Preparedness: Audit Readiness

Preparing for the future, now

Personal and corporate taxpayers alike continue to face heightened scrutiny from revenue authorities around the world. Authorities seek greater transparency and what they believe to be their jurisdiction's fair share of the tax pie, and they are using increasingly sophisticated technology and techniques to enforce tax laws and regulations.

In such an environment, a prudent step for taxpayers is to identify and prepare for potential examination risks, understand changing examination procedures, and navigate dispute resolution alternatives available to them if needed. Family offices are no exception; they should proactively incorporate such practices into their tax planning and compliance processes. For example, many family financial decisions, transactions and events can trigger revenue authority scrutiny. Proactive planning is important both to document the related tax positions and a strategy for defending them.

Leading practices

By conducting a periodic risk assessment, the family office can be effectively prepared for a tax examination if one takes place. Such risk assessments can range from a simple discussion with internal advisers to a detailed examination readiness assessment that includes document analysis, interviews, and other data gathering. The assessment can help the family office identify and quantify potentially material issues that may be a focus of an examination. In addition, it can help the family office develop and maintain a system for handling information requests that may be received from revenue authorities.

We can help the family office:

- Identify material issues which may become a focus on examination;
- Prepare for examination of these issues; and
- Develop and maintain a system for addressing potential revenue authority information requests.

Potential areas of examination

Audit readiness assessments can address a variety of potential issues associated with:

Estate & gift tax	• Proper disclosure of prior gifts and non-gift transactions to determine whether there are years for which the statute of limitations has not run out • Analysis of prior valuations for potential adjustments • Review of proposed tax positions reported to determine areas of potential adjustments
Lifestyle assets	• Aircraft—personal vs. business use and categorization of flights for imputed income purposes • Art and antiques—valuation and documentation of ownership (provenance), as well as modeling of fractional interests and related asset reporting • Watercraft—personal vs. business use and documentation systems • Jewelry—physical controls, inventory, and insurance reconciliations
Residency issues	• Analysis and documentation of multiple homes and related travel • Analysis and documentation of legal domicile
Sales, use, and customs taxes, value added tax (VAT), and goods and services taxes (GST)	• Analysis of taxes due on goods, services, and lifestyle assets purchased in other states and countries • Coordination of customs and border control reporting and asset registration as appropriate

Why Deloitte?

It's business, and it's personal.

Deloitte has discreetly served high net worth individuals, families, and their enterprises for more than 100 years. As a trusted adviser to many of the world's most affluent families, family offices, and private trust companies, we offer significant experience and integrated service capabilities. You gain access to our global network of resources and a world-class level of knowledge and experience tailored to the unique and personal circumstances of your family office and the family it serves.

Resources at the ready.

Deloitte can field a world-class team to guide you through these critical conversations, coming to a clear path forward. We have a global team of 1,800 professionals across the Deloitte Touche Tohmatsu Limited network of member firms who focus solely on the specialized needs of the ultra-affluent, including families with multigenerational wealth, entrepreneurs, family offices, and fiduciaries. Our professionals provide advice and deep experience in a wide area of specialized areas – from tax technical to cyber risk management – and have access to a network across the globe, including in emerging markets.

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