



Middleton Partners

CERTIFIED PRACTISING ACCOUNTANTS

“Continuing the tradition of Personal Professional Service”

e-Bulletin JUNE 2005

Welcome to our new format Middleton Partners e-Bulletin. We apologise to anyone who has not been receiving these bulletins of recent times. This new version many of you will find is more computer “system friendly” than our previous issue formats and should be readily accessible to all current systems.

Penalties for Poor Records

The Tax Office has issued warnings that businesses that continue to keep poor records will be penalized. The penalty for inadequate records can be up to \$2,200 where it is clear that poor records have resulted in an incorrect amount of tax being paid. Penalties also apply for an inadequate retention of documents.

Where a shortfall of tax results then the ATO will now consider the state of the taxpayer’s records and apply an additional fine if records are not kept, are not readily “sensible” in determining trading results or are destroyed. Businesses using electronic records are required to ensure that historical backups are retained.

If you are unsure of your record keeping obligations you should contact us to discuss these.

Budget Snippets

One of the most significant changes announced in the recent Federal Budget was the abolition of the Superannuation Surcharge from 1 July 2005. This additional tax on super contributions is a maximum of 12.5% for 2004/05. The maximum rate is payable on “grossed up” wages of \$121,075 or more. The abolition of this surcharge will further enhance the attractiveness of contributing towards retirement via superannuation.

With effect from 1 July 2005 “cosmetic” medical procedures will be excluded as eligible under the Medical Expenses rebate. Previously allowable these procedures will not be eligible for the 20% offset for out of pocket expenses in excess of \$1,500. This exclusion may have resulted from the proliferation of “makeover” claims previously eligible for rebate or offset purposes.

Tax rates from 1 July 2005

Up to \$6,000	Nil
\$6,000 to \$21,600	15%
\$21,601 to \$63,000	30%
\$63,001 to \$95,000	42%
Above \$95,000	47%

ATO Audit Alert for 2005

The ATO has allocated \$250 million in funding towards audit activities in respect of “employer obligations” during the forthcoming 2005 tax year. These audits will cover employer compliance with FBT, superannuation guarantee and PAYG withholding obligations.

The ATO has announced that audits will be focused on employers where;

- there has been a failure to withhold (or accurately withhold) PAYG amounts for workers
- amounts have been withheld from wages but not notified or paid to the ATO
- there has been a failure to report Eligible Termination Payments for retirement purposes
- there appears to be a failure to report and pay Fringe Benefits Tax on employee benefits
- there is a failure to declare employee cash contributions towards benefits as taxable income
- employers do not make mandatory superannuation contributions
- the amount of superannuation contributions is incorrect

The ATO will exchange information with various State Revenue Authorities in order to more readily identify audit targets and non compliant practices. Quite simply this means that interaction between State Revenue Offices and the ATO will see taxpayers reviewed for Federal tax matters but further reviewed as required for State Payroll Tax and Workcover compliance.

In essence taxpayers are likely to be subject to a much wider review than initially contemplated covering more than Federal taxation obligations.

We suggest that all clients review their FBT, superannuation, PAYG withholding, payroll tax and workcover obligations to ensure that compliance is being met. If you have any concerns about a particular item please contact our office.

IMPORTANT: You are welcome to forward this e-Bulletin to friends or associates but **most importantly** please note that this e-Bulletin is not advice. This e-Bulletin is issued as a guide to clients and should only be acted upon after seeking formal professional advice.

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