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Total Business Wellbeing Winter 2013

ATO focus for the 2013/14 year

The ATO has released its annual compliance program which outlines the key compliance activities that it will focus on for the 2013-14 year.

Incorrect work-related activities

Particular attention will be paid to high claims made by:

- Building and construction labourers, construction supervisors and project managers,
- Sales and marketing managers

Data matching

More than 640 million transactions are reported to the ATO annually from sources such as banks share registries, employers, merchants, states and territories and other government departments. The ATO uses this information to pre-fill returns and detect people trying to avoid their tax and superannuation obligations.

Wealthy individuals

500 income tax reviews and audits of highly wealthy individuals (those controlling net wealth greater than $30 million). A further 1000 income tax reviews and audits of those controlling net wealth between $5 and $30 million will be undertaken.

Reporting on PAYG withholding

Intelligence gathering and information-matching will be used to detect employers not meeting their obligations. It will review 17,700 businesses to ensure they are meeting employer obligations.

Contractor arrangements

The ATO will investigate employers who intentionally try to avoid their tax and superannuation obligations by improperly treating workers as contractors rather than employees. It will undertake 950 reviews of employers to ensure they are meeting their obligations.

Activity statement refunds

41,000 activity statement refunds will be reviewed to ensure businesses are correctly reporting their GST transactions and to identify instances of fraud.

Small businesses (generally with annual turnovers of less than $2 million)

The ATO has concerns with some small businesses:

- Over claiming concessions
- Attempting to hide income and operating in the cash economy
- Claiming capital gains tax concessions they are not entitled to

Medium sized businesses (annual turnover between $2 and $250 million)

The ATO will focus on:

- Making sure businesses lodge their outstanding returns, particularly trusts, partnerships and companies and entities with privately owned groups
- Misuse of trusts and omitted income
- Capital gains tax non-disclosure and under-reporting
- Fraudulent phoenix behaviour

Fraudulent phoenix activity

Fraudulent phoenix activity refers to the deliberate liquidation of a business entity to avoid financial obligations including PAYG withholding, income tax, GST and superannuation liabilities. This is widespread in the labour intensive industries, and ATO also regularly sees property developers engaging in this behaviour.

According to the ATO, some property developers deliberately disengage from the tax system at the point of sale and fail to meet their GST obligations. They then create new entities for future property

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ATO focus for 2013/14 year….continued

development. There are over 2,000 property developers who have placed companies into liquidation with outstanding GST obligations on multiple occasions. This is a red flag for potential phoenix activity. This will be addressed by demanding lodgement, enforcing payment and applying penalties.

Super guarantee

The ATO will investigate every time an employee reports that their employer has not paid their superannuation guarantee entitlement. In the coming year the ATO expects to contact around 19,500 employers as a result of these complaints. Some industries present a high risk of employers not complying with their superannuation guarantee obligations and the ATO will audit employers in the following industries:

- Cafes and restaurants
- Carpentry services, and
- Real estate services.

Directors may be held accountable for their company's unpaid superannuation guarantee debt under the new penalty regime.

Self managed super funds

Continued focus will remain on self managed super funds that misuse the concessional tax environment deliberately or unintentionally. The ATO will review:

- 1,100 funds to check they comply with income tax obligations
- 15,100 funds for compliance with regulatory obligations, and
- 160 approved auditors.

Source: Taxpayers Australia Inc

What is FoFA (Future of Financial Advice)?

What are the key outcomes of the reforms?

Darren Foster is an Authorised Representative of Capstone Financial Planning Pty Ltd – AFSL 223135.

- A ban on conflicted remuneration structures, including commissions and volume-based payments.
  - > From 1 July 2013, commissions attached to Superannuation and Investment products, margin lending, group Life Insurance Polices and Rebates paid by administration platforms will be banned. However, Financial Advisors will be able to continue to receive commissions on individual Life and Risk Insurance.
  - > Existing commission and rebate arrangements will be grandfathered (meaning they continue) under FoFA where these arrangements were entered into before the reforms commenced. Once these contracts expire, they will not be able to be renewed.

- A statutory requirement that Financial Advisors must act in the best interests of their clients and place the clients' interests ahead of their own.
- An obligation to renew client fee arrangements every two years and a requirement to issue an annual Fee Disclosure Statement (FDS) each year. The annual fee statement will include a summary of fees paid by the client, services provided and the services the client was entitled to receive.
- Enhanced licensing and banning powers of watchdog, the Australian Securities and Investments Commission (ASIC) allowing them to become involved sooner if they have concerns over a particular Financial Advisor.

How will Financial Advisors charge?

