

Practice Update

Please read this update
and contact this office
if you have any queries

MAY 2010

Data matching vs the cash economy

Editor: The Tax Office is ramping up its efforts to catch out the cash economy and individuals who are using overseas jurisdictions to hide their money.

Background: How the ATO is catching up with the Cash Economy

Cash economy businesses, which are being targeted by the Tax Office, often skim some or all of their cash takings, run part of their business off the books or don't report all their income.

The ATO uses its data matching programs to gather information from a variety of sources and cross match it with taxpayer information and the Tax Office's small business benchmarks (see the next page) to identify businesses which have not reported all their income.

Recently, the Tax Office has commenced four new data matching programs:

- **Merchant Payment Cards Project** – data matching merchant card sales through the CBA; Westpac; ANZ; and NAB. 300,000 individuals within cash economy industries will be matched.
- **Plasterers Project** – collecting details of taxpayers that have purchased plasterboard, etc., in NSW from Boral Ltd, CSR Limited and La Farge Plasterboard Pty Ltd. 10,000 individuals will be matched.
- **Motor Vehicle Data Matching Project** – collecting details of taxpayers that have purchased or acquired a motor vehicle valued at \$10,000 or higher from the relevant road traffic authority in every State and Territory, e.g., Vic Roads, Transport SA, etc. Approximately 2.5 million individuals will be matched.

- **Banking Transparency Strategy** – collecting data and intelligence on Australian taxpayers that have offshore accounts in jurisdictions that are of interest to the ATO.

Transactions through (basically) every major financial institution in Australia, including the big four banks, International Financial Institutions and Credit Card providers such as American Express, Diners Card, MasterCard and Visa will be reviewed. In excess of 100,000 taxpayers will be targeted.

Cents per km car rates for 2009/10

Taxpayers whose income producing use of a car does not exceed 5,000 kms per year can deduct car expenses on a per km basis. The rates for 2009/10 are as follows:

Kind of car	Engine capacity		Rate per km (cents)
	Not rotary	Rotary	
Small	Up to 1,600cc	Up to 800	63
Medium	1,601cc to 2,600cc	801cc to 1,300cc	74
Large	>2,600	>1,300	75

Industry benchmarks vs the cash economy

Editor: The second string to the Tax Office's assault on the cash economy is using industry benchmarks.

These benchmarks provide a snapshot of what, on average, the Tax Office believes is happening in businesses operating in a particular industry by comparing various costs to turnover.

However, those of us who thought that the benchmarks would apply only to the traditional cash economy targets, i.e., building and construction and restaurants/cafés, cleaners, etc., will be sorely disappointed with the new list of industries to be targeted.

Benchmarks to be published

The following is a list of soon to be published benchmarks issued by the Tax Office.

- Architectural Services
- Automotive Electrical Services
- Cabinet makers
- Child Care Services
- Chiropractic and Osteopathic Services
- Confectionary retailing
- Craft Shop
- Discount and variety stores
- Electrical, Electronic and Gas Appliance Retailing
- Entertainment Media Retailing
- General Dental Services
- Gift shops
- Health and Fitness Centres and Gyms Operation
- Health Food Retailing
- Lawn Mowing Services
- Machinery Equipment Repair & Maintenance
- Musical instruments retailing
- Physiotherapy Services
- Picture framing
- Printing
- Printing Support Services
- Specialist Dental Services
- Sport and Camping Equipment Retailing
- Sports and Physical Recreation Instruction
- Veterinary Services

Editor: Clients concerned that their industry is being targeted may wish to contact our office.

FBT: Benchmark interest rate

The benchmark interest rate for the FBT year commencing 1 April 2010 is 6.65% p.a. This rate replaces the rate of 5.85% that applied for the previous FBT year.

The rate of 6.65% is used to calculate the taxable value of:

- ◆ a fringe benefit provided by way of a loan; and
- ◆ a car fringe benefit where an employer chooses to value the benefit using the operating cost method.

FBT: Cents per kilometre basis

The rates to be applied where the cents per kilometre basis is used for the FBT year commencing 1 April 2010 are:

Engine capacity	Rate per kilometre
0 - 2,500cc	45 cents
Over 2,500cc	54 cents
Motorcycles	14 cents

Tax Office's new computer upgrade clogs refunds

Editor: The Tax Office has recently embarked on an ambitious, but much needed, upgrade to its outdated computer systems – some of which date back to the early seventies.

Back in January this year, we were informed that we might experience "temporary service delays".

In February, we were told that there was a backlog of 300,000 returns yet to be processed.

Since then 140,000 refund cheques were held up, then issued with the wrong date on them, and a whole plethora of problems emerged including penalty charges on refunds, incorrect notices of assessment and incorrect calculations made on notices of assessment.

The situation seems to be slowly coming back to normal although there are still problems coming to light.

For its part, the Tax Office has posted something of an explanation and as close as it can come to an apology on its Website. Clients who experience difficulties or who have concerns should contact our office.

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.