categories. There are 67 individual errors across 9 risks and they occur primarily as a result of set-up issues or individual transactions.

Tax	Error (broad category)	Error (lower level)	Risks/s	Risk Model/s	Set-up	Individual Transactions	Lodgment
GST	Incorrect or Misclassification of Supplies	GST vs GST free (e.g. In MYOB users record transactions under both N-T and FRE, not realising that non-taxable transactions are different than GST free transactions)	IBS				
GST		Incorrect default GST codes recorded in the system (e.g. taxable supplies that default to a GST Free tax code) Changing GST code from GST to GST Free or NT	IBS				
GST		Use of GST free code versus non-taxable, therefore affects what is reported on the BAS.	IBS				
GST		ITCs incorrectly claimed on overseas travel and accommodation (error occurred as not checking the invoice for GST, system defaults to automatically calculating 1/11th of the total invoice amount as GST)	IBS				
GST		Mixed supplies - Failure to apportion mixed supplies to the business.	IBS				
GST / Fin Supp		Over claiming ITC on financial acquisitions due to misunderstanding of entitlement, under-payment of GST on fees received and other	IBS Fin Supp				
GST		Supplier of mobile repayment options did not include GST on their invoice due to no GST appearing on the invoice from distributor	IBS				
GST	Wrong code being selected on transactions	Multiple codes previously used resulting in the wrong code being selected on later transactions	IBS				
			R.I.				
		QuickBooks users often do not code items under the right tax code	IBS				
			R.I.				
		Not adhering to the definitions around what the tax code is supposed to represent	IBS				
			R.I.				
Too many tax codes available – need to be simplified into 4 or 5 codes only for basic business	IBS						
	R.I.						
Not using the Chart of Accounts and available default tax coding correctly from the beginning	IBS						
	R.I.						
GST	Duplications / Duplicate ITC claims	Duplicate purchase and sales entries	IBS				
		Entity claiming ITCs on invoices that are issued in the name of related entities (i.e. claiming twice - duplicate claims) – error occurred as staff are relatively new, no internal BAS preparation procedures and there is a constant turnover of staff.	IBS				
		Entity claiming ITCs on invoices that are issued in the name of related entities (i.e. claiming twice - duplicate claims) – error occurred as staff are relatively new, no internal BAS preparation procedures and there is a constant turnover of staff.	ICB				

Tax	Error (broad category)	Error (lower level)	Risks/s	Risk Model/s	Set-up	Individual Transactions	Lodgment
GST / ABN	Incorrect ITC claims (where no valid claim or change in purpose)	Purchases from unregistered entities (e.g. contractors)	R.I.				
GST / ABN		Human errors – failing to verify the supplier's GST registration status or overriding the system calculated ITC amount to a lesser amount, transposition error	IBS				
GST		Claiming on wages & super expenses, loan repayments	IBS				
			R.I.				
GST		GST free acquisitions (e.g. stamp duties and other gov't charges)	IBS				
			R.I.				
GST		Statistical reporting errors (i.e. such as the reporting of out of scope transactions and non-inclusion of the GST inclusive value of GST deferred imports)	IBS				
			R.I.				
GST		Claiming in relation to private expenses or not correctly apportioning for private/business use. Incorrect amount input at label 1B (overstated).	IBS				
			R.I.				
GST		Definition of going concern versus taxable supply	IT				
GST / Property		Margin scheme incorrectly reported	Property				
GST / Property		Failure to account for changes to creditable purpose under Div 129. EG. Property developers who start off with an intention to sell but then end up renting the properties out and fail to make adjustments under Div 129	Property				
GST / Property	Claiming GST credits when the purchase was not for a creditable purpose, for example claiming expenses relating to a residential rental property. Incorrect amount input at label 1B (overstated)	IBS					
		R.I.					
GST	Failure to account for reversals with an increasing adjustment for example with bad debts, discounts	IBS					
GST	Incorrectly claiming ITCs as a resident agent for an overseas entity i.e. incorrect interpretation of Div 57 of the GST Act (Resident agents acting for non-resident).	R.I.					
		ICB					

