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'the personal touch'

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The Taxman's 2008/09 Targets

Each year the Tax Office publicly release its primary targets for their 'compliance program'. It's a valuable guide for taxpayers - forewarned is forearmed. The Tax Office will be paying particular attention to investors this year with a focus on key risk areas including the share market (46% of people now own shares) and capital gains tax events.

Rental Properties - More than 1.5 million people claimed more than \$24 billion in rental deductions in their tax return last year, with almost 170,000 people claiming for the first time. Unusually high claims for rental deductions, low rental income in relation to rental deductions and high claims for interest expenses and borrowing costs are all on the 'hit list'.

Dividends and Interest - Data-matching is a major Tax Office weapon here. This might seem like an obvious target but it is one tax payers can easily overlook. Accounts closed or money moved during the year can lead to amounts of interest earned being overlooked, but the tax office's data-matching process will show this up.

Sale of Investments and Capital Gains Tax - The Tax Office has reason to believe that compliance with capital gains tax is improving, but there is room for further improvement. As an indication of the scale of the CGT issue as at 31 October 2007 approximately 1.2 million people declared around \$16.26 billion in capital gains in their 2006 tax returns. The number of taxpayers who declared net capital gains rose by 3.8% in the 2006 tax year, mainly from shares and property sales. The tax office heavily uses data matching with the states and territories regarding sales of investments (e.g. shares and property).

Work Expense Claims - The Tax Office will look at the growth in work expense claims particularly by nurses (with a focus on self-education), medical practitioners (travel and entertainment expenses), and chefs (expenses for travel between home and work, and for pre-vocational courses). 'Out of pattern' claims for self-education, travel and car expenses will also be carefully monitored across all professions.

Other target areas include:

Salary Packages of Executives and Directors - The Tax Office will expand its review of highly paid executives and directors, generally people with income over \$1 million. Of particular interest are benefits acquired under employee share schemes.

Small Business - There will be an expansion of income tax issues this year including sale of assets and investments, foreign source income and employer obligations including superannuation.

Luxury Cars - Tax investigators are about to pounce on drivers of luxury cars who declare little or no income in their tax returns. The investigation will focus on luxury vehicle purchases in the last two financial years and details of 290,000 separate vehicle transactions will be reviewed. In a major operation the tax Office said it would collect data on the sales of new and second-hand vehicles costing more than \$57,009 between 1 July 2005 and 30 June 2007.

The Tax Office will use data collected from state and territory motor vehicle registries and cross match it against taxpayer records. The project would involve about 600,000 people nationally as it will also target people who have purchased other luxury items such as planes, race horses and boats.

The investigation will target people who declare little income, but whose acquisition of assets would indicate 'conspicuous wealth'. The move by the ATO is also expected to flush out anyone who has not lodged tax returns and they will target people who try to conceal their ownership of expensive cars by registering them in the names of other people. It is unclear how many individuals will be investigated, or how many prosecutions are expected but a previous 'pilot' investigation revealed nearly 25% of taxpayers targeted had at least one outstanding tax return between 1997 and 2005.

The Federal Chamber of Automotive Industries says about 100,000 luxury vehicles were sold last year. About 70% of these were priced between \$57,000 and \$85,000, a range that includes high-end 'people movers' such as Volkswagen Multivan and more expensive versions of the Holden Commodore and Ford Falcon.



The greatest compliment we receive from our clients is the referral of their friends, family and small business colleagues. Thank you for your trust.

Fuel Tax Credits

With spiraling fuel costs, some relief could be in sight for business owners. From July 1, 2008 more businesses will be able to claim fuel tax credits for the first time while others may be entitled to increased credits.

You can now claim for the fuel you use in industries like construction, manufacturing, wholesale, retail and landscaping. Fuel tax credits are available for items ranging from bulldozers and backhoes to whipper-snippers and chainsaws. For new activities you can claim around \$19 for every 100 litres of eligible fuel.

Fuel tax credits help to cut fuel costs by providing a credit for the fuel tax (excise duty) included in the price of fuel, when used for specified activities.

To claim a fuel tax credit you must:

- Be registered for Fuel Tax Credits and GST, and
- Be undertaking an eligible activity using eligible fuel, and
- Meet environmental criteria for diesel vehicles (where applicable), and
- Meet the Greenhouse Challenge Plus Programme criteria (where applicable)

You must be registered to claim Fuel tax credits which can only be claimed on your Business Activity Statements (BAS). Your BAS will then specifically provide for the claim and you cannot claim the credits on your annual GST return.

Before you can claim your fuel tax credits you must calculate the amount of your entitlement. You will need to:

- Calculate your eligible litres for each fuel type and for each activity and
- Work out the amount of your fuel tax credit in dollars



You are entitled to claim a fuel tax credit at the time you acquire, manufacture or import the fuel into Australia. However, you may wish to make your fuel tax credit claim after you have used the fuel (actual use).

The amount of fuel tax credit you receive depends on how the fuel is used. There are different rates for different activities. If you claim for both road transport and any other activity, you need to separately calculate the eligible quantity of fuel for each type of activity where the rates are different.

Speak to us today about your eligibility for these tax cuts or visit www.ato.gov.au/fuelschemes

Super Guarantee Contribution Change

From July 1, 2008 employers will need to ensure that super guarantee contributions for each employee are based on 'Ordinary Time Earnings' (OTE).

Research findings released by global firm, Mercer report that 67% of employers are still using a salary base other than OTE and over 11% were still unaware of the change in Super Guarantee obligations from 1 July, 2008.

In relation to an employee, OTE is generally defined to mean earnings in respect of ordinary hours of work, including over-award payments, shift loading or commission. Some items that catch employers unaware:

- Bonuses related to performance
- Bonuses not related to performance such as a Christmas bonus
- Allowances paid to the employee irrespective of whether the employee incurs the expense or not
- Reimbursements where the employee is compensated exactly for the expense already incurred
- Payments for overtime

We can assist employers in assessing whether they are exposed in this area, either by doing a full audit of superannuation guarantee compliance, or simply by giving advice on this issue.



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