

TAX MATTERS

TAX STRATEGIES FOR YOU AND YOUR BUSINESS

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INSIDE

- ATO releases compliance targets for 2013-14
- Contractor or employee? Increased ATO focus
- New fuel tax credit rates
- ATO concerns with SME knowledge
- Car depreciation limit for 2013-14



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ATO targets GST in 2014 compliance program

Compliance in Focus sets out the compliance issues and risks attracting the attention of the ATO.

This information is useful for taxpayers who want to adopt a more strategic approach in managing their tax risk. Compliance in Focus is not an exhaustive list of all compliance activities that the ATO will undertake, but it describes the key focus areas for 2013-2014.

One key focus is GST and business systems integrity. Of the 2.73 million entities currently registered for GST, the ATO's compliance activities will focus on taxpayers who have undergone complex or structural changes to their business systems.

The ATO will show particular attention to the wholesale trade, manufacturing, financial and

insurance, government and retail industries. Business system checks, as well as governance and risk workshops, are planned for taxpayers in these industries.

The ATO will continue to focus its attention on:

Refund integrity checks

The ATO has anticipated 43,000 refund integrity checks for GST and other indirect taxes, across all industries and markets.

Reporting of GST on property

The ATO will be focusing on taxpayers who incorrectly report GST when they acquire, use, develop, sell or transfer real property through ongoing monitoring and data matching.

Particular concern will be on fraudulent phoenix activity among property developers who fail to meet GST obligations and

deliberately disengage from the tax system at the point of sale. The ATO plans to deter this by demanding lodgement, enforcing payment and applying penalties.

Serious attempts to evade GST

Compliance activities will include information matching and increasing the number of default assessments (including penalties of up to 75 per cent) issued to those who continually fail to lodge activity statements.

The new reporting requirements for the building and construction industry are also expected to assist in identifying those who are non-compliant with GST obligations.

Although deliberate non-compliance with GST is not widespread, the ATO will take strong action against individuals and businesses that do not comply.

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Contractor or employee? Increased ATO focus

Business owners need to be aware of the difference between an employee and a contractor so that they are able to meet their tax and superannuation requirements.

It is illegal for businesses to incorrectly treat their employees as contractors. This is because it allows businesses to unlawfully reduce their labour costs and gain an unfair advantage over their competition.

In general, an employee:

- performs work under the direction and control of their employer
- bears no financial risk
- is entitled to have superannuation contributions paid into a nominated fund

by their employer

- has income tax deducted by their employer

A contractor:

- has a high level of control on how and when they complete work
- bears responsibility and liability of poor work
- pays their own superannuation
- pays their own tax and GST to the ATO

Businesses need to be aware that incorrectly treating an employee as a contractor can result in financial penalties and charges, such as the PAYG withholding penalty and superannuation guarantee penalty.

The ATO is using a combination of education and compliance action to ensure that all businesses are on a level playing field.



TAX TIP

Car depreciation limit for 2013/14

The limit for the 2013/14 financial year is \$57,466. This limit remains unchanged from the 2012/2013 financial year.

New fuel tax credit rates

Fuel tax credits provide a credit for the tax that is included in the price of fuel.

Most businesses are able to claim fuel tax credits when using fuel for business activities in machinery, plant, equipment or heavy vehicles.

Since 1 July 2013 fuel tax credit rates have changed. There have been changes to some rates due to increased carbon charge amounts.

Businesses could be affected by the following rate changes:

- for fuels used in heavy vehicles when travelling on public roads
- for transport of gaseous fuels, other than when used for travelling on public roads
- for non-transport gaseous fuels used in certain activities

The fuel tax credit rate can vary depending on what fuel is being used by the business and the activity that it is used for.

When calculating the fuel tax credit claim the rate that applied when the fuel was acquired will be used.

However, for fuel used in heavy vehicles travelling on a public road, the rate in effect at the beginning of the tax period will be used. Businesses can continue to claim fuel tax credits on the business activity statement.

ATO concerns with SME knowledge



Small businesses are running serious financial risks due to their lack of knowledge about the tax system.

A study of more than 1000 Australian small business owners showed that 69 per cent struggle to navigate the tax system and find tax reporting increasingly complicated.

In particular, small business owners are unsure of their GST responsibilities, tax reductions and write-offs. These uncertainties resulted in owners missing out on concessions

and making expensive errors. Young entrepreneurs are significantly more at risk with 51 per cent not being aware of the mistakes they are making in their tax returns. Small business owners were also often unaware of changes in the tax system, such as their ability to claim taxes paid last year based on losses made this year.

Under this initiative, companies are able to carry-back up to \$1 million of losses against profits made in the previous tax year. Small business owners who are unaware of this change could miss out on a refund of up to \$300,000 of tax paid in the previous year.

Another problem that small business owners face was general calculation errors in their tax returns. Owners who did not use accounting software had an increased risk of making a mathematical mistake.

The ATO's data matching and analysis systems increases the chance of small business owners who make errors in their tax returns being caught, even if it's an honest mistake. The interest charged on missing tax, as well as the penalties, could cause serious financial damage to a small business.

It is important that small business owners are aware of the current tax landscape to ensure that they do not incur any financial penalties that could threaten the stability of their business.