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ATO's "living expenses" tool to help tackle the cash economy

It's known by a variety of names, such as the black economy, or even the cash or hidden economy. But whatever the label, its existence is a pebble in the ATO's shoe that it is forever looking to prise out.

As part of that ongoing effort, it has settled upon certain "averages" of what constitutes reasonable personal living expenses. When making an assessment in the course of examining your tax affairs, one of the tools that the ATO may employ is its set of average living expense guidelines.

These standards of living expenses are also there to help the ATO determine (in the absence of more obvious signals, such as blatant mis-statements in a return) if there is a need to consider auditing a certain taxpayer's tax affairs.

The guidelines are presented in the form of questionnaire worksheets, where taxpayers are asked certain details about the living expenses of their household. There are two worksheets; a concise one and a more detailed comprehensive worksheet. Each outlines what the ATO will generally look at when examining a taxpayer's personal living expenses.

The ATO worksheets can also be useful in helping to review the accuracy and completeness of your record keeping. The ATO says they can also be used at any time to:

- compare your household income to expenses, and assess if your declared income is enough to support your actual lifestyle
- review your record keeping
- make adjustments to your reported income

- help in considerations of whether making a voluntary disclosure is necessary.

The concise personal living expenses worksheet reveals a snap-shot of household incomings and outgoings. Significant outgoings only are deducted from income and the remaining amount needs to be enough to cover your other household expenses.

The comprehensive worksheet provides an in-depth analysis of all household incomings and outgoings. By comparing annual household funds and expenditure you can self-assess whether your declared income is enough to support your actual lifestyle.

Ask us for copies if you would like to use these worksheets.

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