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Wolff Tax Report 2016

Dear clients,

Welcome to the 2016 edition of the 'Wolff Tax Report'. Margaret Goss has completed her first year with us and we are proud to have her on staff. Her happy personality and tax knowledge has been a hit with clients.

Medical Expense Claims

Out-of-pocket medical expenses are a claim of the past. We can no longer claim a rebate for these expenses. There is still a claim that can be made for Disability Aids, Attendant Care and Age Care. These expenses can be claimed to 30 June 2019.

Temporary Budget Repair Levy

This levy remains in force until 1 July 2017. The 2% temporary budget repair levy is applied to that part of your taxable income that exceeds \$180,000.

Motor Vehicle Claims

Down will go your claim from 1 July 2015. When you claim your motor vehicle expenses at the "cents per kilometre method", the Tax Office now has one claim at 66 cents per kilometre, down from the maximum claim last year of 76 cents per kilometre.

Time is running out if you have not lodged your 2015 tax return and you are receiving or intending to claim:

- Family Tax Benefits
- Child Care Benefit
- Single income family supplement

Note: You must lodge your individual tax return by 30 June 2016 to receive and to continue receiving your benefits. If you and your spouse have tax obligations, then both returns need to be lodged. The Tax Office advises if you do not have obligations to lodge tax returns and notified the Tax Office that you won't be lodging tax returns, you must also advise Centrelink even if you have an extension of time to lodge your 2015 tax return until after 30 June. Centrelink have different rules when assessing your eligibility for Centrelink benefits. They require lodgement by 30 June.

ATO warns about aggressive phone scams

The ATO is again warning the public to be aware of a phone scam that is circulating, where fraudsters are intimidating people into paying a fake tax debt over the phone.

The aggressive scam attempts to force people to pay a fake tax debt immediately by threatening arrest if they don't comply.

If any client receives a call from the ATO we recommend that they should ask for the caller's name and either call our office with the details or phone them back through the ATO's switchboard on 13 28 69 or the dedicated scam reporting line on 1800 008 540.

Beware of tax-related email scams

The ATO will never send you an email requesting you to confirm, update or disclose confidential details via a non-secure channel such as email.

You should always independently verify the source before taking any action. If you receive a communication of this nature, do not respond to it. Forward it to ReportEmailFraud@ato.gov.au.

Have you changed your name? If the name on the tax return does not match the name the Tax Office has on their records, your refund will be held up until they can verify your name. If you are

not sure if your name change has been updated on the Tax Office database, we can make a check for our clients. We can no longer update an individual or sole trader's name using our systems. If you need to lodge returns under a name that is not current on the Tax Office records, it will need to be updated with the Tax Office before you lodge your income tax return. You can update your name with the ATO over the phone by quoting details from an 'identity' document that they will then verify. Your record will be updated in real-time. You can call the Tax Office on 132861 between 8:00 am and 6:00 pm Monday to Friday. Of course we will still need to show the change of name on the tax return.

Documents. Before you phone, make sure you have with you your identity document, as listed below. If the Tax Office is unable to make the changes over the phone, they will provide you with details of other options for updating your name. Identify documents that can be verified over the phone are:

- Australian birth certificate (full certificate, not an extract)
- Australian citizenship certificate
- Australian passport
- Australian visa (using information from your overseas passport)
- Australian driver's licence.
- Australian Medicare Card
- Australian marriage certificate
- Australian change of name certificate

Note: They will verify the identity document details provided with the agencies who issue them.

Zone Rebate claims restricted from 1 July 2015 to those taxpayers who live in the zone. Previously the Tax Office allowed a rebate for taxpayers who spent at least 183 days in a zone area. The reduced rebate/offset will effect taxpayers who work on mine sites fly-in/fly-out basis.

People who earn about \$80,000. Around 500,000 workers have been saved from the clutches of dreaded bracket creep. The government is increasing the upper limit for the second highest tax bracket of 37 cents in the dollar from \$80,000 to \$87,000. Rather than being taxed at 37 cents on every dollar earned over \$80,000, workers in that magic range will stay on the 32.5 per cent tax rate. That would leave them up to \$315 better off come tax time. Bracket creep, where the process of inflation pushes people into higher income brackets without an increase in their spending power, has been described as taxation by stealth.

Smokers to pay – from the Budget.

Yes, you'll have to pay more for smokes, but you'll have the gratitude of the rest of the nation for contributing \$4.7 billion to the national coffers over the next four years. The government has a further four annual 12.5 per cent increases in tobacco excise planned. This will see the price of cigarettes continue to go up. The government will implement a further four annual 12.5 per cent increases in tobacco excise, the first coming into effect next September. That means the price of cigarettes will go up every year, edging closer to the \$40 pack smokers all fear.

Work-related expenses. The ATO will be paying extra attention to people whose deduction claims are higher than expected, in particular those claiming car expenses – including those for transporting bulky tools, and deductions for travel, internet and mobile phone, and self-education. For the first time ever, this year the ATO will check taxpayers' deductions in real-time as they complete their online return.

