



TAX ALERT!

ATO Key Areas of Focus for

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The 2011/12 Compliance Program issued by the Australian Taxation Office highlights key areas of focus for taxpayers. This alert provides a summary of these key areas.

» **Some of the key focus areas for *Self Managed Superannuation Funds (SMSFs)* for the 2011/12 year are:**

Auditor contravention reports

Contravention reports lodged with the Australian Taxation Office (ATO) by a SMSF auditor provide an important indicator of a SMSF's compliance with the law. Attention should be given to addressing issues in your SMSF to prevent such a report and potential scrutiny from the ATO.

Related Party Investments

Investments in related parties and loans to fund members continue to be areas of concern to the ATO. Trustees of SMSFs need to ensure they do not contravene the 5% in house asset limit and do not contravene the prohibition of lending to members.

Exempt current pension income

The ATO is currently focusing on SMSFs who are not meeting the actuarial certificate requirements when only partially in pension phase. Failure to obtain an actuarial certificate in such circumstances can result in the claim for exempt current pension income being disallowed and the SMSF fund paying additional tax.

Re-reporting of Contributions

The ATO are looking closely at cases where the reporting of contributions in income tax returns are amended, particularly if the re-reporting results in the member no longer being liable for excess contributions tax (ECT). Care should be taken at the time a contribution is made to ensure a member does not exceed the contribution caps.

Non arms length income

There is an increased focus on SMSFs receiving market rates of return on assets. Accordingly, any dealings your SMSF has with related or unrelated parties, including rental property arrangements and/or asset disposals or acquisitions must be transacted on a commercial 'arms length' basis.

Illegal early access to benefits

The ATO will be investigating newly established SMSFs to ensure they have not been set up to provide illegal early access to superannuation benefits.

Non Lodgement of Annual Returns

It is also important to note that the ATO are also focusing on non lodgement of annual returns. Failure by a fund to lodge an annual return (known as income tax return) is a breach of tax and superannuation law. Where a fund has repeatedly not lodged a return, the ATO may issue assessments with penalties and make the fund non-complying.

Davidsons can assist to ensure your Self Managed Superannuation Fund meets lodgement obligations and remains complying. Please contact Kylie McClure on (03) 52 446890 or kmcclure@davidsons.com.au for further information

Superannuation & Retirement Team

Based on a "Client First" approach Davidsons Superannuation & Retirement Division provides proactive solutions, advice and strategies on all aspects of Self Managed Superannuation Funds.

Davidsons is a full service provider of all superannuation and retirement needs through the combination of technical expertise and sound professional investment advice including:

- Fund administration
- Retirement and Pension Structures
- Superannuation Investment Strategies
- Estate Planning

Please contact Davidsons for more information in relation to the services we can provide you.

» *Some of the key focus areas for Individual Taxpayers for the 2011/12 year are:*

Employers and contractors

The ATO is focusing on sham contracting arrangements where individuals are incorrectly set up as contractors, instead of employees of a business.

Work-related expenses

The ATO will be closely examining claims for deductions. The most common mistakes for many occupations include insufficient documentation to support motor vehicle and travel expenses, and incorrectly claiming home office, mobile phone and internet expenses.

Data matching

The ATO are increasing their data matching capabilities with various organisations to identify non-disclosure of employment, welfare and investment income, property and share dividends and disposals, employee share schemes, foreign transactions and international funds transfers, superannuation information and health insurance policies.

Split loans

The ATO are monitoring products currently being marketed that allow taxpayers with both business and personal loans to use their business income to pay off their personal loan.

Income Tax Refunds

The ATO will be reviewing income tax returns to remove any incorrect or fraudulent claims before releasing refunds.

» Some of the key focus areas for Other Taxpayers for the 2011/12 year are:

Employer obligations

The ATO are conducting reviews to ensure employers report the correct amounts of pay as you go withholding and comply with their superannuation guarantee obligations.

Data matching

The ATO will be cross referencing information reported in tax returns and activity statements against transactions reported by other organisations. These organisations include banks and other financial institutions, Centrelink, State Revenue Office and Land Title offices, ASIC, ASX and share transaction houses.

Cash economy

The ATO will be aiming to detect businesses with inadequate records, or those failing to record all sale transactions, paying cash in hand wages or operating outside of the tax system.

Asset disposals

The ATO will be reviewing or auditing asset sales to identify incorrect disclosures or claims pertaining to the Small Business Concessions and GST concessions/exemptions.

Business Activity Statements

The ATO will continue to review and analyse Activity Statements to detect errors or possible fraudulent activity before they issue refunds. Further, they will be reviewing fuel tax credit claims that appear to be inflated or not legitimate.

If you believe any of the ATO focus areas concern you and you would like further information, please contact the Tax and Business Services Team on (03) 5221 6399 or info@davidsons.com.au for further information

You can access more information on the ATO's current compliance program using the following link: <http://www.ato.gov.au/content/00284023.htm>

Tax & Business Services Team

The Tax and Business Services Team works closely with their clients in dealing with the challenges they face in the current business environment.

Taking a proactive approach, the Tax and Business Services Team provides services in the area of:

- Business Advisory
- Budgets and Cashflow Forecasts
- Benchmarking
- KPI and Performance Reviews
- Due Diligence Reviews
- Taxation Compliance

Please contact Davidsons for more information in relation to the services we can provide you.

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