I ♥ PLANNING

Year end planning for individuals at 30 June 2014

ATO using data analytics to find missing GST

ATO cracking down on the cash economy

JUNE 2014 CLIENT NEWSLETTER

Welcome…

to The Enterprise Sanctuary's first client newsletter. As a firm that is passionate about creating wealth for its clients by providing the right advice at the right time, our newsletter aims to provide you with updates, changes to the law and relevant news.

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YEAR END PLANNING FOR INDIVIDUALS AT 30 JUNE 2014

These items summarises the issues which should be considered for year end planning at 30 June 2014 for individual taxpayers:

- Temporary Budget Repair Levy: The Government has proposed in the 2014-15 Federal Budget, the introduction of a 'Temporary Budget Repair' (TBR) levy for high income earners. Applying for the 3 years commencing 1 July 2014 through to 30 June 2017, individual taxpayers will pay an additional 2% TBR on taxable income over $180,000. Individuals may want to review the timing of any taxable income and deductible expenditure in order to minimize their exposure to the TBR during this three year period.

- Medicare Levy: The Medicare levy will increase from 1.5% to 2% from 1 July 2014. Consider whether any significant cash tax savings can be achieved by altering the timing of any taxable income or deductible expenditure prior to the increased levy applying.

- Defer income: Income assessed on a cash basis may be deferred until after 1 July 2014 to provide an additional 12 months to pay tax.

- Bring forward deductions: Expenditure before 30 June 2014 will reduce taxable income for that year. Examples include prepayment of interest, deductible donations, rental property repairs and depreciable assets subject to immediate write off.

- Capital gains: Sale contracts may be executed after 1 July 2014 to ensure that the capital gain is recognised in the 2014-15 year.

- Private health insurance: Individuals should review their private health insurance to ensure that they have an appropriate level of private patient hospital coverage in order to avoid the imposition of the Medicare levy surcharge.

- Business income and deductions: Taxpayers on an accruals basis can delay the taxation of debtors by billing after 1 July 2014. Bad debts should be written off prior to 30 June.

- Superannuation contributions.

ATO USING DATA ANALYTICS TO FIND MISSING GST

I am increasingly seeing the ATO adopting a data analytical approach to GST reviews. In the past I have said to you in order to avoid income tax return review or audit by the ATO we must ensure that we remain inside the 'range' of data the ATO have in your particular industry. Any entities within the extremes or outside of this range are generally targeted for further review.

I am now noticing the same techniques being applied from the ATO for GST. There is now a shift away from 'has the taxpayer classified the transaction correctly for GST' to 'are the business systems the taxpayer is using good enough to provide an accurate outcome for GST.'

The new shift makes sense. The old method was resource intensive in that it relied on the ATO searching through every transaction to make sure it was correctly classified for GST, whereas the new approach takes a high level approach to its targeting methods.

Points that I would like to remind you of at this time

1. Check that all the numbers in your current BAS are within a reasonable range of the numbers in the same boxes of the BAS for prior periods. It is surprising how many ATO reviews are prompted by a single large (usually-GST free) transaction appearing on the BAS in some months but not in others.

2. Ensure you are claiming GST on expenses in the earliest possible tax period. Rather than relying on the calendar month reports to capture input tax credits in the BAS. You may get a larger GST refund (or have a lower GST payable bill).

3. Check the consistency of the GST treatment applied to particular suppliers and / or customers in the past.

ATO CRACKING DOWN ON THE CASH ECONOMY

The Tax Office is cracking down on the cash economy, targeting businesses that are not declaring cash revenues, from restaurants through to home cleaners, in a bid to bring billions of dollars back into the tax net.

The Tax Office will step up audits of small businesses including cafes and restaurants, carpentry and electrical services, hair, beauty and nail specialists, building trades, road freight and waste skip operators.

Businesses in café and restaurant districts including Melbourne's Lygon Street area in Carlton, Northbridge in inner Perth and Fortitude Valley in central Brisbane are currently under surveillance.

Focus is also being put on the hair, nail and beauty industry where over the last 12 months a 65% increase in the number of community referrals, many of them from within the industry has been seen.

In the past financial year the Tax Office had recouped $200 million through 10,000 audits of businesses that were found to be hiding cash transactions.