"It's important to remember that you can only claim a deduction for work-related car expenses if you use your own car in the course of performing your job as an employee. Most people can't claim the cost of travel between home and work because this travel is private. If your claims are substantially higher than others in similar occupations, earning similar amounts of income, a message will appear, asking you to check them. This new process isn't about catching you out; it's about helping you to make sure your claims are correct. The ATO will take a closer look at any unusual deductions and contact employers to validate these claims, so it's worth getting things right at the start." Mr Whyte (Assistant Commissioner) said.

Case Studies – from the Tax Office

Transporting bulky tools

A car mechanic claimed \$3,850 in car expenses for carrying their large toolbox to and from work each day. The employer told the ATO that they supply all of the necessary tools at the workshop for the mechanic to do their job but they preferred to use their own tools. The car expenses were disallowed because the mechanic chose to use their own tools, rather than the tools provided by their employer. Travel from home to work is private and not tax deductible. The mechanic was required to pay back more than \$2,000 in tax and penalties.

Allowance not necessarily giving rise to a deduction

For each day a boilermaker worked away from home, they received a travel allowance from their employer. The boilermaker's payment summary showed they were paid a travel allowance of 8,000 during the year, the same amount that the boilermaker claimed as a deduction. The employer paid the travel costs to get the boilermaker to and from work and provided accommodation and all meals. The claim for travel expenses was disallowed because the boilermaker did not spend any money. As the travel allowance was shown on the boilermaker's payment summary, it needed to be included as income on their tax return. After penalties were applied the boilermaker received a bill for almost \$4,000.

Car and uniform expenses

A real estate agent claimed work-related motor vehicle and work-related clothing, laundry and dry-cleaning expenses. During the audit process he provided allegedly false tax invoices from a commercial car wash and dry cleaner to support his deduction claims. The real estate agent was prosecuted; he pleaded guilty and was fined \$4,000.

Mobile phone expenses

A labourer claimed \$1,200 in other work-related expenses for use of his mobile phone. The labourer told the ATO they used their phone at work to keep in touch with their co-workers but did not have records to show this usage. When the ATO spoke to the labourer's employer, they were told the labourer was not required to use their mobile phone as part of their duties. The ATO accepted that the labourer may have occasionally used their mobile phone for work purposes and allowed a claim of \$50 for the year.

Self-Education expenses

A retail sales assistant claimed a deduction for self-education expenses of \$5,165 for course fees relating to a Bachelor of Arts degree. As the degree did not directly relate to the assistant's current job, and there was no requirement to undertake further education, the claim was disallowed.

False claims

An insurance broker claimed work-related expenses of over \$65,000 in his tax returns. As well as car expenses, he claimed expenses for entertaining clients. When asked to prove his claims, he provided receipts for significantly less than the amounts claimed. Many of the receipts were for meals on weekends and with his family, and personal expenses such as school fees and pool supplies. When the insurance broker's vehicle logbooks were compared with other data held by the ATO, it became apparent that they were fabricated. The insurance broker's claims were substantially reduced and he was penalised for making false statements in his returns. He was found liable for tax, penalties and interest of over \$75,000.

A man was driving along the road when all of a sudden he has to swerve to avoid a box falling off the lorry in front. Seconds later a policeman pulled him over for reckless driving. As the policeman started writing the ticket he noticed the box was full of nails and tacks. "I had to swerve or I'd have run over those and blown my tyres!" protested the driver. "Ok" replied the officer, ripping up the ticket, "but I'm still bringing you in. "What for?!" retorted the man. "Tacks evasion", answered the policeman.

TAX OFFICE CHECKING

Commonwealth electoral roll details – the ATO will acquire details of registered voters on the Commonwealth electoral roll from the Australian Electoral Commissioner. This data will be collected on an ongoing basis and will be refreshed every 3 months. Details to be collected include the name, residential address, date of birth, and occupation of the registered voter. It is estimated that records for 15M individuals will be obtained each quarter. The ATO said the program aims to:

- Identify taxpayers that are not registered with the ATO when they are required to be;
- Locate taxpayers that may be outstanding taxation and superannuation lodgement, correct reporting or payment obligations; and
- Identify potential instances of taxation or superannuation fraud; and
- Assist with the administration of Australia's Foreign Investment Framework.

Real property transactions – the ATO is acquiring details of real property leasing transactions for the period 20 September 1985 to 30 June 2017 from various State Revenue offices and tenancies boards. The ATO expects that around 31 million records will be obtained. Based on current data holdings, the ATO estimates that records relating to 11.3 million individuals will be matched. The purpose of this data matching program is to ensure that taxpayers are correctly meeting taxation and other obligations administered by the ATO in relation to their dealings with real property. These obligations include registration, lodgement, reporting and payment responsibilities.

Family tax benefits and other entitlements – the ATO is acquiring details of individuals in receipt of family tax benefit part B, paid parental leave, carer allowance and Medicare entitlement statements from the Department of Human Services (Centrelink and Medicare) for the 2014-15, 2015-16 and 2016-17 financial years.

Please note: It is the policy of this firm to only lodge returns upon receipt of payment and signed declarations.

Again this year, I will prepare your children's first return free of charge when completed with the parent's return.

