

NEWSLETTER

June 2003

This newsletter raises a small number of issues that may have an impact on your business and the preparation of your income tax returns and BASs.

ATO Audit Activity

The government has recently approved \$1.5B in funding over 4 years, for the ATO to audit your tax affairs. A number of areas have been targeted including GST, Capital Gains Tax (CGT), rental properties, self managed superannuation funds and the 'cash economy'. One in ten businesses are set to be audited.

Staff Superannuation

The contribution rate is still 9% of ordinary wages, but must now be paid at least quarterly - not in a lump sum at the end of the tax year. Payments are to be made within 28 days of the end of the quarter – starting with the September quarter. You are also now required to notify your staff how much was contributed and where you sent the money, within 30 days of the payment. Modified payslips should do the job. You may need to contact your software provider to see if this is possible.

Workers Compensation

Changes to workers compensation laws take effect from 1 July 2003. Not only wages, but staff superannuation contributions, termination and long service leave payments are now subject to workers compensation. Contractors will also need to sight workers compensation Certificates of Currency held by their sub-contractors or face the possibility of paying workers compensation premiums for the sub-contractor's workers. This is a big issue.

Rental Properties

The ATO is auditing rental property owners who are claiming improvements as repairs, as well as checking that CGT has been paid on the disposal of rental properties. It needs to be mentioned that not all rental properties are subject to CGT. While this may only seem to be a small issue the ATO is also examining payments to strata sinking funds. These are generally not claimable and need to be separated from strata fees for tax deduction purposes.

Payroll Tax

Payroll tax is payable when your payroll exceeds \$600,000 per annum. Staff wages, superannuation contributions and other benefits, as well as payments to some sub-contractors are included in the calculation.

Land Tax

Land tax is generally payable when the value of business and investment property reaches \$261,000. The value is not the purchase price or market value, but a value determined by the Valuer General. This value is available from the Land Tax Office.

Motor Vehicle Log Books

If you are required to keep a log book, you need to remember that they are only valid for 5 years. Prepare a new log book if you are close to the 5 year limit. Do not underestimate the ATO capacity to disallow expenses if log books are not perfect.

Shareholder Loans

Clients who operate through company structures will be familiar with the term shareholder loans. The ATO expects that these company loans will be repaid by 30 June. Loans not repaid by this date require special attention in our office and are liable to come under scrutiny.

GST

The ATO is examining the GST calculations when motor vehicles are withdrawn from the business for private purposes or simply just given to the kids. Further ATO reviews will examine the GST payable on the disposal of business assets after the business has ceased or after the GST registration has been cancelled. Up to 30 June 2003 you cannot claim the GST on CTP (greenslip) Insurance. This changes on 1 July and you will be able to claim the GST in future.

ATO Visits

The ATO has commenced what it calls 'Walk-Ins'. This is where the ATO visits business premises and asks general questions about your business. These walk-ins will not be detailed but may lead to further audit activity. Ring our office before you answer any questions – we like to know if the ATO are in town.

ASIC Changes

From 1 July there will be changes to the way companies report to the Australian Securities & Investment Commission. An Annual Statement and fee invoice will now issue at the anniversary of your company registration date. Paperwork is expected to filter through over the next few months, but basically you need to notify ASIC of most name & address changes, on the appropriate form, within 28 days. It is important to understand that you have the responsibility of notifying ASIC of any changes or seeking our assistance in notifying ASIC on your behalf. If you are unsure of your notification requirements please talk to us.

Statistics, statistics and more statistics

The ATO has developed quite elaborate systems for evaluating statistical data. Most of this data is extracted from tax returns and financial statements. This data collection function is not a role that we enjoy, but it is nonetheless a large part of doing business with the ATO.