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How we use benchmarks

We use benchmarks and other risk indicators to identify businesses that may be avoiding their tax obligations by not reporting some (or all) of their income.

Information reported in your tax returns or activity statements is compared with the key performance benchmark for your industry, based on:

- your [business industry code](#) ([/Calculators-and-tools/Business-industry-code-tool](#))
- the description of the main business activity on your tax return
- the trading name of your business.

Default assessments

If we contact you, we'll ask you to provide records as evidence to confirm what you've reported in your return.

We'll only issue a default assessment when you're not able to provide accurate records or evidence for us to verify your business's reported income, or if you refuse to lodge your tax returns after a number of requests.

If you don't have evidence to support your return, we can use the benchmarks to determine income that has been omitted. For each industry, we will tell you the key benchmark that we will use to predict income or turnover.

Example: Benchmarks used to calculate default assessments

We looked into a retail butcher's shop after discovering their income was significantly outside the benchmark range for the industry.

When we reviewed their business records, it was clear the appropriate records weren't kept as required by law, including:

- failure to keep cash register rolls or point-of-sale system printouts
- failure to show evidence of regular till reconciliations to support daily sales records
- inaccurate and incomplete sales records relating to business income, such as missing sales records for significant trade periods.

The owners were unable to explain how the income reported in their business tax returns was calculated as they didn't have records to support it.

We used the benchmarks to recalculate their business income and adjusted the business tax return and the owners' personal returns, based on the recalculated income. Amended tax assessments were issued to the business and both owners individually.

The business owners had to pay tax based on the higher income calculated in the amended assessments. In addition, penalties for failing to take reasonable care to meet their legal requirement to maintain accurate records were also calculated on the tax shortfall.

You may be selected for a review or audit

Benchmarks are one of the indicators we use to identify businesses that may be operating in the cash economy for review or audit.

See also:

- [Cash and hidden economy review and audits \(/general/building-confidence/in-detail/the-cash-and-hidden-economy/?page=4#Reviews_and_audits\)](/general/building-confidence/in-detail/the-cash-and-hidden-economy/?page=4#Reviews_and_audits)

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Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

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