



Documentation Fees

We have noticed over the last few years that clients are relying on our office to provide duplicate information (eg financial statements, tax returns etc) which has already been supplied to them.

To ensure that your costs are minimised (as we charge \$25 per document duplication), please keep all your client copies in a safe area at home/business, for quick and easy access.

ATO's Compliance Program: 2008/09

The Tax Commissioner, Michael D'Ascenzo, has released the ATO's Compliance program for 2008/09, which lets the community know where they will focus their attention and the action they will take in the coming year, "so people know which areas of risk they should avoid".

The ATO will focus on (among other things):

- q income tax;
- q tax havens;
- q dodgy tax schemes;
- q wealthy individuals; and
- q the cash economy.

Their priorities for individual taxpayers include:

- q a focus on capital gains from the sale of property, shares and other assets;
- q expanding their review of the activities of senior executives and directors; and
- q monitoring work-related expense claims, particularly out-of-pattern claims for self-education, car and travel expenses.

More industry benchmarks, data matching, and cash economy audits

The Commissioner also advised that the ATO will:

- n work with more industries to develop benchmarks (these benchmarks allow taxpayers to compare their performance to the rest of their

industry and check that their tax records reflect their business practices);

- n increase their data matching to more effectively identify and target people who may have under-reported income or over-claimed expenses; and
- n undertake more than 5,000 cash economy audits or reviews.

Resident minors' 2008/09 tax-free threshold

The increase in the low-income tax offset to \$1,200 in 2008/09 (from \$750 in 2007/08) effectively means that minors (i.e., persons under the age of 18) can receive \$2,666 tax-free in the 2008/09 year (e.g., distributions from discretionary trusts).

The cash economy – still in ATO's sights

The Commissioner of Taxation has given some insights into how the ATO intends to tackle the cash economy.

Compliance action – Letters

For those that 'need a nudge along', the ATO often provides advisory letters to individual businesses where it's thought they might be involved with the cash economy, and last year:

- q sent more than 9,000 letters to people who had applied for an owner/builder's licence in NSW and Victoria, informing them about tax obligations of the people they were likely to employ; and
- q sent 3,000 letters to shopping centre retailers, advising them that the centre owners had provided the ATO with information about their business turnover and rental payments.

Choice of super: Funds must offer life insurance

The Tax Office is reminding employers that, from 1 July 2008, employer-nominated

super funds must offer minimum levels of life insurance death cover to members.

An employer-nominated super fund is the fund that an employer chooses to pay an employee's super guarantee contributions to if the employee does not choose a fund (i.e., the default fund).

Insurance requirements

Employer-nominated super funds must offer minimum life insurance for members:

- u at a premium of at least \$0.50 per week for those aged under 56;
- u with at least the level of insurance cover shown in the following table; or
- u at least at a level of cover equivalent to the following table if the contributions are made to a defined benefit fund on behalf of a defined benefit member.

Age Range	Minimum level of life insurance cover
0 to 19	Nil
20 to 34	\$50,000
35 to 39	\$35,000
40 to 44	\$20,000
45 to 49	\$14,000
50 to 55	\$7,000
56 +	Nil

If an employer's nominated super fund does not offer minimum life insurance for members, employers may need to arrange insurance either with another super fund or with an insurance provider.

As usual, there are exceptions, such as where the employer is making contributions under a federal award, or is unable to obtain insurance from the fund normally used by the employer in respect of a particular employee due to the employee's health, occupation or hours worked.

Low income tax offset: Six of one, half a dozen of the other

From 1 July 2008, the maximum low income tax offset increases from \$750 to \$1,200.

The low income tax offset is available in full to taxpayers earning less than \$30,000 p.a., and

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 and the information's applicability to their particular circumstances.

then reduces after that until taxable income reaches \$60,000, when it phases out.

However, the Government has made a regulation specifying that employees will be entitled to the benefit of half of the offset (i.e., up to \$600) in calculating the tax regularly withheld from their salary/wage.

Such employees will receive the remainder of the tax offset when they lodge their return. Although this means that eligible employees will have earlier access to this money, it will also mean that their refund at the end of the year may not be as large as they expected.

Education Tax Offset available

Parents are being advised to 'keep their receipts' for education expenses in light of the commencement of the Education Tax Offset from 1 July 2008.

How much can be claimed?

Eligible families (generally parents entitled to Family Tax Benefit (FTB) Part A) will be able to claim a 50% tax offset every year (in their tax return) for key education expenses up to:

- q \$750 for each child undertaking primary studies (i.e., maximum refund of \$375 per child, per year); and
- q \$1,500 for each child undertaking secondary studies (i.e., maximum refund of \$750 per child, per year).

What items are covered?

Eligible expenses include:

- n laptops, home computers and associated costs;
- n printers;
- n home internet connections;
- n education software;
- n trade tools for use at school;
- n school text books; and
- n stationery.

September BAS due 28 October 2008

For those clients whom we prepare their Activity Statements, **please make sure that your information is sent to our office no later than 10th October 2008. Penalties and interest will apply if they are not lodged by the due date.**