Tax	Error (broad category)	Error (lower level)	Risks/s	Risk Model/s	Set-up	Individual Transactions	Lodgment
GST	System and reporting errors	Consistency around how the taxpayer reports on BAS – GST inclusive sometimes vs. GST exclusive in other periods.	R.I.				
			IBS				
		Lodging a BAS with 1A and 1B figures only, but our IBS risk uses the Statistical BAS Labels (G labels) for risk modelling	IBS				
		Some versions of QuickBooks allow users to complete transactions with no GST coding and as a result they will not show on tax detail report	IBS				
		No GST procedures or internal controls	IBS				
		System controls – allowing for the system generated invoice number be overridden with free text	IBS				
		Not correctly accounting for the GST for settlement discounts	Property				
		Invoices issued with different bank accounts. Message to appear is an invoice is being prepared not using the nominated business account	IBS				
			R.I.				
		Client did not include the management fees on the respective BAS	IBS				
		G1 and lack of reconciliation with the 1A; Incorrectly stated label 1B, same figure as in 1G	IBS				
		Taxpayer includes cents when not required - This significantly distorts the income and GST recorded as paid to payees	IBS				
		The payee ABN is recorded as the same as the payer's ABN on records.	IBS				
		Withholding where an ABN isn't provided is recorded by the payer, just not reported	IBS				
Payers report intra-entity payments (petty cash replenishment as an example) on the TPAR when such are not required (they aren't payments to contractors).	IBS						
Understanding of the correct completion of G3 labels. (clients sometimes stick non-taxable transfers etc. as "GST free" on BAS at G3)	IBS						
GST	Incorrect BAS reporting / reconciliations	Systems that have the ability to close-off a period and a roll-over function not being applied correctly. The main reason for this occurrence is that some entities fail to close of their accounts on a monthly basis. Therefore some transactions get backdated to earlier periods when they should be recorded in the period they are processed.	IBS				
		No GST control account reconciliations	IBS				
		Taxpayers assuming their TAGs actually look at the coding applied in their accounting systems pre-lodgment.	IBS				
		Some clients do not do a full 12mth reconciliation of their BASs. Their software may not have provision for that function	IBS				
		Year end some cases the June BAS whether Quarterly or monthly is carried over to July	IBS				
	R.I.						

Tax	Error (broad category)	Error (lower level)	Risks/s	Risk Model/s	Set-up	Individual Transactions	Lodgment
GST	Registrations/Identification Issues	DIN and ABN/TFN do not match	Activity Statement				
		Taxpayer is untraceable	Registrations				
		Cannot vary GST on a revision after the Annual Return has been lodged.	Activity Statement				
		Activity Statement being processed and the status = CANC or they are not registered for GST and they report GST figures	Activity Statement				
		Label 9 (the BAS total) does not equal the amounts reported for each of the tax types	Activity Statement				
		The data field contains invalid data	Activity Statement				
		Credit for Wholesale Sales Tax present (label 1G) and an amount claimed in a previous BAS	Activity Statement				
		Credit for Wholesale Sales Tax present and the tax period is later than December 2000 or revising an AS and the processing date is after 31/01/2004	Activity Statement				
		Activity Statement being processed and the status = GEN, DSP , RVCD, DISC, FIN	Activity Statement				
		Client claims amount at Label 5B and has later As for same year at FIN status.	Activity Statement				
Client claims amount at Label 5B and has earlier As for same year at RCVD status.	Activity Statement						
GST	Cash versus accruals accounting errors	Online sales made by the entity incorrectly reported on a cash basis when the entity is registered to account for GST on a non- cash basis. Online sales were manually processed into the accounting system based on payments received rather than sales made. All other non-online sales were correctly reported on the non-cash basis.	IBS				
		Taxpayer's accounting on the incorrect basis in comparison to their registration for GST (e.g. setting up system as cash instead of accrual)	IBS				
		Claiming ITCs on unpaid invoices when accounting on a cash basis	IBS				
		Not monitoring turnover totals and being prompted to switch from cash accounting to accrual accounting.	IBS				

