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2015 FINANCIAL YEAR END NEWSLETTER

By our reckoning this is Year-end Newsletter Number 31. In this Newsletter we seek to share with you some interesting things ranging from simple compliance to Year-end tax planning tips to relevant summaries from both the last State and Federal Budgets to Financial and Estate Planning matters. We have endeavoured to make it interesting and relevant and give you not only guidance but also some interesting things to ponder. Where we have your email address, you will have received this Newsletter electronically.

The Federal Government has delivered its second budget and it was more warmly received than last year's first. There was some good news for small business. Also some good and bad news for Retirees and those trying to build or live off of a retirement nest egg. Investors across the board can breathe a sigh of relieve that Negative Gearing, Dividend Imputation and Superannuation were left largely unscathed.

The State Budget was also delivered in May. We are sure that directly or indirectly the bulk of us have felt the impact of a drop of revenue from Iron Ore and Gas sales. The State Government was no different with its drop in Royalty Revenues so in order to keep our social and economic systems lubricated some state taxes have increased.

We also remind you of our new website ***(www.lprtaylor.com.au)*** where you can access this Newsletter as well as other riveting information. As always we are looking forward to the new financial year with keenness and enthusiasm. With our team rested and up to strength we are confident that we can meet your every need.

Be mindful the field of taxation is broad and complex. This Newsletter seeks to target but a few of the taxation/financial issues that could possibly affect you. Thus we hope that you read and enjoy this Newsletter but see it as only a very small part of a very large picture.

THE OLD CHESTNUTS: FOR THOSE REALLY BUSY PEOPLE WHO ONLY READ THE FIRST PAGE - SOME REMINDERS:

Cents per kilometre method
If you are using the cents per kilometre method you need to be able to show how you arrived at your estimated number of business kilometres and have sufficient records identifying the purpose of the trips. Under this method you can claim a maximum of 5,000 kilometres per vehicle. Changes in the 2015 Federal Budget saw the cents per KM for all employee owned work related use cars changed to 66 cents from the 1st July 2015.

Motor vehicle Odometer readings
Odometer readings are required for ALL motor vehicles being claimed for tax purposes as at 30th June 2015. This is IRRESPECTIVE of the proposed method used to claim your tax deduction.

Log book method – motor vehicles
For those of you who claim motor vehicle costs using a Log book, remember that you must retain your logbook and that it cannot be older than 5 years. Thus, if you have misplaced your logbook or if your business usage has changed or if it is older than 5 years, then it is time to prepare another covering at least 3 continuous months.

Stock take
Don't forget to do a physical stock take as at 30 June 2015 setting out the stock items and cost thereof (unless you are a Small Business Entity and your stock value movement has been less than $5,000).

Bad debts
Don't forget that bad debts are not deductible unless they are physically written off before 30th June 2015 and the debt must have been brought to account by the taxpayer as assessable income.

Superannuation contributions and timing
The rate for Super Guarantee stays the same thus for the year commencing 1st July 2015 (i.e. the 2016 year) all the employer obligation continues to be 9.5%. As a reminder these amounts need to be remitted to your employee's superannuation funds quarterly. To ensure that the final quarter complies and will qualify as a tax deduction for the 2014 / 2015 Financial Year,

all contributions must actually be made by the 30th June 2015. (e.g. a payment in cash/cheque or transfer of assets must be in the hands of the Fund Trustee and Direct Credits must actually be in the bank of the Trustee by the 30th June 2015). Employers – we urge you to get the Super dispatched from your systems by the Friday 19th June 2015 to ensure that it is well and truly nested by the 30th June 2015. And do not be confused the deadline to avoid SGC penalties for contributions for the 2014 / 2015 year which is the 28th July 2015 (here to we suggest that your payments be made a week in advance of the due date just to be safe).

Year-end Tax Planning

As the year end looms it is important to be aware of those year-end tax savings matters must be in place before you go to bed on the 30th June 2015 (falls on a Tuesday this year) and be aware of those tax savings strategies that will not be there as you wake up on the 1st July 2015.

Review fixed assets useful life and determine if there are any benefits in scrapping or trading in assets.
As part of our year end work we send out a prior year depreciation schedule. Take the time to review the schedule as we can often get you a tax deduction for the remaining book value of scrapped assets.

