

NEWSLETTER

SEPTEMBER 2012

ATO Compliance Program 2012/13

The ATO has released its 'Compliance Program 2012/13' outlining key focus areas attracting its attention for the coming year.

Focus areas identified by the ATO as significant risks to tax and superannuation compliance this year includes:

- Occupations with a pattern of relatively high levels of work related claims, including IT managers, plumbers and defence force non-commissioned officers;
- High income earners with a particular focus on widely marketed financial products that promise substantial tax benefits, as well as investments by medical practitioners;
- Unreported cash transactions, particularly in the plastering and café industries;
- Contractor arrangements, particularly in the construction industry, and the SMSF sector;
- Employer obligations for superannuation in high risk industries.

Stopping false claims and identity crime are the continuing priority this year, with the ATO increasingly analyzing and matching information provided by third parties.

The ATO checks over 600 million transactions a year to detect those who do not report all their income, from dividends and interest, capital gains and foreign income.

Last year they ATO caught more than 109,000 income tax returns for potentially incorrect or fraudulent claims "saving the community almost \$200 million in revenue".

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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 specified date in the letter, the ATO will issue default assessments for these tax payers based on the estimated taxable income included in the letter. Failure to lodge penalties and administrative penalties of 75% of the tax related liability may apply.

ATO discretion to retain refunds - recent changes

The tax law has recently been amended to provide the ATO with the discretion to retain refunds while they undertake integrity checks on claims.

The changes are designed to “support those doing the right thing and strengthen our ability to identify possible fraudulent activity”, although certain threshold test must be met before the discretion can be exercised.

The amendment applies to:

- Refunds claimed on Business activity Statement (BAS) and;
 - Refunds claimed by self-assessed tax payers for income tax purposes (Primarily companies and super funds);
- but does not apply to individuals for income tax purposes, and normal processes still apply.

The amendments set out the steps the ATO needs to take, including notifying the taxpayer when a refund will be retained, and the relevant timeframes.



- Advance 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.

eBay

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.

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.

Note: Although this data matching project has been announced by the department of Human Services, it is 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.

Web Watch

www.bizthinktank.com.au

A great commercial site with practical resources for any size business.

www.ato.gov.au

A great site for general information regarding a large range of topics. Look to see if your business has a benchmark for its industry and see how you compare to others in your industry.

Data Matching Projects

ASX Securities

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;



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Superannuation

Superannuation Co-contributions

As part of the Mid-Year Economic & Fiscal Outlook 2011/12, the government has announced reductions to the minimum co-contribution payable, from \$1,000 to \$500, for personal contributions made from 12 July 2012.

Note that these proposed changes are not yet law.

Superannuation Benefits

Low Rate Cap Amount

The application of the low rate threshold for superannuation lump sum payments is capped. The low rate cap amount is reduced by any amount previously applied to the low rate threshold.

For the 2011/12 financial year the cap amount is \$165,000 and for 2012/13 financial year the cap amount is \$175,000.

Untaxed Plan Cap Amount

The untaxed plan cap amount limits the concessional tax treatment of benefits that haven't been subject to contributions tax in a super fund. The untaxed cap plan applies to each super plan from which a person receives super lump sum member benefits.

For the 2011/12 financial year the untaxed cap amount is \$1.205 million and for the 2012/13 financial year the untaxed cap amount is \$1.255 million.

Minimum Annual Pension Payments

As soon as a taxpayer starts a pension or an annuity on or after 1 July 2007, a minimum amount is required to be paid each year.

There is no maximum amount other than the balance of the taxpayer's super



account (Except for a transition to retirement income stream. The following table shows minimum annual pension percentages for each age group).

Age	Minimum % withdrawal for 2008/09, 2009/10 & 2010/11 for certain pensions and	Minimum % withdrawal for 2011/12 & 2012/13*
Under 65	2%	3%
65-75	2.5%	3.75%
75-79	3%	4.5%
80-84	3.5%	5.25%
85-89	4.5%	6.75%
90-94	5.5%	8.25%
95 +	7%	10.5%

**The reduction in the minimum payment amount applies to account based annuities and pensions, allocated pensions, and market-linked annuities and pensions. The pension draw down relief is a temporary measure, and provides for a reduction in the minimum payment percentages of 50% for the 2008/09, 2009/10 and 2010/11 years, and of 25% for the 201/12 and 2012/13 years (and it is expected this will phase out from the 2013/14 year).*

Important Dates

September

21 Monthly Activity Statement Due

October

21 Monthly Activity Statement Due

21 September Quarter
Superannuation Contributions Due

28 September Quarter Business
Activity Statement Due

November

6 Melbourne Cup Day

21 Monthly Activity Statement Due

December

21 Monthly Activity Statements Due

25 Christmas Day

26 Boxing Day

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