

## Article for 'Tax Time 2005'

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The Taxation Office (ATO) is aware that the property boom has created a whole new generation of landlords. More Australians now own investment property than ever before. As a result of this the ATO has concluded that a lot of inexperienced landlords means errors on tax returns for rental property deductions.

The ATO believes that records will be poor and that there will be an inadequate understanding of tax law in relation to rental property. The ATO is correct. Rental property audits will be a strong feature in this year's ATO audit activity and will look closely at repairs, improvements and interest deductions.

Among other things, a strong economy has also meant that many people are now shareholders in public companies. The ATO will be checking that dividends have been correctly declared in tax returns, even if you take part in what is called dividend reinvestment plans. You still need to pay tax on dividends that you opt to reinvest into further shares.

The disposal of shares and property is another area of interest to the ATO. Capital gains on the disposal of shares and property will be a significant feature in many tax returns this year. The bottom line is clear. If you disposed of shares or property during the year you will need to consider the possible capital gains tax implications when lodging your tax return.

Company mergers and take-overs may also generate a capital gains tax liability or loss, even though you have not personally 'sold' any shares. For example, many holders of AMP shares in the 2004 year were given further shares in HHG. Some HHG shareholders have recently received an unexpected cheque in the mail and you will now need to deal with the capital gains or losses that have arisen on a transaction that you had no control over.

The much-advertised 'Co-Contribution' is a government incentive to encourage salary & wage people, on lower incomes, to contribute to their own superannuation funds. The scheme has been improved on last year and now offers as much as \$1500 to eligible people. Unfortunately this incentive is not generally available to self-employed people. We believe that this incentive is a huge benefit for lower income wage earners and could be used very effectively to kick-start the retirement savings of people even in their late teens. We encourage you to see your superannuation advisor and your accountant, to check the eligibility rules for all members of your family and to consider whether you should be taking advantage of this incentive before 30 June.

Choice of Super is high on the agenda at the moment. From 1 July 2005 many employers will be required to offer their employees a choice, as to where the employee wants their 9% superannuation deposited. If you are an employer and you

have not made any effort to find out about 'Choice', you need to talk to your advisor now. Some commentators have referred to 'Choice' as a storm in a teacup. It is bigger than you think. Remember that the ATO will be administering 'Choice'.

An important factor about 'Choice' is that employees do not have to change their current superannuation fund. There are however, documents that need to be completed.

Remember, the best tax advice is not found at the pub, at a BBQ or from well meaning friends. Consult your accountant.