Write off obsolete inventory
The year-end stock-take should involve a review of all inventories. Obsolete stock may be scrapped or valued below cost subject to **specific** guidelines.

Small business CGT concessions
Individuals operating a small business may be eligible for CGT concessions on the sale of business assets including the Goodwill.

Capital expenditure vs repairs
Without breaking the law where you can ensure that in your Capital verses Repairs that you favour repairs. First step test is that if it is mended with the same materials and only taken back to original condition then it is a repair and not capital. So review all spending during the year to identify all repaired items that are deductible. Remember capital items can often be depreciated.

Super guarantee changes
From 1 July 2015 the super guarantee rate will continue at 9.50% and just a reminder that the upper age limit for contributions of 70 years was removed.

Instant asset write-off
The 2015 Federal Budget got serious with its $20,000 deduction claim where a small business purchases a business asset. This applies from Budget Night (12th May 2015).

Bad debts
Write off bad debts before year end. It must be bad, not merely doubtful and must have been previously included as assessable income.

Review unpaid expenses (your business Creditors)
Businesses whose account on an accruals basis and have fallen behind in their rent and other expenses that may still claim the arrears amount as a tax deduction.

Some Tax Tips for Property Investors

We covered in some depth Rental Properties in our 2014 Newsletter which is available on our website. Most Property Investors are aware of the usual expenditure deductions that can be used to offset any income earned by an investment property. Regular costs such as maintenance, repairs, interest on loans and management fees can all be used to offset rental income. But we would be remiss if we did not provide you with a couple of fresh tips. The good news is the claim for the negative gearing loss which allows property investors to claim any shortfall between their income and expenditure on an investment property as a deduction against their total taxable income was left unscathed in the 2015 Federal Budget.

Refinancing your mortgage
With the fall in interest rates many property investors are refinancing their mortgage and this usually incurs a couple of one-off costs and bank fees. Investors who are planning on refinancing their mortgage may care to consider doing so before June 30 in order to claim the costs incurred as a deduction in the 2014-15 financial year.

Pre-pay interest & insurance
Where you have sufficient funds to pre-pay interest on your property loan you can do so before the 30th June and claim the deduction in the current financial year. It is also possible to pre-pay (and claim a deduction for) your upcoming property insurance premiums.

Bring forward maintenance expenditure
If there are maintenance tasks that you know will need to be completed on your investment property, you may wish to complete the repairs before the 30th June in order to minimise your tax bill in the current financial year.

Stay on top of your depreciation
Make sure that you are aware of the possible depreciation claim on any fittings. As mentioned earlier we normally send you a copy of the prior year deprecation schedule, take the time to see if anything needs to be added or can be written off.

Stay on top of your paperwork
We have a check list of numbers that we seek each year for the rental properties. If you have not got one, contact us and we will email you the same. The big numbers normally are the rental income and the mortgage interest expense. As we need to sight the supporting documents for these ensure that you keep handy the loan statements and the paperwork for the rental income.

Self-Managed Superannuation Fund (SMSF) - End of Financial Year

The compliance requirements for SMSFs are extremely stringent. The sole purpose (goal) of the super fund is to provide for your retirement and the ATO is determined to ensure that this goal is achieved.

Although you are never alone when you are with us, it is important that as a Trustee you are aware of your responsibilities. We hold an electronic copy of all client Superannuation Trust Deeds and we know that you have read all your Deeds. But should you wish to have a refresher read just contact us and we will email you a copy. Anyway as 30th June 2015 approaches as a minimum you need to focus on the following;

Withdrawing minimum pension (this is important)
SMSFs that do not distribute minimum pension amounts to members who are in pension phase may find that the fund tax exempt status for the prior year is lost. What that means is that the income within the fund could face a 15% tax rate (i.e. instead of being nil). Depending on your age a set minimum percentage needs to be withdrawn. For the 2015 year this percentage is based on your 1st July 2014 members' balance and has been advised to you by us as part of our 30th June 2014 year end work.

If a member of your SMSF has recently reached pension phase or you are at all unsure as to what your minimum pension amount is or unsure whether you meet the Minimum Annual Pension Payments requirement for year 2015, please do not hesitate to contact our office. Once you are reminded of the minimum percentage please do your sums and ensure that the amount you have withdrawn equals or exceeds the minimum requirements.

