

PALMER & ASSOCIATES

CERTIFIED PRACTISING ACCOUNTANTS

Newsletter

February, 2018

In this newsletter we have compiled some of the latest ATO news to keep you up to date. Please do not hesitate to contact us if you require further information regarding the content and the impact it may have on you.

ATO Focus on Cash Economy

The Australian Taxation Office has placed a strong emphasis on targeting the cash and hidden economy. This is to protect honest, compliant Australian businesses.

The ATO is visiting businesses that deal predominantly in cash, with a focus on those that:

- Fail to meet super or employer obligations, and that fail to register for GST or lodge activity statements.
- Operate outside regular small business benchmarks specific to their industry.
- Show discrepancies between what they have reported and collected data relating to electronic payments.
- Operate and advertise as cash only.
- Income does not correlate with the lifestyle of the business owner, i.e. assets and spending habits exceed what is expected of someone with their reported income.
- Are reported to the ATO by members of the community or any third party regarding potential tax evasion.
- Are part of an industry that is known for dealing primarily in cash only.

When out visiting cash-only businesses, the ATO will be working in unison with local authorities and industry associations to ask questions and discuss:

- Why the business operates primarily or only in cash.
- The need to lodge tax returns and activity statements.
- How to be compliant in relation to tax and super obligations.
- Different claims and tax deductions businesses can make.
- The general community preference to have EFTPOS or electronic payment options available to them.
- Benefits of electronic payment and record keeping facilities.
- Relaying tools and services businesses can use if they are struggling to ensure they are compliant with Australian tax laws.
- Any other help they may need.

If the ATO comes across a business that is doing the wrong thing or failing to meet their obligations, they have a duty to take action. This may result in the business facing an audit and possible prosecution.

If you have made a mistake and make a voluntary disclosure detailing your errors, the ATO will work with you to rectify this and create a solution.

If you are concerned you may not be meeting all ATO obligations in relation to your cash business, please do not hesitate to contact our office.

SMSF's warned of risky retirement planning

The ATO is warning self-managed super fund (SMSF) trustees about the risks of some emerging retirement planning arrangements.

Retirees or SMSF trustees who are involved in any illegal arrangement, even by accident, may face severe penalties, risk losing their retirement savings, and potentially, their rights as a trustee to manage their own fund.

The Tax Office has released additional information through its Super Scheme Smart Program, to help educate retirees and trustees of these complex tax avoidance schemes and arrangements.

Super Scheme Smart provides case studies and information packs to ensure taxpayers are informed about illegal arrangements, including what warning signs to look for and where to go for help.

Many of the arrangements are cleverly designed to look legitimate, give a taxpayer a minimal or zero amount of tax, tax refund or concession and involve a fair amount of paper shuffling.

Some arrangements may be structured in a way which appears to satisfy certain regulatory rules, however, these arrangements are often 'too good to be true' and are in fact illegal.

Among the ATO's previous concerns about dividend stripping arrangements and contrived arrangements involving diversion of personal services income to a SMSF, there are some new situations on the Tax Office's radar, including:

- ❖ Artificial arrangements involving SMSFs and related-party property development ventures.
- ❖ Individuals or a related entity, grant a legal life interest over a commercial property to a SMSF. This results in the rental income from the property being diverted to the SMSF and taxed at lower rates, whilst the individual or related entity retains legal ownership of the property.
- ❖ Arrangements where individuals (including SMSF members) deliberately exceed their non-concessional contributions cap to manipulate the taxable component and non-taxable component of their fund balance upon refund of the excess.

The ATO is also targeting engagements related to the new super caps and restrictions that came into operation as of 1 July 2017.

These include:

- ❖ The deliberate use of multiple SMSFs to manipulate tax outcomes. For example, switching each of the respective funds between accumulation and retirement phase.
- ❖ The use of reserves to circumvent the restrictions and limits which apply as a result of the total super balance and transfer balance cap measures.
- ❖ The establishment or maintenance of reserves by SMSFS beyond very limited circumstances, may indicate an inappropriate use, as part of a broader strategy to circumvent the new limits and restrictions under the recent super changes.

If you are concerned about your involvement with such arrangements, contact our office and we can help you and the Tax Office to work towards a resolution.

Tax Returns

Do you have an Income Tax Return still outstanding for the 2016 / 2017 Financial Year?

Don't delay any longer – send in your information and we will get started on it immediately.

For individuals follow the link below :

[Income Tax Return Checklist](#)

How e-Audits are Changing the Way the ATO Engages with Clients

Conducting e-Audits, is one of the approaches the ATO uses to ensure that businesses are paying the right amount of tax, by assessing the integrity and governance controls of business and IT systems.

It involves obtaining electronic data to compile, verify and analyse electronic record keeping and accounting information taxpayers provide.

If a taxpayer is selected for a client engagement activity, an audit or a review, and they maintain electronic records, the ATO may consider the use of e-Audit to obtain and analyse their records.

Benefits of an e-Audit

- Providing cost savings, as the ATO will ask the taxpayer to provide them with the information electronically, which will result in less requests for paper copies of transaction or reports;
- Minimizing disruption to the taxpayer's regular business activities, as the ATO will spend less time at their premises;
- Allowing the ATO to analyse electronic information more efficiently, accurately and thoroughly, than existing manual methods; and
- Providing taxpayers with a risk assessment of their IT systems.

Paradise Papers

On 6 November 2017 the International Consortium of Investigative Journalists (ICIJ) reported that they had significant amounts of leaked information from an offshore law firm Appleby, in Bermuda – that they called the 'Paradise Papers'.

The ATO was anticipating this release and issued the following media release, to coincide with the ICIJ release of the Paradise Papers.

Our aim is to provide relevant information to inform and help create opportunities for our clients. Please note: many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice, to independently verify their interpretation of the information's applicability to their particular circumstances. If you require further information regarding the contents of this newsletter, please do not hesitate to contact our office.

ATO Paradise Papers Media Release

The ATO has already been working with 37 national tax administrations, under the banner of the 'Joint International Taskforce on Shared Intelligence and Collaboration' (JITSIC), which our Commissioner: Chris Jordan, currently chairs.

The Commissioner brought member countries together last year to discuss global responses and formalise concrete actions in relation to the Panama Papers, which can now merge with the Paradise Papers.

JITSIC member countries will continue to leverage off the success of the Panama Papers and work together to pool resources and share intelligence to rapidly develop a more accurate picture of what the data is telling us.

Deputy Commissioner International, Mark Konza said that the ATO is at the forefront of international co-operation and engagement and is regularly acquiring new sources of data and intelligence, which bolsters information we already have. "ATO intelligence on tax avoidance comes from a variety of sources, including from concerned citizens, advisers, partner agencies and international bodies,"

Mr Konza said "The data we are receiving from our international and domestic sources is comprehensive and current. This robust intelligence, coupled with our powerful analytics capabilities, assists us to continue to tackle tax avoidance head-on."

Domestically, we are working with the Australian Criminal Intelligence Commission, the Australian Federal Police, and AUSTRAC to further cross-check data and build our intelligence base, undertake audits, apply significant tax penalties where appropriate, and refer cases to the Serious Financial Crime Taskforce for criminal investigation.

The ATO says: "We know and trust that most people do the right thing, and that many taxpayers identified as part of the leak will be meeting their Australian tax obligations. However, we investigate all leads and have the resources and expertise to take action against taxpayers or intermediaries found to be caught-up in the illegal use of offshore structures or providers."

The ATO encourages those who believe they may have undeclared offshore income, to contact the ATO and come forward by making a voluntary disclosure.