Tax	Error (broad category)	Error (lower level)	Risks/s	Risk Model/s	Set-up	Individual Transactions	Lodgment
GST	Group transaction errors	Entities within a GST group are recording transactions between group members with GST in the transactions and being reported at labels 1A and 1B (however, overall there is no shortfall)	IBS				
			R.I.				
GST	Group transaction errors	A supply classified as non reportable was identified as being a sale of an asset to a related entity. The entity had incorrectly reported the sale to the related entity (not Grouped for GST) as non reportable because they considered sales to entities within the economic group as non reportable	IBS				
			R.I.				
GST	Adjustments	GST adjustments are not made when COY ceases registration.	Cash Economy	CE SBB , CE UBI			
GST / Property		Attributing property sales based on contract date rather than settlement date	Property				
GST	Timing errors	Figures being added to 1A and 1B amounts as a result of the GST clearing journals not being posted on time	IBS				
GST	Incomplete or incorrect information for the Thin capitalisation section of the IDS	Partially filled labels (e.g. debt deduction and adjusted average debt reported but corresponding labels left blank)	IBS				
GST	Missing or inconsistent information Q3 and Q4	Missing activity codes for the amount reported at labels	IBS				



## Indirect taxes

Errors specific to Indirect Taxes cover 5 of the broad categories. There are 27 individual errors across 5 risks and they occur primarily as a result of individual transactions.

Tax	Error (broad category)	Error (lower level)	Risks/s	Risk	Set-up	Individual Transactions	Lodgment
FTC	System and reporting errors	Using incorrect rate for FTC.	EXC (FTC)				
		Used litre instead of \$ x rate	EXC (FTC)				
		Used dollar purchase instead of litre to calculate FTC	EXC (FTC)				
		Used of non-current/old rate	EXC (FTC)				
		Eligibility - Claim for ineligible vehicle	EXC (FTC)				
		Eligibility - Claim for ineligible activities	EXC (FTC)				
WET		Attribution error - attributing claims to the wrong period	EXC (FTC)				
		Used retail price instead of wholesale price to calculate WET	EXC (WET)				
		Breach of annual claiming threshold	EXC (WET)				
		Claimed for sales more than once - double dip	EXC (WET)				
WET	Incorrect or Misclassification of Supplies	Incorrect calculation of wholesale price	EXC (WET)				
		Incorrect classification of sales as GST-free transactions	EXC (WET)				
		Incorrect claiming under 1D for product not eligible for WET	EXC (WET)				
		Errors in how systems have been set up to account for WET and the GST on these transactions	IBS EXC (WET)				
GST / WET		Claiming GST credits above the luxury car tax limit. Incorrect amount input at label 1F (overstated).	IBS EXC (LCT)				
GST / LCT							
LCT	Incorrect or nil LCT included on BAS	Failure to account for sale of second hand vehicles which are sold within 2 years of manufacture/importation	EXC (LCT)				
		Claiming a decreasing LCT adjustment (label 7f) when client is not entitled to do so	EXC (LCT)				
		Claiming a decreasing LCT adjustment (label 7f) plus an offsetting LCT payable amount (net impact nil) incorrectly	EXC (LCT)				
		Incorrect calculation of taxable value of car (e.g. accessories, motor dealer incentives/rebates)	EXC (LCT)				
		Failure to account for trading stock which is used for another purpose (in addition to being trading stock)	EXC (LCT)				
GST / FTC	System and reporting errors	No distinction between off road and on road FTC with the total being entered and reported as off road	EXC (FTC)				
GST / EXC		Unreported supplies - one off transactions such as a fixed asset sale that aren't reported in the BAS. These transactions are generally accounted for through manual journals that can easily escape the BAS entirely	IBS R.I.				
		Errors in formulas on BAS preparation spreadsheets	IBS				
		Transposition errors when data is manually entered into spreadsheets / system	IBS				
GST / EXC	Incorrect BAS reporting / reconciliations	Ineffective controls over changes or deletions of records	IBS				
GST / EXC		No exception reports produced	IBS				
GST / EXC	Wrong code being selected on transactions	Incorrect coding (mainly of new accounts)	R.I.				