Age	Standard Percentage Factor
Under age 65	4%
65 - 74	5%
75 – 79	6%
80 – 84	7%
85 – 89	9%
90 – 94	11%
Age 95 and over	14%

Some Other Superannuation Matters

Depositing contributions
All of the contributions that have been recorded for your SMSF need to be deposited in the SMSF's bank account by no later than 30th June 2015. This is especially important where members have reported concessional or non-concessional contributions.

Spouse contributions
You may be entitled to a Tax Offset (Rebate of Tax) where you make a superannuation contribution on behalf of your spouse. The spouse must be aged less than 65 years or less than 70 years of age and pass the work test. Also your spouse's taxable income must not exceed $13,800. It will not make you rich with the maximum offset being $540.00 based on the maximum of ($3,000 x 18%).

Government Co- Contribution
For taxpayers who fit into the category of being eligible individuals who make personal contributions for which a tax deduction has not been claimed (and their income is below $34,488 for 2015 Financial Year) then a maximum offset of $500.00 can potentially be fed into your superannuation fund by the Federal Government. Once it was $1,000.00 but Gillard and Swanny thought that was too generous.

Low Income Superannuation Contributions
Not to be confused with the Co-contribution there is another $500.00 up for grabs and this is the refund of the 15% "contribution tax" to a maximum of $500.00. You are in the hunt if your income is under $37,000, you or your employer have made a concessional (deductible) contribution in the 2015 year and at least 10% of your income came from business or employment activities.

Contribution Caps
Never lose sight of the Contribution caps and remember it does not matter who makes the contributions, what counts is how much goes in the front door and ends up under your member's account balance. As a reminder of those caps for the 2015 year are:

Concessional (Deductible)	
49 years of age or over	$35,000
Under 49 years of age	$30,000

Non Concessional (Non-deductible)	
Under age 65	$180,000
65 years and over	$180,000

If you are under age 65 at any time in the first year, you can bring forward two more years worth of contributions, giving you a total non-concessional contributions cap of $540,000 in one year. So check your non-concessional contributions made during the previous two financial years to see if it affects the amount you can contribute in this year.

A word of caution for the Self Employed who were also employees (10% Rule)
Self-employed Australians can claim a tax deduction for contributions made to an eligible superannuation fund.
However be mindful that taxpayers who have been both employees and self-employed may only claim super contributions as a tax deduction where they have derived less than 10% of their assessable income from employment.

Valuations of Fund Assets at 30th June
The Trustee needs to ensure that all assets are valued/appraised as at 30th June. Listed Shares are easy but for other assets such as real estate it is a touch more tedious.

Individuals claiming a tax deduction
If you are say a self-employed contractor making a tax deductible contribution into your superannuation fund, remember that you must also lodge a Notice of Intention to Claim a tax deduction with your Trustee before you lodge your Tax return.

So what happens if you miscalculate and make Excess Concessional Contributions to you super?
There was a time (the bad old days before 1st July 2013) that if you exceeded the Caps the consequences were very dire. The good news is that the consequences of a breach are much more reasonable and the process is as follows;

a) The ATO contacts you via us and tells you that you have breached the Caps.
b) The excess amount forms part of your assessable income and is taxed at Marginal rates.
c) However you are entitled to a 15% tax offset (this would reflect the 15% contribution tax you have paid)
d) There is an excess concessional contribution charge (basically interest) imposed upon the additional tax liability arising from the excess contribution.
e) The good news is that you can elect to have up to 85% of the excess released from the fund (i.e. you get the money back)

So the breach of the Cap definitely does not warrant jumping out of the window.

Some useful thoughts about Capital Gains

Timing and planning are everything when it comes to minimising your CGT bill and making the most out of your investment returns.

Capital gains tax (CGT) is incurred when a taxpayer disposes of an asset, for example, commercial and residential rental property, shares, units in unit trusts or collectables. Where the asset is sold for a price that is higher than the cost base the Capital Gain is enjoyed.

Where the asset is sold at a loss (for a smaller amount than it was originally purchased), a capital loss may be incurred.
To ease some of the pain of a loss that Capital losses can be used to offset capital gains in a financial year. It is also possible for you to carry capital losses forward to a later if you do not have capital gains against to offset (But CGT Losses can never be offset against other income).

