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Chartered Accountants

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Tax Office Activities

The Tax Office has released its Compliance Program for the 2010 / 2011 year, detailing its key priorities and activities for each market segment.

In particular, the Program includes the following:

- The use of cash transactions to evade taxation obligations. Such actions include paying cash wages, treating employees as contractors, and non registration or lodgement.

- Review of employer obligations such as superannuation guarantee and fringe benefits tax. This includes employee complaints in relation to unpaid superannuation, compliance reviews of targeted industries, such as road freight transport, automotive repair and electrical services industries, and the non reporting of taxable fringe benefits, in particular motor vehicles, or the incorrect valuation of such benefits.

- Concerns remain with contractors alienating their personal services income through other entities, for example, a company. Focus will include the matching of data from labour hire firms and the mining industry, particularly for engineers and computer technology specialists.

The tax office has also announced the continuation of two measures implemented to assist small businesses that may be struggling to manage their tax debts in the current economic climate. Small businesses are generally those that have an aggregated annual turnover of less than $2 million.

The two measures are:

- 12 month interest free payment arrangements; and
- Deferral of activity statement payment due dates.

These measures were originally intended to cease on 30 June 2010, however they will now continue until 30 June 2011.

Eligible businesses should note that access to these measures from 1 July 2010 will require them to enter into a direct debit arrangement with the tax office in relation to the agreed payments to be made.

Small businesses are encouraged to contact the tax office as soon as possible to discuss their circumstances and negotiate an appropriate payment arrangement.

Changes to Tax Invoice Requirements

The Board of Taxation's review of the legal framework for the administration of GST has introduced changes to the tax invoice and recipient created tax invoice requirements effective from 1 July 2010.

Documents that contain minor errors may now still be treated as tax invoices. Further, a document that is missing key information may also now still be treated as a tax invoice as long as:

- It is clear that the document is intended to be a tax invoice; and

- The missing information is able to be ascertained from other documents issued by that supplier.

The requirements for recipient created tax invoices have also changed consistent with those for tax invoices.

These changes are intended to reduce the costs to business of additional follow up with suppliers, whilst not imposing any other compliance costs to business. Where the business accounting system generates invoices that meet the existing tax invoice requirements then no changes should be necessary.

Minimum Pension Drawdown Amounts — 50% Reduction to Continue

The Prime Minister has recently announced that the Government will extend for another year the 50% reduction in the required minimum payment amounts that must be made from account-based, allocated and market-linked pensions.

The minimum amounts had been reduced by 50% for the 2008/09 and 2009/10 financial years — that will now be extended to the 2010/11 financial year.

This means, for example, that the minimum annual drawdown for 2010/11 for someone aged 64 years or less will remain at 2%; and for those aged 65 – 74, will remain at 2.5%.

Super System Review Final Report

The Super System Review has released its final report which includes the following key recommendations:

- Existing superannuation funds to establish a default fund. This is referred to as 'My Super' and is described as a simple, cost effective product where the trustee is responsible for making investment decisions on behalf of members.
- An initiative referred to as 'SuperStream' which aims to correct inefficiencies in the industry through the use of technology and uniform data standards, electronic contributions and submission of data by employers, and the use of tax file numbers as the uniform method of member identification.
- Relating to the Self Managed Superannuation Fund sector including in-house, collectables and personal use asset prohibitions and a review of the borrowing exception to ensure that borrowing has not become a significant focus.
- Binding death nominations being reviewed every five years, and declared invalid if the circumstances of the deceased member have changed.
- Greater restrictions on commissions and fees.
- A Code of Trustee Governance is proposed.
- New capital requirements for trustees on a risk-weighted basis.
- Standard product information and reporting be available to members.

Payroll Tax Exemption for Wages Paid to Apprentices and Trainees

During the March 2010 election campaign the South Australian Government announced that, if re-elected, it would abolish payroll tax on wages paid to apprentices and trainees. The Government has now confirmed that legislation to implement this measure will be introduced, and that it will apply retrospectively from 1 July 2010.

Until this legislation is implemented, wages paid to an apprentice or trainee can be treated as exempt from payroll tax in the following circumstances:

- By an approved group training organisation; or
- By any other employer if the apprentice or trainee is undertaking training under:
    - A school-based training contract; or
    - An initial training contract between the employer and the apprentice or trainee; or
    - A training contract entered into prior to 1 July 2010 that is current on that date.

Whilst these wages may be treated as exempt from payroll tax, the employers are required to report these exempt wages in their annual reconciliation.

Collapsed Agribusiness MIS

The ATO has advised that it will be contacting approximately 60,000 identified participants of recently collapsed Agribusiness managed investment schemes (MIS) during August 2010 to help them understand the tax consequences of their investments.

The ATO has advised that affected taxpayers will need to factor in any changed tax implications in these schemes when they prepare their tax returns.