

1st September, 2007

Recent Communications from the ATO

As a service to our clients and colleagues, we are pleased to provide information below highlighted as “currently relevant” to the ATO.

Please feel free to contact Sharryn or Andrew should you wish to discuss the implications of any of these matters in respect to your individual or business taxation affairs.

1. Time limits on GST refunds

In certain circumstances you may be entitled to claim an outstanding GST refund for an activity statement you have previously lodged. Generally, you must claim a GST refund or notify the ATO of your entitlement within four years of the end of the tax period to which the entitlement relates.

2. Claiming GST credits without a tax invoice - Increasing the threshold for requiring an approved tax invoice for GST

As of 1 July 2007, the threshold for claiming GST credits without a tax invoice has risen to \$82.50 including GST. You should not claim GST credits for business purchases over \$82.50 until you hold a valid tax invoice or receive our advice to use another document as a tax invoice.

Please be aware, you should at all times try to keep all tax invoices. Whilst this threshold may provide some documentary relief for GST purposes, income tax legislation requires all receipts to be held to justify a claim for a taxation deduction.

This new regulation is a result of the announcement by the Government in the 2007–2008 Federal Budget of various measures to give small businesses more flexibility and an easier-to-use, less complex tax system.

The regulation enables a GST registered entity to claim GST credits for purchases with a GST-inclusive amount of \$82.50 or less without the need to hold an approved tax invoice. The threshold was previously \$55. For purchases of \$82.50 or less, the documentation required for income tax purposes is sufficient to claim a GST credit.

The change also means that a supplier will not be required to issue a tax invoice where the sale is \$82.50 or less.

A consequential change is that the threshold for requiring an entity to withhold an amount from a supplier for not providing an ABN has also increased from \$50 to \$75 (exclusive of GST).

The change takes effect from 1 July 2007.

3. GST registration threshold raised

As part of the 2007-2008 Federal Budget, from 1 July 2007, the registration threshold for GST has been raised to \$75,000 for business and \$150,000 for non-profit bodies. Taxi drivers are required to remain registered regardless of turnover.

For those clients who now fall under the \$75,000pa threshold, please contact us should you require advice in respect to whether you stay within or remove yourself from the GST net.

4. Compliance Program 2007-2008

On Thursday 16 August 2007, Tax Commissioner Michael D'Ascenzo launched the *Compliance Program 2007-2008* in Sydney.

This annual publication outlines the areas of risk to compliance and how the ATO intends to respond, as well as a wide range of measures to help those trying to comply.

A copy of the media release and more detailed information is attached, however key areas of priority will be:

Individuals

- Assets Disposals – ensure Capital Gains Tax obligations are properly met.
 - High income individuals
 - Work related expenses paying special attention to claims from employees in the following industries:
 - Tourism
 - Fitness & Sporting
 - Construction
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- Guards & Security
- Mining
- Rental income and expenses
- Non-disclosure of income & benefits – ie interest, tips and government benefits
- Aggressive tax planning through certain financial products and investment schemes
- Superannuation from sources that may have not been properly taxed

Micro Business

- Businesses that don't meet their superannuation guarantee obligations can expect more attention
- Those involved in the cash economy
- All other employer obligations
- Self Managed Superannuation Funds
- Monitor GST and Income Tax returns assessed as high risk, unusual or have a high monetary value
- Monitor business expenses to ensure correct claim
- Assets Disposals – ensure Capital Gains Tax obligations are properly met.
- Aggressive tax planning through certain financial products and investment schemes

Small to Medium Enterprises (SME's)

- Monitor the tax affairs of high wealth individuals – owners
- Concentrate on business owners who try to extract funds from their business without paying the correct tax (ie via “loans” and other distributions)
- Significantly higher field audits in respect to Income Tax and FBT returns
- International tax issues – particularly in the use of tax havens
- Monitor GST and Income Tax returns assessed as high risk, unusual or have a high monetary value
- Assets Disposals – ensure Capital Gains Tax obligations are properly met.
- Aggressive tax planning through certain financial products and investment schemes

Non-Profit Organisations

- Lack of tax expertise in organisations
- Multi-party transactions that result in incorrect GST claims
- Review assessment of “GST Free” supplies and grants

Tax Practitioners

- Ensure tax practitioners comply with their personal tax obligations
 - Use profiling techniques to detect non-compliant behaviours and follow up “at risk” taxpayers.
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