# Income Tax

Errors pertaining specifically to Income Tax cover 14 of the broad categories. There are 31 individual errors across 7 risks and they occur primarily from lodgment.

Tax	Error (broad category)	Error (lower level)	Risks/s	Risk Model/s	Set up	Individual Transactions	Lodgment
IT	Double claiming of PAYGI credit	Label K in Handisoft/Handitax comes up blank (yet is pre-populated with the PAYG credit in the background). As a result agents are incorrectly including this amount at H7	Income tax return	SMB/IT			I
IT	No "Notification of conversion to a MEC group"	Notification is due the day on which the head company lodges its income tax return for the income year in which the MEC group comes into existence. This can be many months after the effective date.	IT				I
IT	No "Notification of members joining and/or leaving an income tax Consolidated group"	Notification is due 28 days from the day on which the change occurred. This is not enforced and the reality is that the ATO receives these forms more often than not many months after the event. No information whether the taxpayer applied the consolidation rules, i.e. tax cost setting upon exit is reported.	IT				I
IT	CGT exemption or rollover not identified	The income tax return or the CGT Schedule does not require the taxpayer to report the amount of the capital gain so the value of the exemption or rollover is unknown.	IT (CGT)				I
IT	Related Party Capital Transactions incorrectly declared	Where the current year gain/loss declared in the <i>CGT Schedule</i> is less than 10% of the consideration received from the related party for the transaction in the <i>International Dealings Schedule</i> , it is an indicator that the amount of current year gain/loss declared in the <i>CGT Schedule</i> may not be accurate	IT (CGT)				I
IT	Trust income not declared	All Trusts that derive income must lodge an ITR. Labels 53A and 54W cannot be left blank.	IT				I
IT	Cash versus accruals accounting errors	Reporting on a cash basis when sales turnover is more than \$2 million and income tax return is prepared on a cash basis.	Cash Economy	CE SBB, CE UBI	I	I	I
IT	ITR reconciliation - Reporting mismatches	<b>Excess tax losses</b> deducted in current year compared with previous year's <b>carried forward loss figure</b>	IT	PG&I risk hit number - 291			
IT		Mismatch between tax losses deducted amount in the Company Tax Return and tax losses deducted in the Part F of their Losses/Consolidation Losses Schedule	IT	PG&I risk hit number - 241			
IT		Mismatch between "Taxable loss" in their Company Tax Return Section 7, Label T and tax losses incurred during the current year in the Part F of their Losses/Consolidation Losses Schedule	IT	PG&I risk hit number - 62			
IT		Mismatch between the <i>Tax losses carried forward to later income years</i> from the prior income year Company income tax return (previous year's Company ITR Question 13, Label U) and <i>Balance of tax losses brought forward from prior years</i> (current year losses schedule, Part F, Label A, or equivalent of consolidated group losses schedule)	IT	PG&I risk hit number - 565			
IT/CGT		Mismatch between the net capital losses carried forward amount at the relevant label in the CGT Schedule and the net capital losses carried forward amount at the relevant label in the ITR	IT	PG&I risk hit number - 16			

