TAX TIMES - JULY 2012

Occupations in the spotlight this tax time

The ATO has stated that, this year, they will be paying close attention to deductions claimed by people employed as:

• plumbers;

• information technology managers; and

• defence force non-commissioned officers.

They have found people in these groups are at higher risk of making mistakes with their work related expenses due to the types of deductions they are entitled to claim.

They will write to around 90,000 people employed in these occupations about assistance that the ATO can provide (including new guides developed specifically for these occupations to help people maintain accurate records throughout the year).

Default assessments for non-lodgers

The ATO has advised they will be sending 'default assessment warning letters' to taxpayers who have overdue income tax returns, where the ATO also has evidence that they received taxable income in the relevant financial years.

If the overdue returns are not lodged by the date specified in the letter, the ATO will issue default assessments for these taxpayers based on the estimated taxable income included in the letter.

The ATO warns that taxpayers who are issued a default assessment may incur the following:

• failure to lodge on time penalties; and

• administrative penalties of 75% of the tax related liability from the default assessment (though the penalty may be reduced by taking into account any

In addition, administrative penalties may increase by 20% if the taxpayer has had a penalty previously applied for a default assessment.

Editor: Note that these letters may in some cases be sent directly to us, in which case we will liaise with the relevant clients to lodge outstanding returns and minimise any penalties.

ASX securities data-matching project

The ATO will request and collect identity and transaction details pertaining to securities held in all ASX listed entities from:

• Link Market Services Limited;

• Computershare Limited;

• Australian Securities Exchange Limited;

• Boardroom Pty Ltd;

• Advanced Share Registry Services Pty Ltd; and

• Security Transfer Registrars Pty Ltd.

Details relating to approximately 1.2 million individuals will be electronically matched with certain ATO data holdings to identify non-compliance with CGT, income tax and GST obligations under taxation law (although it is anticipated that administrative action will be taken on a very small percentage (less than 1%)).

eBay data-matching project

The Federal Department of Human Services has requested and collected from eBay Inc. the name, address, and date of birth of sellers with sales greater than $20,000 in the 2010/11 financial year.

This program has been named the eBay Project and enables Human Services (e.g., Centrelink) to identify social welfare recipients who may have

not disclosed income and assets generated as a result of online trading.

Records exceeding 5,000 individuals will be electronically matched with specific Human Services data holdings, to identify non-compliance with income or other reporting obligations.

Editor: Although this data matching project has been announced by the Department of Human Services, it's not hard to imagine the ATO also being interested in this type of information to establish whether sellers on eBay are meeting their tax obligations . . .

Reporting TFNs quoted to trusts for the first time in 2012

Where the trustee of a 'closely held trust' (which includes a discretionary trust or family trust) makes a beneficiary 'presently entitled' to a share of trust income as at 30 June, unless an exclusion applies, the trustee is required to withhold an amount equal to 46.5% of their share of the trust's net (taxable) income, unless the beneficiary has provided their tax file number (TFN) to the trustee of the trust before year-end.

Note: Exclusions are available for such entities as non-residents, deductible gift recipients, and beneficiaries who are under a legal disability for the purposes of the Tax Act, such as minors and bankrupts (as the trustee pays tax on their behalf).

However, if the beneficiary has provided their TFN for the first time in the 2012 financial year, the trustee is required to report the TFN to the ATO by the last day of the month following the end of the quarter in which the TFN was quoted. For example, if a TFN was quoted to a trustee in June 2012, it must be reported to the ATO in a TFN report by 31 July 2012.

The TFN reporting requirement can only be satisfied by reporting the TFN to the ATO within

the appropriate timeframe, and on the approved form (either electronically or paper form).

Editor: If any distributions were made to new beneficiaries for the first time in the 2012 financial year, please let us know so we can assist you with lodging the TFN report.

ATO cash sales benchmarks permanently withdrawn

Editor: Some of you will be aware of the ATO's benchmarking program, whereby they use information provided to them to work out what is 'normal' for a particular industry. They publish these benchmarks so that taxpayers can find out if they are outside the norms and, if so, get the right records together to explain why this is the case.

It has been reported that the ATO has decided to discontinue its 'cash sales' benchmarks, as it was unable to obtain consistent data that allows for correct calculation of cash sales benchmarks.

However, the ATO said that the withdrawal of the cash sales benchmarks did not impact its performance benchmarks and input benchmarks, their use or validity, so those benchmarks can still be used.

Car parking threshold: 2012/13 FBT year

The car parking threshold for the FBT year commencing on 1 April 2012 is $7.83. This replaces the amount of $7.71 that applied in the previous year commencing 1 April 2011.

CGT improvement threshold: 2012/13

For the 2012/13 income year, the improvement threshold is $134,200 (up from $130,418 for the 2011/12 income year).

This threshold is used for working out when a capital improvement to a pre-CGT asset is a separate asset, and for capital improvements to CGT assets where a rollover may be available.

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