Here are some strategies to reduce your CGT liability:

Use the CGT concessions
There are a number of CGT concessions that are available to small businesses and there application normally relates to the sale of an Active Asset such as Goodwill or other property utilised in small business. The CGT concessions can be quite tax effective and when used in conjunction with retirement planning may even reduce your otherwise CGT to nil.

But the taxation system is about taking your money and not giving it to you so as you would expect there is considerable fine print obstacles to wade thru.

Dispose of assets before June 30
If in the 2015 year, you have enjoyed a significant capital gain, you may care to consider disposing of another asset that will yield a capital loss.

Basically you draft off an underperforming asset you believe will never have a positive turn around and dispose of it before the end of financial year. The capital loss then can be used to offset the otherwise tax liability arising from any capital gains you have triggered during the year (if there were no capital gains in that year the loss gets carried forwards).

Defer disposal to a lower-income year
Instead of disposing of an asset that you expect to make a capital gain on this year, you may care to consider postponing the disposal to a later year if you can plan or expect to have a lower taxable income in that later year.

Plan for CGT events in advance
Planning is everything: If you are planning on making any new investments or disposing of assets, it always pays to plan your CGT strategy in advance. Careless planning and careless timing can cost you!

Carry forward your capital losses
Losses lose value over time. You can carry forward capital losses from previous years (until you die) to offset capital gains in the current year. But be mindful that the real offset value of capital losses diminishes over time. So if you have incurred a significant capital loss you may consider bringing forward the sale of an asset that you expect to make a capital gain on.

Upcoming ATO compliance targets

Much like the RTA used to announce the location of its weekend speed traps. Every year the ATO announces a number of compliance areas that will be subject to additional scrutiny.

We know that all of our clients do their best to meet their taxation compliance obligations but it does pay to be aware of the ATO focuses. The main targets include the following;

Personal Technology
Deductions claimed for personal technology items such as smartphones, tablets and laptops. Clients who are claiming deductions on such items should ensure that they have adequate documentation to prove the breakdown of personal/work use (for example diary entries). Remember you are only able to claim a tax deduction equivalent to the portion of the use that is work related. You can be called on to prove the work percentage use and the diary is your evidence as to this work percentage.

Cash economy
The ATO will be aiming to identify businesses (via Bench Marking and the ATO's Big Bertha computer) that operate off the books by failing to accurately record their cash transactions. This may involve paying employees in cash (and therefore avoiding minimum wage requirements and the super guarantee) and/or under reporting the business's sales thereby reducing the overall tax liability.

GST compliance
The GST compliance program involves ensuring that all businesses that are required to register for GST have done so (that is all businesses with an annual turnover in excess of $75,000). The accuracy of BAS reporting is also under scrutiny.

Travel costs
Taxpayers claiming large deductions in the form of work-related travel costs will be subject to additional examination from the ATO this year. In particular, the tax office has warned that it will be focusing on the validity of deductions claimed for the transportation of bulky tools and equipment.

2015/ 2016 Federal Budget

Demystifying the Federal Budget
The Federal Budget seems to have all the myth and mystery of a Harry Potter novel. There are meetings that run to all hours of the night, closed doors, fortune telling, wonderful imaginations, lies and dreams. But the reality of it is the Federal Budget (or State Budget) is not greatly different than what we do in our businesses and homes and that is to set down at a table and try to figure out from where and how much we will earn next year and how much we will need to spend.

The one notable difference is that our home and business budgets (unlike government) are normally set to balance or better still have a surplus. Our Governments struggle to adhere to this concept. We have set out in the table below the expected money in and the money out for the 2015/2016 Federal Budget. We thought you might find it interesting.

Budgeted Tax Revenue = $405.4 Billion

Where do they think the money will come from?

Nature of the Tax	Amount ($ Billions)	% of the Total
Individual Income Tax	194.30	47.90
Company tax & Resource Rent	71.20	17.50
GST	61.60	15.10
Non Tax Revenue	25.30	6.20
Fuel excise	17.90	4.70
Customs Duty	9.50	2.30
Superannuation Taxes	9.20	2.40
Other Excise Taxes	7.00	1.70
FBT	5.00	1.20
Other Taxes	4.40	1.00
Total Revenue	**405.40**	**100.00**

Budgeted Government Expenditure = $434.5 Billion

Nature of Expenditure	Amount ($Billion)	% of the Total
Social Security/Welfare	154.00	35.40
Other Purposes	85.70	19.70
Health and Medical	69.40	15.90
All other functions	45.00	10.30
Education	31.90	7.30
Defence	26.30	6.20
General Public Services	22.20	5.20
Total	**434.50**	**100.00**

Interesting outcome where the Federal Government will spend $29.1 billion than it will get in revenue (i.e. a deficit). Some sources put the expected 2016 Deficit at $35b. That is why it is called a Deficit. The $29.1b will just get added on to the Government Debt of $361b as was tallied up at the 15th March 2015.