IT		Report prior year losses applied in the current year that are greater than the sum of the net capital losses carried forward from the prior year	IT	PG&I risk hit number - 12			
IT		Reported non-assessable non-exempt income at the Exempt income label (7V) rather than Other income not included in assessable income (7Q)	IT	PG&I risk hit number - unknown			
CGT	No CGT schedule	If total capital gains > \$10,000 a CGT schedule must be prepared for lodgment	IT (CGT)				
CGT	Incorrect CGT declared	Capital gains received from a trust – is the amount reported in the client’s tax return as total capital gain the gross capital gain received from the trust and not net capital gain?	IT (CGT)				
IT/CGT		With Discretionary Trusts the Trustee must make a resolution in respect of CGT	IT (CGT)				
CGT		Non-residents who claim the 50% CGT discount when non-residents are not entitled	IT (CGT)				
IT	Incomplete or incorrect information for the Thin capitalisation section of the IDS	Providing <b>incorrect</b> entity type codes which would not reconcile with the information providing in the thin cap section of IDS	IT				
		Selection of multiple options for the method of thin cap rules’ application e.g. World-wide gearing debt/capital test, Arm’s length and safe harbour; whereas only one option should be applicable.	IT				
		Amounts reported at incorrect labels in IDS	IT				
IT	Information Labels	Incorrectly completing the Payments to Associated Persons labels can result in the incorrect calculation of the <b>Total Expenses</b> benchmark ratios. <b>The payments to associated persons labels are:</b> Company label 8Q Partnership and Trust label 45 M Individual label P14 H	Cash Economy, IT	CE SBB , CE UBI			
		<b>Cost of Sales:</b> Ensure the relevant <b>Cost of sales</b> labels in the <b>Expenses</b> section of the income tax returns are correctly completed and <u>only include cost of sales amounts</u> , as these are used in the calculation of the small business benchmarks. Incorrectly completing (or not completing these labels) may result in an incorrect calculation of the businesses performance when comparing against the small business benchmarks. Therefore, failure to correctly complete these sections of the income tax returns may unnecessarily trigger a response in the use of risk models and small business benchmarks as a risk identification	Cash Economy, IT	CE SBB , CE UBI			
		Ensure the correct <b>Business Industry Codes (ANZSIC)</b> is reported on the income tax returns as these are used in the calculation of the small business benchmarks and other risk models. Incorrectly completing or not completing these labels may result in an incorrect calculation of the businesses performance when comparing against the small business benchmarks (and/or other risk models). Therefore, failure to correctly report these codes on the income tax returns may unnecessarily trigger a response in the small business benchmarks & risk models.	Cash Economy, IT	CE SBB , CE UBI			

		Ensure the relevant Multiple Business Activity labels in the income tax returns are correctly completed as these are used in the calculation of the small business benchmarks. Incorrectly completing (or not completing these labels) may result in an incorrect calculation of the businesses performance when comparing against the small business benchmarks. Therefore, failure to correctly complete these sections of the income tax returns may unnecessarily trigger a response in the use of small business benchmarks as a risk identification tool	Cash Economy, IT	CE SBB , CE UBI			
		Incorrectly completing the salary and wages expense code labels can result in the incorrect calculation of the <b>Cost of Sales</b> benchmark ratios (correctly reporting Salary and Wages account code "C" allows us to exclude the salary and wages amount from the calculation of the Cost of Sales benchmark ratio). <b>The salary and wages expense code labels are:</b> Company label 8D code Partnership and Trust label 44 L code Individual label P13 G code	Cash Economy, IT	CE SBB , CE UBI			
FBT	Lodging FBT return before BAS return	Employers lodging FBT returns before their BAS return results in their FBT return going into suspense and it delays the processing of the FBT return.	EXC (FTC)				
FBT		Cannot vary FBT on an original if it is overdue and after the annual return has been lodged	FBT				
PAY GW	Registrations/Identification Issues	Taxpayer reports PAYGW but not registered for PAYGW	Activity Statement				
		Taxpayer is registered for PAYGW but reports PAYGW in wrong tax period	Activity Statement				
PAY GI		Taxpayer is registered for PAYGI but has not completed 5A and T1	Activity Statement				

## Superannuation

Errors pertaining specifically to Superannuation cover 16 of the broad categories. There are 30 individual errors across 13 risks and they occur primarily from individual transactions.

