

Client Briefing

6th November, 2007

Dear clients and colleagues.....Happy Cup Day!

Some recent "bits of pieces" that we hope will be of interest to you.

Topics include:

1. **Tax Office announces external debt collection services panel**
2. **Superannuation trustees penalised (Self Managed Super Fund)**
3. **Data Matching Service – Personal Service Entities**
4. **Problems with car fringe benefit records**

If you would like to discuss any of these issues further, please don't hesitate to contact Sharryn or Andrew.

1. Tax Office announces external debt collection services panel

On 11/10/07, The Tax Office announced the appointment of a panel of external collection agencies to assist with the collection of debt, including tax debts over two years old and employer superannuation guarantee charge debt.

Following a competitive tender process four agencies have been selected:

- Dun & Bradstreet
- Baycorp Collection Services Pty Ltd
- National Credit Management Limited, and
- Recoveries Corporation Group Limited.

Acting Tax Commissioner Jennie Granger said the appointments follow a successful 3 month trial conducted in 2006, which resulted in \$21 million in outstanding debt being collected.

"We do understand there are situations when it can be difficult to pay an outstanding debt. What is really important is that people contact us as early as possible so we can agree on a suitable arrangement to get them back on track," Ms Granger said.

"Some of the debt to be referred for collection will be superannuation money owed to employees so will help protect retirement savings," Ms Granger said.

The Tax Office was allocated an additional \$42 million over four years in this year's federal budget to establish and pay for the services of the panel, and expects to commence referring parcels of debt for collection activity towards the end of 2007.

The panel is required to adhere to strict privacy and professionalism guidelines and will have to report back to the Tax Office monthly on their progress and adherence to these guidelines. They will also need to meet all Commonwealth secrecy and privacy requirements.

2. Superannuation trustees penalised (Self Managed Super Fund)

The trustees of a self managed superannuation fund have been issued penalties of \$30,000 and ordered to pay \$32,500 in costs for breaching the rules relating to their fund.

On 15 October 2007 the Federal Court declared that the trustees for the Axent Group self managed superannuation fund (SMSF) had breached superannuation legislation by selling a property belonging to the fund and using the proceeds of nearly \$150,000 to pay a private debt.

The couple had accessed assets in the superannuation fund before meeting any conditions of release such as retirement or reaching preservation age.

Deputy Commissioner Raelene Vivian said the action was part of an increased compliance focus on SMSFs by the Tax Office.

“The main purpose of SMSFs is to provide for retirement. Trustees who access their superannuation without meeting a condition of release are breaking the law and risking their retirement savings.

“It’s vital SMSF trustees make sure they understand their legal and regulatory obligations as they are legally responsible for managing their fund.

“SMSFs which do not comply with the legislation are at risk of prosecution, penalties and additional tax,” Ms Vivian said.

3. Data Matching Service – Personal Service Entities

The ATO announced during October 2007 a new data matching program on personal services entities (companies receiving income from personal services).

It will request and collect information on amounts paid to personal services entities by:

- Labour hire firms
- Placement agencies and
- Computer consultancies

The data requested will also include name and address of the individual who is the main service provider to the entity.

The information collected (records relating to approx 100,000 individuals and entities) will be electronically matched to identify non compliance with lodgement and payment obligations.

4. Problems with car fringe benefit records

The ATO has warned that some employers are using inaccurate methods in dealing with FBT obligations resulting from providing car benefits to their employees. Three areas of concern:

- Logbooks don't provide sufficient information about the car's use
- Cars garaged at an employee's residence and the employer is claiming substantial business use but logbooks don't substantiate business travel;
- Employee contributions incorrectly treated for income tax and GST purposes.

Logbooks should include:

- Start and finish date of the journey
 - Start and end odometer readings
 - KM's travelled and purpose of journey (purpose should be detailed – simply recording "business" is not sufficient).
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