The deficit is the bad news. There was some good news in the Federal 2015/2016 Budget;

Assisting Small Business
The big ticket item is an immediate (i.e. will apply for the 2015 year) deduction against taxable income for a business asset costing less than $20,000. We have dedicated some more space on this big ticket item below;

Small business with a turnover of less than $2m that trades in a Company structure will see the company tax rate drop from 30% to 28.5%.

Small Businesses that do not trade in companies will get a tax discount of 5% up to a total of $1,000.

The Farming business sector has not been forgotten and will be given an instant write off of new fencing and water facilities. For fodder storage facilities (assume hay sheds silo's the like) there will be an accelerated three year write off.

Some Detail on the immediate $20,000 deduction
The $20,000 concession relates to small business. To fit in that glove your business turnover (when added to that of people associated or connected with that business structure) needs to be less than $2m a year. The deduction relates to the 2015, 2016 and 2017 financial years.

On the face of it the deduction is for an asset up to $20,000 (this is being interpreted as $19,999 rather than $20,000). Beware though of the GST - if you are register for GST your ceiling price is the GST exclusive price. On the other hand, if you are not register for GST, the ceiling price is the GST inclusive price.

<u>What if the asset costs more than $19,999?</u>
Given the right circumstances assets that are valued at greater than $20,000 can still get a look in. To illustrate: Assets costing more than $20,000 can continue to be placed in the Small Business Simplified Depreciation Pool (the Pool) and

enjoy depreciation at 15% in the 1st Year and 30% for the remaining years (as assets are depreciated the value of the Pool comes down). Remember that the Pool can also be immediately deducted against income if its balance is less than $20,000 (This also applies to existing Pool balances). What that means is that if you plan it correctly you may be able to buy an asset between now and the 30th June 2015 costing more than the $20,000, park it in the Pool, claim the depreciation of 15% for 2015, 30% for 2016 & 2017 and assuming that the whole Pool balance is below $20,000 on the 30th June 2017 then write off the remainder at the end of the 30th June 2017.

Which assets do not qualify and which assets do qualify?

- Land, goodwill, computer software, trading stock do not get a guernsey.
- But those assets that do qualify include (but not limited to) motor vehicles, IT equipment, Office/Shop Furniture and fittings, air-conditioners, tradesman's tools and machinery, plant & equipment, sheds or storage containers for storing equipment.

Some **tips** to make the most of the $20,000 write off.

- The $20,000 write off is a tax deduction and not an offset so remember that at a 30% tax rate you are spending $20,000 to save say $6,000 in tax.
- As the company tax rate is reducing to 28.5% on the 1st July 2015, in the 2016 year you are spending $20,000 to save $5,700.
- The importance of those numbers are that you will be out of pocket so you should buy a business asset that you need and not spend the money just to get a tax deduction.
- If you are going to buy an asset at a cost of greater than the $20,000 and park it in the Pool as discussed above then this really needs to be done before the 30th June 2015.
- Get your timing right and paperwork in order with no dodgy back dated invoices. You and us will need to be mindful of existing pooled asset values (and the fine print of this 2015 Budget item) to write off balances where they are less than $20,000.

Some **traps** associated with the $20,000 immediate write off.

- Apart from the matter that you will be spending say $20,000 to save $6,000 in tax, if your business is trading at a loss then you will be spending say $20,000 but save no tax. In other words, the tax deduction is of value only if your business is making a profit.
- An unnecessary purchase is made worse when you borrow money to do it. Those low interest rates are a temptation but they are there because the Reserve Bank decided it was a good idea at the time. Low interest rates will not last forever.
- You need to stick to the rules as this deduction is a generous one and costly to the Government coffers. Thus you can be certain that the concession will no doubt enjoy extra scrutiny.
- Finally on the 2015/2016 Budget has yet to pass through Federal Parliament and assuming that it does pass this $20,000 deduction may well be fined tuned.