Tax	Error (broad category)	Error (lower level)	Risks/s	Risk Model/s	Set up	Individual Transactions	Lodgment
Super	Incorrect bank account details	SMSFs include tax agent bank account details at 7A on the SMSFAR. Bank account details at 7A must belong to the SMSF.	Super				
Super	Losses schedule	Super funds must lodge a losses schedule where reported losses exceed thresholds	Super				
Super	Incorrect completion of SMSF return from distribution by Trust	When completing label 11M of the SMSF annual return (Gross trust distributions), it needs to be determined whether all or part of any distribution is non-arm's length income and, if so, it gets reported at label U2 of that return (Net non-arm's length trust distributions)	Super				
Super	SMSF annual return	Error 91751 - Member TFN must be present if Member Information details have been provided	CAS				
		Error 40213 - Account type invalid client type	CAS				
		Error 777 - original return does not exist for the incoming amended return	CAS				
		Error 91858 - Fund is not listed as a SMSF in client register	CAS				
		Error 778 - original return already exists for the incoming original return	CAS				
		Error 90565 - invalid character in numeric field	CAS				
		Error 91750 - First given name must be completed if family name is present	CAS				
		Error 91758 - Total member account balances cannot be blank if "Was the fund wound up during the income year?" is No or blank	CAS				
		Checking to ensure that funds do not insert "reserve account" information in Sections F and G?	CAS				
Super	SuperTICK data not correctly formatted	Funds are submitting raw member data in SuperTICK without reformatting in accordance with the specifications resulting in processing errors. Funds submitting SuperTICK data with mandatory fields missing.	Super (Large funds)				
Super	Incorrect Data reported by funds	Analysis of fund's lodgement and reviews indicate same TFN reported for members with different surname, first name and date of birth/ incorrect provider supplier details reported /Provider Client ID, Employer details not reported	Super (Large funds)				
Super	Member reported with different account status in MCS and LMS	Analysis of fund's MCS and LMS lodgements indicate same member reported with different member account status	Super (Large funds)				
Super	Reconciliation issues	Parent form not posted, suspended, or pending finalisation	SPR				
		Role not found, not linked, not in table, or there are multiple roles	SPR				
		Either a Supplier's TFN, ABN, or TAN must be provided	SPR				
		The provider/supplier does not have a valid ESDA address	SPR				

Super	Illegal Early Release	Illegal payments from a superannuation account to a member	SPR	SPR SMSF			
Super	SMSF number of members	Number of active members >4 or <1	SPR	SPR SMSF	I		
Super	SMSF auditor independence	Auditor of SMSF is an associated person	SPR	SPR SMSF	I		
Super	Multiple accounts reported with inconsistent information	Analysis of fund's lodgement indicate same member with multiple accounts in the same system was reported with different account status	Super (Large funds)				
Super	Reporting requirements not correctly translated into IT extraction rules	Analysis of fund's lodgement and review activities indicate members under the lost member account threshold and over 65 reported incorrectly	Super (Large funds)				I
Super	Lodgment issues	Original return already exists for the incoming original return, or there is a suspended form in same period	SPR				I
		End date is invalid	SPR				I
		Required field is empty	SPR				I
Super	Not enough information to extract Internal Id	Suspended errors made by funds, generally their names do not match what we have recorded in ICP	SPR				I
Super	Child forms	Duplicate child form or form not keyed	SPR				I
		Previously posted child form with a later file creation date found	SPR				I

## Errors across multiple taxes

Errors across multiple taxes cover 22 of the broad categories. There are 41 individual errors across 7 risks and they occur primarily from lodgment.