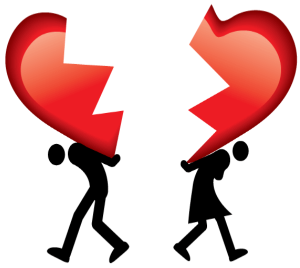
Via a percentage based fee, an hourly rate or fixed (annual) fee.

Overall benefits for consumers

- Better quality advice - consumers will be able to trust the advice they receive without any influence of investment commissions.
- A more complete advice market - greater advice fee transparency.

For further information on the FoFA reforms, please contact Darren Foster at Paris Financial Services on 03 9878 5755 or you may wish to visit the Government's dedicated FoFA website www.futureofadvice.treasury.gov.au

Tax consequences of family separation



Did you know…..

In 2010 there were 121,000 marriages
(the most recorded in a single year in Australia)
In 2010 there were 50,200 divorces granted
Median age in 2010 for men divorcing was 44
Median age in 2010 for women divorcing was 41

The tax consequences of divorce are thankfully not ones that we often deal with, however with 50,200* divorces granted in 2010 and the median age being 41 to 45* it is a subject that we believe should be covered.

We will become involved in the financial side of this most difficult of times. As such, we think you should be aware of some basic advice.

Financial Settlements

If you transfer/sell (voluntarily) assets there is no CGT (Capital Gains Tax) Rollover relief. However financial settlements involving a court order, binding financial agreement (sanctioned by Court), maintenance agreement, eg. property set aside (sanctioned by court) or agreement after conciliation (sanctioned by court), will incur Automatic CGT Rollover relief.

As a result, most couples will require a lawyer to prepare the documentation of the family separation and then we will be guided from there as to what is required.

The administrative work is substantial and will usually involve adjustments to trust, company and super fund documentation. We will always be empathetic, however, our clients who are going through a family separation will need to understand the time and effort required of us to complete this.

** Australian Bureau of Statistics*

Private health insurance statements

we need your statement!

The private health insurance rebate is this year being tested against three income tier thresholds, which could result in a lower rebate and in some circumstances could possibly result in a tax liability. As you are gathering your tax information, can you please remember to include a copy of your Private Health Insurance Statement to enable us to complete this section of your tax return.

ATO debt to pay - now it's even easier

There's no need for a trip to the post office when you need to pay an ATO debt – you can make payments to the ATO by using BPAY or credit card! Pay your ATO debt by BPAY or credit card, online or over the phone, and get an instant receipt.

The ATO offer you a range of convenient payment options both in Australia and overseas. BPAY, make a payment directly from your cheque or savings account to the ATO using your financial institutions telephone or internet banking service. Credit Card (new facility), make a payment by credit card – conditions apply, currently fees of .48% and 1.45% depending of card type. All you need is a visa, MasterCard or American express and the ATO's EFT code. Go online to http://optussmartpay.com/governmenteasypay-ato or phone 1300 898 089.

Other payment arrangements available are, direct credit, direct debit, mail, cheque or money order and payments at Australia Post.

If you are having difficulty paying your ATO debt, please contact the ATO and arrange a payment plan. If you require any further information or assistance please call the office and we will assist you.

Late lodgements - ATO is getting tough & penalties apply

The ATO is cracking down on late lodgements. As your accountants, we are being subjected to enormous pressure to meet these lodgement deadlines.

If, or when, you receive a letter from us chasing your outstanding work please don't ignore it.

Whilst in the past we have been able to phone the ATO and ask for a remittance on fines occurred due to late lodgement – **this is no longer the case**. From 1 July 2013 the ATO are going to be **enforcing the late lodgement penalties**, these penalties can be as much as $850 for small tax payers, with penalties being higher again for larger tax payers.

No flood levy from 1 July 2013

The government introduced a flood levy for the 2011/12 tax year, in response to the devastating floods in a number of states throughout Australia. This flood levy impacted taxpayers earning over $50,000 in taxable income. This was a once off levy and you will not incur this in 2012/13.

ATO will no longer issue refund cheques

From 1 July 2013 the ATO will no longer be issuing cheques for income tax returns (for any year lodged), and you will only be able to receive your refund electronically through your bank account. In exceptional circumstances we may be able to convince the ATO to issue a cheque.

This is a timely reminder to all clients to please remember to provide your bank account details to ensure you get your refund on time.

Physio Accountant is going green & all tax returns will be emailed

We have made a conscious decision here at Physio Accountant to reduce our environmental footprint. The team here have been working super hard to move our office towards an **environmentally friendly paperless office**! From now on we will be emailing completed tax returns to all clients. Of course, if you would prefer to receive your return in paper form we are more than happy to oblige.

As a result, we will be using email more and more, please take this opportunity to update us with your latest email address.

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