Claiming the Net Medical Expenses Tax Offset (NMETO)

Like the Black Knight in Monty Python and the Holy Grail, NMETO has been mortally wounded but refusing to die. What this offset was in an earlier life was we received tax back at the rate of 10% or 20% of the excess out of pocket medical expenses (i.e. expenses greater than refunds) that we incurred when this amount exceeded the claim threshold. The previous government had a problem in that you were eligible for the same Offset regardless of your taxable income. Thus if you were not subject to tax the medical offset had no value to you. So from the 1st July 2012 a means test was introduced that saw those with individual incomes greater than $90,000 and families with greater than $180,000 feel the Taxman's sword. The perceived rich folks had the claim threshold indexed to what is now $5,233 (instead of $2,218 for the poorer folks) and the offset rate was reduced for the rich to 10% where as it was retained as 20% for the poor folks.

But that was not enough. The Federal Government commenced the total phase out of the Offset to see all claims ended on the 30th June 2019. Again like the Black Knight the end was to be one limb at a time. The 2014 and 2015 year Medical expenses were divided into two categories. Category A: being for Disability Aids and Carer Costs and/or Age Care Costs. Category B: is basically "all other eligible medical costs" (e.g. Doctors, Dentists and Chemists etc.).

So in short for the 2015 year those Taxpayers wanting to claim Category B Medical Costs are in the hunt only if they successfully made the claim in both of the 2013 and 2014 years. However the 2015 year sounds the death knell for claiming any Category B expenses.

As to Category A expenses (i.e. disability aids, aged care and dependent care) if there was no claim for either Category A or B in the 2013 or 2014 year the 2015 year will be the last claim. On the other hand if there was a claim for A or B in the 2013 and 2014 years then if all test are met Category A expenses can be claimed in the 2015, 2016, 2017, 2018 and 2019 when even Category A finally succumbs.

Just a planning reminder: where both a husband and wife lodge tax returns either or both can include the NMETO claim. Given you need to reach the claim threshold it often make sense to combine all family medical cost into one return. Take a situation where historical practice has seen all medical offset expenditure has been grouped into the wife's Return. In the 2015 year the husband incurs the cost of buying a wheel chair.

Although the husband does not have the qualifying claims history, the cost of the wheel chair (disability aid) could be included as part of the offset claim in the 2015 taxation return of the wife.

Fringe Benefits Tax

This tax is the big sleeper. Every year we send out a letter to our known FBT clients as well as those clients who we think may be providing fringe benefits to their employees. The list of those benefits that fall under the heading of Fringe Benefits is long and includes such things as motor vehicles, loans, entertainment, expense payments and housing to name but a few. Also to close the net there is a catchall category known as Residual Benefits. So if you are providing any extra benefits to an employee (and this can include Company Directors) then you are potentially in the ATO FBT crosshairs and we should have a chat.

Division 7A Loans and Deemed Dividends

Where you carry on your business in a company structure you enjoy a 30% company tax rate (soon to be 28.5%). As long as you leave the net after tax profits in the company there is no further tax to pay. If you draw the money out as a franked dividend then it comes with a 30% tax credit and you the pay the difference between the 30% and whatever your tax rate is. If your tax rate is less than 30% then you get a refund of some of the tax the company has paid. All good. But if you just reach in and take those company profits without recognising the amount as a dividend, then you are in effect borrowing company funds without having paid any extra tax.

Thus before you take this money you need to ensure that you have in place a complying loan agreement where you agree to pay the money back to the company. In the absence of that complying loan agreement you are deemed to have taken an unfranked dividend and you have lost your 30% Franking Credit (i.e. the 30% tax the company has paid). The moral of the story is company profits are not your profits and should only ever be taken as a Dividend (preferably franked), as wages or under a properly structured loan agreement. If you have broken the rules contact us and we will assist to make it right.

2015 Trust Distribution Resolutions

Those of you who have Discretionary Family Trusts will be aware of the need for the Trustee to resolve (decide) how to distribute 2015 year end profits before the end of June 2015. We will soon be sending out our thoughts and guidance on the matter. In the meantime it would pay to ensure that the books are up to date so that we can exchange meaningful information to ensure that we land you on target.