Tax	Error (broad category)	Error (lower level)	Risks/s	Risk Model /s	Set-up	Individual Transactions	Lodgment
GST / IT	Incorrect or Misclassification of Supplies	Client did not recognise a barter transaction with another client as taxable supply	?				
GST / EO / IT	Set-up issues	Reporting issue for TPRS purposes - Where Customer and Supplier details are incomplete this may become a reporting issue for TPRS purposes if they have sub-contractors.	IBS				
			Property				
GST / IT	Point of Sale System	Many POS systems do not satisfy record keeping requirements because they do not retain the last 30 days detailed sales data (similar to full till role). We think this is because the system is set up to purge (often after 14 days) to save on storage and therefore reduces the cost of purchasing the software. Only summary records are retained after the 14 days (or less).	IBS				
GST / IT	Incorrect ITC claims (where no valid claim or change in purpose)	Definition of capital versus revenue	IBS				
GST / IT		TAG not aware that acquisitions claimed were not creditable - i.e. relying on information provided by clients, without sufficient knowledge that source documents or integrity exists	IBS				
			R.I.				
			IT				
GST / IT		Client misunderstood the GST treatment of non-deductible entertainment expenses	R.I.				
GST / IT	Claiming ITCs without holding a valid tax invoice (Poor accounting records) or the invoice is made out to another entity and the wrong entity claims it.	R.I.					
		IBS					
		IT					
GST / IT / Super	System and reporting errors	Old Software being used. Has a limited scope in what it can do to enable taxpayers to correctly comply. May not calculate the correct superannuation guarantee.	Super				
GST / IT		Failure to deposit cash (or not deposited in a timely manner) resulting in it not being picked up by Banklink and thus won't be reflected on lodged BAS/ITR.	IBS				
PAYGW		Wages incorrectly entered so withholdings not calculated and paid	IT				
	PAYGW						
GST / EXC / IT	Incorrect BAS reporting / reconciliations	No bank reconciliations (by client or TAG)	IBS				
GST / IT		No reconciliation undertaken at time of preparing ITR's and comparison with BAS lodged can result in underreporting of taxable supplies. There is a failure by clients to reconcile their BAS's against ITRs, either by TAG or client themselves. There is usually an adjustment to either side of the equation if the figures do not match thus resulting in shortfall and possible penalties. Often the BAS is lodged by taxpayer or bookkeeper so Agent who lodges ITR does not reconcile.	IBS				
			IT				

GST / EXC / IT		Usage of a single log-in code for a number of different parties offering limited tracking re: data entry. Lack of security.	IBS				
GST / EO		Non-cloud systems not being backed-up regularly with data being safely stored.	IBS				
GST / EO		Not many seem to use the audit trail feature in MYOB possibly as they don't want the additional report	IBS				
GST / IT		BAS label - G1 total supplies – lack of reconciliation with ITR income label. A software system picking this up should prompt the client to re-check whether figure is correct prior to lodgement.	IBS				
			IT				
GST / IT		No reconciliation done between the payroll and W1 and W2 on the BAS and the payment summary statement and ITR	IBS				
			IT				
GST / IT		TAG does not use a checklist or sample sales invoices, etc. to ensure information prepared by client - It is considered the TAG does not have sufficient practices in place to ensure that the information provided by their clients which is input into the TAG's system is accurate and includes all income received by the clients.	IBS				
GST / EXC / IT		Suspected 'taxpayer intervention' also causes incorrect reporting (not the software as such), i.e. modifying/deleting transactions	IBS				
GST / ITW	Registrations/Identification Issues	Registration of applicable roles (ITW, GST, etc.) and report and remit in the correct period and on the correct form	Activity Statement /Registrations				
GST / FBT		FBT Role Cannot finalise activity statement as there is a previous activity statement for the same financial year that is not yet finalised.	Activity Statement				
GST / IT	Missing or inconsistent information Q3 and Q4	Country codes missing for the amounts reported at labels for international related party dealings	ICB				
GST / IT	Incomplete or incorrect information for the Thin capitalisation section of the IDS	Indicating that thin cap rules apply (to the reporting entity/taxpayer) but no amounts reported at the labels e.g. Incorrect information provided at Q30 for reporting thin cap obligations (e.g. reporting Yes without providing sufficient information or opting 'No' but providing the information in the section	IBS				
			IT				
GST / FBT	Not paying GST on employee contributions (FBT)	Employers must pay GST on employee contributions made directly to them where the contribution does not relate to a GST free or input taxable supply.	R.I. FBT				
GST / CGT / IT	CGT discount incorrectly claimed	Some trusts in the property development industry are characterising their business income as capital rather than revenue to take advantage of the 50% CGT discount	IT (CGT)				
			Property				
GST / IT	Client not declaring income	TAG does not question how their clients were meeting personal living expenses or query low incomes (can be below poverty line)	IBS				
			Cash Economy				
			IT				
GST / CGT / IT	Incorrect CGT declared	Errors due to business systems being unable to process, or incorrectly set up to process, a one-off supply of assets. Main concern is often capital accounts/assets registers, and capital gains tax treatments and depreciation, and not GST	IT (CGT)				
			IBS				



