



**Chartered
Accountants**

October 2010 Newsletter

Tax Scams on Tax Office Radar

The Tax Office has recently highlighted the emergence of new tax schemes, warning taxpayers to be vigilant and avoid becoming the victim of identity and tax return fraud.

The Tax Office reconfirmed that it never sends emails asking for personal information such as banking and credit card details.

TIP:

If you receive a suspicious email or telephone call, please contact our office before giving out any personal information.

Education Tax Offset Compliance

The Tax Office will be requesting from CentreLink names and addresses of Family Tax Benefit Part A recipients in an effort to identify recipients who may be incorrectly claiming the 50% education tax offset for primary and secondary school student expenses.

In particular, to be eligible for the education tax offset the taxpayer must be receiving Family Tax Benefit Part A.

The Tax Office expects to match records of around 1,500,000 individuals registered with CentreLink.

South Australian State Budget 2010 - 2011

The State Government handed down the 2010 – 2011 State Budget on 16 September 2010.

The following taxation related measures were announced:

- Retargeting and enhancement of the First Home Bonus Grant and the introduction of a property value cap for the First Home Owner Grant in relation to eligible transactions entered into on or after 17 September 2010;
- Introduction of a Payroll Tax exemption on wages paid to apprentices and trainees from 1 July 2010;

- Abolition of the Petroleum Subsidy Scheme from 1 January 2011;
- Phased abolition of the Payroll Tax Exporters Rebate from 1 July 2011; and
- Replacement of the existing land rich provisions in the Stamp Duties Act 1923 with a landholder model from 1 July 2011.

Payroll Tax Exemption on Wages Paid to Apprentices and Trainees

The Payroll Tax Exemption on wages paid to apprentices and trainees is consistent with the State Government's announcement during the 2010 election campaign.

Revenue SA has been administering the legislation on the basis that the exemption applies from 1 July 2010, and will continue to do so until the measure is passed by Parliament.

Abolition of the Petroleum Subsidy Scheme

Further information regarding the abolition of the Petroleum Subsidy Scheme will be provided closer to 1 January 2011.

Abolition of the Payroll Tax Exporters Rebate

The phased abolition of the Payroll Tax Exporters Rebate will occur via the rebate being halved from 20% to 10% of the payroll tax paid on wages attributable to export production from 1 July 2011.

The rebate will then be abolished from 1 July 2013.

Introduction of a Landholder Model

The introduction of a landholder model does not propose a change to the existing \$1 million land valuation test, but it does involve the removal of the 60% and 80% land to all property percentage tests.

Under the landholder model, if control of an entity changes and that entity holds South Australian land assets above a threshold, conveyance rates of duty will apply to the land assets being transferred.

The Government's Key Tax Policies

In negotiating the support of independents, the Federal Government has:

- Agreed to facilitate a national tax summit, the purpose of which is to discuss future tax reform, in particular following the recommendations detailed in the Henry Review.
- Deferred for a year the introduction of the 50% interest income discount from 1 July 2011 to 1 July 2012.

The following is a summary of the key tax policies announced by the Labor Party during the election campaign:

- Businesses that undertake capital works to improve the energy efficiency of their existing buildings (from 2 stars or lower to 4 stars or higher) will be able to apply for a once off bonus tax deduction.
- Eligible hotels that undertake capital works to improve the energy efficiency of their existing buildings will be able to apply for a once off bonus tax deduction of 50% of the cost of eligible assets or capital works.
- Continuation of the objective to deliver a simple, transparent, responsive, accountable and accessible tax system.
- Continue to pursue reform of resource taxation through a committee which is to consider and advise the Federal Government on the best way to achieve appropriate interaction between the proposed Minerals Resource Rent Tax and the existing Petroleum Resource Rent Tax and State and Territory Royalty arrangements.
- Confirmation of their intention to implement the redesigned Research & Development (R&D) Tax Credit (the Legislation for this had lapsed and has now been re-introduced to Parliament).
- Additional compliance resources to be provided to the Tax Office with the objective of detecting and deterring fraudulent refund claims by both individuals and organisations.
- From 1 July 2012 eligible small businesses will be entitled to write off as

an immediate deduction assets costing up to \$5,000 (an increase to the existing \$1,000 threshold).

- From 1 July 2012 the income tax rate for eligible small business companies will be reduced to 29% from the existing 30%. The income tax rate for all other companies will reduce to 29% from 1 July 2013.

Classification of Workers

To assist businesses with the classification of workers, and in particular the distinction between an employee and a contractor, the Tax Office has released an online tool, this is available at www.ato.gov.au/employeecontractor.

This decision tool involves the answering of a number of questions, the business then receives a decision about whether the worker is an employee or contractor and a summary of the businesses resulting taxation and superannuation obligations for the worker.

Use of Company Assets

The rules relating to benefits being provided to shareholders and / or their associates by private companies have been tightened.

From 1 July 2009 the definition of a payment has been expanded to include the providing of an asset for use by a shareholder and / or their associate.

Therefore, the value of benefits private companies provide to their shareholders and / or their associates through the use of company assets, such as houses or cars, may now be taxable as a deemed dividend if the benefits are provided for less than their market value.

However, the following exceptions apply:

- Minor use of certain company assets.
- Where the shareholder and / or their associate would be entitled to a once off deduction for the payment if one had been made.
- The use of certain residences, subject to a number of conditions.

Important: This is not advice. Clients should not act solely on the basis of the material contained in this Bulletin. Items herein are general comments only and do not constitute or convey advice per se. Also changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. The Bulletin is issued as a helpful guide to clients and for their private information. Therefore it should be regarded as confidential and not be made available to any person without our prior approval.