ATO Data matching systems

In our 2014 Newsletter, we covered the matter of Bench Marking where the ATO compares a Benchmark performance test against the numbers that you provide in the business schedule of your taxation return. Benchmarking is growing from strength to strength as is the ATO Data Matching system. Basically the Data Matching System is intended to enable the ATO at the push of a button to compare what is in your tax return against a primary record. Here are some examples:

1) Undeclared Salary & wages: Your return is checked against the information that your employer has provided.
2) Undeclared dividend income: Companies electronically report to the ATO to whom (linked to your TFN) and how much you were paid.
3) Undeclared interest income: Banks advise the tax office to whom and how much interest was paid.
4) Medicare levy surcharge info: This info advised by private health providers.
5) Undeclared Government Benefits: This is an easy one Big Bertha has inroads into other Government Departments.
6) Undeclared income from selling online: The ATO has access to turnover amounts from sellers on Ebay. Current target year is 2012 & 2013 for those with turnover greater than $10,000.
7) Share trading activities: This is a big one. The ATO is going back to 1985 (start of CGT) and requesting records from Share Registry services and the ASX. The request is for 95 million records including the records of 1.2 million individuals. These will be electronically matched with your past Income Tax Returns (most probably for a back looking period not exceeding 4 years).
8) Medicare Levy Exemption Certificate is also placed in the Matching Program. So if you are not paying your 2% Medicare Levy that should be, there will be a mismatch detection system in place.
9) The Department of Human Services has a link into the ATO and will be checking (matching) its records to ensure that those Taxpayers who have access to the Seniors Health Card are truly entitled.

Conclusion

We could write volumes but it is time to bring this to an end. The theme we have endeavoured to convey is that our Federal Government cannot get passed through the Senate an austerity budget. To keep the Deficit as low as possible the Federal Government sought to rein in spending and to enable it to stay in power has not increased taxes. Further the Federal Government will rely on the ATO to collect more revenue within the existing taxes. In order to achieve this outcome, the ATO Big Bertha computer will be fine-tuned and using Audits, Matching and Benchmarking will be set to catch those Taxpayers who are avoiding paying the taxes the law states they are obligated to pay. In short, technology and human resources will be deployed to make the holes in the tax net even smaller.

We hope we have given you a heads up on some of the issues we will be navigating this year. If you have any queries please do not hesitate to contact us.

CHECKLIST & HOW CAN WE HELP YOU

There was so much to tell and so little space to tell it. So by popular demand, we included an extra page for the checklist. We also set out a new page on the reverse of the checklist, headed “HOW CAN WE HELP YOU”.

If you wake up in the middle of night in cold sweat and say to yourself “I wish I could talk to someone about this commercial problem”, jot it down on the form and share it with us.

FINANCIAL PLANNING

There are items in this Newsletter that are of the nature of Financial Planning but none of which should be seen other than as General Advice. Just for completion and compliance the following should be noted;

Lane Taylor is a Director of L.P.R. Taylor Financial Services Pty Ltd of
5 Sayer Street, Midland WA 6056 and is an Individual Authorised Representative (No. 346050)
of Dover Financial Advisers Pty Ltd (AFSL No. 307248) of 71 Tulip St, Cheltenham VIC 3192

CONCLUSION

This Newsletter as with the operation of the office itself is made possible by the combined efforts the whole Team. For those of you who either by reading or skimming this newsletter have got to the end, well done. Thank you for sharing it with us. If there is anything on which you would like further information then please contact us either by email: info@lprtaylor.com.au or by telephone: (08) 9274 6944. Finally copies of earlier Newsletters are on our Website at ***www.lprtaylor.com.au***

Please note this Newsletter should be taken as a guide only and none of the comments contained in this letter are intended to be taken as advice and this Newsletter is for the exclusive use of the clients of L.P.R Taylor & Associates Pty Ltd.

Kind regards,

Lane Taylor and the team

HOW CAN WE HELP YOU

Complete this form and fax / email it back to us. Our fax number is (08) 9274 3011 and email address is *info@lprtaylor.com.au*

Name: ________________________________ Company: ______________________________

Telephone: _____________________________ Email: _________________________________

ESTABLISH YOUR OWN BUSINESS

Business Structure (i.e. Sole Trader / Partnership / Company / Trust)

- Explain the difference of each business structure.
- Analyse the advantage and disadvantage of each structure.
- Help you to choose the best structure that suits you.
- Provide you guidance with your business plan.