SPR/IT	Release authorities for super contribution equity measures	Superannuation software could include functionality to action release authorities for their clients and make payments. Could include some checks around the PRN used to ensure the payment goes against the right debt amount.	IT/SPR				I	
SPR/FT ECC	Incorrect SAR reporting in relation to NAT 74851 SMSF reserves form	SMSF members who use a Reserves Strategy can use NAT 74851 Request to adjust concessional contributions to report this to us. Achieving the correct outcomes from using this form depends on the member undertaking correct SAR reporting. Most members are not reporting correctly in the SAR with regard to their reserves strategy.	Super					
Super/ IT	Pension payments	Breaches of minimum and maximum pension payment amounts	IT/SPR	SPR SMSF			I	
Super/ IT	Non-arm's length income	Income levels indicative of in-house asset or non-arm's length income risk	IT/SPR	SPR SMSF				
Super/ IT	SMSF borrowing - NALI	Terms of borrowing outside benchmarks (NALI).	IT/SPR	SPR SMSF				
Super/ IT	SMSF borrowing - LRBA	Borrowing by SMSF may not comply with rules. Long term borrowing not identified as limited recourse borrowing arrangement.	IT/SPR	SPR SMSF				
Super/ IT	SMSF in-house asset	Rental or interest income received from trustee indicative of in-house asset	IT/SPR	SPR SMSF				
Super/ IT	Exempt current pension income and expenses	Pension phase SMSF without non-deductible expenses	IT/SPR				I	
		Carried forward tax losses not reduced by exempt current pension income	IT/SPR				I	
Super/ IT	Client claiming a deduction for personal super contributions (PSCD)	To be eligible to claim the PSCD the client may have given their fund a valid notice of intent and advised them of the amount they intend to claim as a deduction and the fund must have acknowledged their valid notice. Stats show that many taxpayers don't do this but claim the deduction anyway.	IT/SPR					
		Following where the fund has acknowledged a valid notice the amount that is being claimed by the client must then be recorded as assessable income for the fund.	IT/SPR					
		PSC deduction should be claimed at D12 (this label naming is changing with MyTax). Should not be claimed at 'super expenses' under the business income section of the return.	IT/SPR					I
		PSC deduction is limited by taxpayers' age (contributions must be made by 28 days after the end of the month in which the person turns 75). Error code should be developed for any person who is over the age limit before the start of the income year, so that they cannot claim the deduction.	IT/SPR					I
		Current error code 90885 automatically calculates if a taxpayer looks like they exceed the 10% test. Where this is the case, taxpayers in 2015 were asked to complete an 'additional items schedule' to give details on certain amounts that may mean they actually did pass the 10% test.	IT/SPR					