Business Registration

- Company Formation and prepare all required documents that the ASIC needs.
- Business Name Registration.
- Apply for A.B.N. & T.F.N.
- GST Registration.
- Fringe Benefits Tax Registration.
- Payroll Tax Registration.

Buying an Existing Business

- Analyse Seller's Financial Statements.
- Valuation of Goodwill.
- Calculate the amount of Duty.
- Valuation of Inventory.

Other Services

- Preparing an effective business plan.
- Prepare financial reports for bank.
- Prepare budget for cash flow statement.
- Provide support on accounting systems.
- Explain what your tax and legal obligations are (including Workers Compensation Insurance, Wages, Superannuation, PAYG Withholding etc.)

I would like further information and advice on the following: (please tick)

- ☐ How I can improve my business performance and profitability.
- ☐ Better strategic planning for the future of my business.
- ☐ How your Company Secretarial services can offer me peace of mind.
- ☐ Making my estate tax-efficient for my heirs.
- ☐ Tax-efficient investments and savings.
- ☐ How will the Government Budget affect me / my business?
- ☐ Minimising capital gains tax legally.
- ☐ Retirement planning.
- ☐ I would like to know more about the following areas:

____

____

PRE-APPOINTMENT CHECKLIST 2014/2015

INDIVIDUAL DETAILS:

- ❑ PAYG Payment Summaries
- ❑ PAYG Payment Summary - Employment Termination Payment
- ❑ PAYG Payment Summary – Superannuation Income Stream / Lump Sum
- ❑ Pensions & Other Social Security Certificates / Documentation
- ❑ Bank Statements / Passbooks *(Detailing Interest Earned)*
- ❑ Dividend and Re-investment Statements
- ❑ Partnership & Trusts Taxable Distribution Statements
- ❑ Share Trading Statements *(i.e. Buy & Sell Contracts)*
- ❑ Rental Property Income & Expenses
- ❑ Rental Property Depreciation Report
- ❑ Buying or Selling Contract / Final Settlement Statements/ Offer & Acceptance Forms. Re; Purchase / Sale of Property
- ❑ Details of Personal Property Sold *(if acquired for $10,000 or more) e.g. Antiques Jewllery Art etc.*
- ❑ Receipts for Work-Related Expenses
- ❑ Motor Vehicle Logbook
- ❑ Travel Diary
- ❑ Business / Private Use Diary
- ❑ Receipts for Donations
- ❑ Medical Receipts –We know this in on the way out for all but some (Note the threshold and rate now varies- Robbing the rich stuff)
- ❑ Private Health Insurance Statement
- ❑ Superannuation Contribution Documentations
- ❑ Zone & Overseas Forces Rebate
  - Location: _________
  - No. of Days: _________
- ❑ Medicare Exemption / Reduction Certificate
- ❑ HECS Statement
- ❑ Family Information (Spouse's & Child's - Name, TFN, DOB & Taxable Income)

BUSINESS DETAILS:

- ❑ Cashbook / Computer Disks / USB (e.g. MYOB or Quickbook file)
- ❑ Cheque Butts & Deposit Books
- ❑ Summary of Cash Income Not Banked
- ❑ Summary of Cash Expenses Not Recorded in accounts
- ❑ Bank Statements
- ❑ Bank Reconciliation Statements
- ❑ Loan Statements
- ❑ Loan, Lease, Chattel Mortgage & Hire Purchase Agreements
- ❑ Details of Income Invoiced, but not received at 30th June (Debtors)
- ❑ Details of Expenses Invoiced, but not yet paid at 30th June (Creditors)
- ❑ Valuation of Stock at 30th June
- ❑ Details of Livestock Numbers:
  - Sales: _________
  - Killed (Rations): _________
  - Deaths: _________
  - Closing Stock: _________
  - Purchases: _________
  - Births: _________
- ❑ PAYG Payment Summaries
- ❑ PAYG Payment Summary Reconciliation
- ❑ Superannuation Summary
- ❑ Motor Vehicle Details & Logbook(s)
- ❑ Motor Vehicle Odometer Readings at 31st March & 30th June
- ❑ Buying or Selling Contract / Final Settlement Statements/ Offer & Acceptance Forms Re: Purchase/Sale of Business
- ❑ Personal Services Income (if applicable)
- ❑ Annual GST Returns
- ❑ Insurance Invoices & Statements