

Outrageous Tax Claims

The ATO has published the most unusual claims that were disallowed in the last financial year.

Nearly 700,000 taxpayers claimed almost \$2b of "other" expenses including non-allowable items such as dental costs, child care, and even Lego sets. Assistant Commissioner Karen Foat said that a systematic review of claims had found, and disallowed, some very unusual expenses.

The ATO review found that some taxpayers had incorrectly claimed several private expenses such as child support payments, private school fees, health insurance costs and medical expenses, all of which are not allowable.

Ms. Foat said that the ATO will simply disallow claims where people make genuine mistakes but may also impose a penalty when people deliberately make dishonest claims, especially for large amounts.

Expenses must directly relate to earning income and taxpayers need to have a receipt or record of the expense, in order to claim an "other" deduction. When the

expense relates to employment, it must be claimed at the work-related expenses section of the return.

Some of the most outrageous claims were:

- **Lego sets** — A taxpayer claimed the cost of children's Lego kits purchased throughout the year. Others claimed for sporting equipment or membership fees for their child athletes.
- **Vehicles** — Many taxpayers tried to claim the purchase of a brand-new car, with these claims in excess of \$20,000 each.
- **Child support** — One taxpayer made a claim for "the cost of raising twins", while another claimed for the "cost of raising three children". Other taxpayers claimed school uniforms, before school care, and school fees and expenses.
- **Medical expenses** — Many taxpayers used "other deductions" to make claims for dental or medical care.
- **Wedding reception** — A taxpayer claimed the cost of their wedding reception.

Reminder – Single Touch Payroll

If you are an employer and are not already Single Touch Payroll compliant you have until 30 September 2019 to ensure you comply with STP legislation. This requires employers to report tax and superannuation information to the Tax

Office electronically each time employees are paid. To comply you will need to use a STP compliant software. Please contact our office to discuss your Single Touch Payroll requirements.



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Please Remember

By necessity the contents of this newsletter are summary only. Clients should contact us on 6431 3933 to discuss matters prior to acting.

ATO “puts the brakes” on dodgy car claims

The ATO is making work-related car expenses a key focus again during Tax Time 2019.

Assistant Commissioner Karen Foat said over 3.6 million people made a work-related car expense claim in 2017/18, totalling more than \$7.2 billion.

“We are still concerned that some taxpayers aren’t getting the message that over-claiming will be detected and if it is deliberate, penalties will apply,” she said.

“While some people do make legitimate mistakes, we are concerned that many people are deliberately making dodgy claims in order to get a bigger refund. We see taxpayers claiming for things like private trips, trips they didn’t make, and car expenses their employer paid for or reimbursed them for.”

One in five car claims are exactly at the maximum limit that doesn’t require receipts.

Under the cents per kilometre method, taxpayers don’t need to keep receipts, but they do need to be able to demonstrate how they worked out the number of kilometres they travelled for work purposes.

The ATO’s sophisticated analytics compares taxpayer claims with others earning similar amounts in similar jobs.

Where the ATO identifies questionable claims, they will contact taxpayers and ask them to show how they have calculated their claim, and in some cases the ATO may even contact employers to confirm whether a taxpayer was required to use their own car for work-related travel.

Case studies

The ATO’s sophisticated data analytics found a range of unsupported claims in 2018, including:

- When the ATO asked a taxpayer to provide the logbook to support a claim of \$4,800, they found the taxpayer was referring to a car service logbook rather than a logbook kept for calculating their work use car percentage (the taxpayer had not undertaken any work-related car travel during the year).
- Another claim was flagged by the ATO’s analytics indicating a taxpayer, a retail worker, had incorrectly claimed \$350 for the cost of public transport to and from work.
- The ATO also identified an office worker claiming \$3,300 for 5000 kilometres of work-related travel using the cents per kilometre method, but it turned out the taxpayer’s claim was based on trips he made from home to work.

‘Cash in hand’ payments to workers no longer tax deductible

The ATO has reminded employers that any ‘cash in hand’ payments made to workers from 1 July 2019 will not be tax deductible.

‘Cash in hand’ refers to cash payments to employees that do not comply with pay as you go (‘PAYG’) withholding obligations.

Payments made to contractors where the contractor does not provide an ABN and the business does not withhold any tax

will also not be tax deductible from 1 July.

In addition to the loss of a tax deduction, employers caught not complying with their PAYG withholding obligations may be penalised for failing to withhold and report amounts under the PAYG withholding system.

However, employers who mistakenly classify their employee as a contractor will not lose their deduction where their worker provides them with an ABN.



Low and Middle Income Tax Offset Now Law

As you may be aware in July 2019 the Government has now legislated the second part of its new Low and Middle Income Tax Offset (LMITO). LMITO applies from the 2018/19 income year (i.e., last income year):

- LMITO has been increased from a maximum amount of \$530 to \$1,080 per annum and the base amount increased from \$200 to \$255 per annum; and
- Taxpayers with a taxable income:
 - of \$37,000 or below can now receive a LMITO of up to \$255;
 - above \$37,000 and below \$48,001 can now receive \$255, plus an amount equal to 7.5% to the maximum offset of \$1,080;
 - above \$48,000 and below \$90,001 are now eligible for the maximum LMITO of \$1,080; and
 - above \$90,000 but is no more than \$126,000 are now eligible for a LMITO of \$1,080, less an amount equal to 3% of the excess.

The offset is taken into account when preparing your 2018/19 income tax returns.



Tax cuts become law

The Government has announced that more than 10 million Australians will receive immediate tax relief following the passage of legislation through the Parliament, which increases the top threshold for the 19% tax rate from \$41,000 to \$45,000 and increases the low income tax offset from \$645 to \$700 in 2022/23.

In combination with the legislated removal of the 37% tax bracket in 2024/25, the Government is also “delivering structural reform to the tax system” by reducing the 32.5% tax rate to 30%.

Private health insurance statements now optional

Taxpayers with private health insurance should be aware that insurance providers are no longer required to provide statements to their members. Taxpayers lodging their tax returns using a registered tax agent should have their health

insurance details ‘pre-filled’ into their return (but they will need to contact their health insurer if they cannot get this information for some reason).



Cryptocurrency Data Matching Program

The term cryptocurrency is generally used to describe a digital asset in which encryption techniques are used to regulate the generation of additional units and verify transactions on a blockchain.

Cryptocurrencies can be bought or sold on an exchange platform using conventional money. Some popular digital currencies, like Bitcoin can be bought or sold for cash through special ATMs. Cryptocurrencies operate independently of central banks, central authorities or government. Cryptocurrency exchange platforms are generally not regulated.

The innovative and complex nature of cryptocurrencies can lead to a genuine lack of awareness of the tax obligations associated with these activities.

As interest in cryptocurrency has increased, the ATO has been working with partners to understand the tax implications and to plan an appropriate regulatory response, ensuring its

approach is consistent with government policy and aligned to that of its partner agencies.

Currently the ATO has limited data on the level of investment, gains, losses, transactions made by Australian taxpayers and other information relating to cryptocurrency as there are limited obligations for taxpayers and third parties to provide this information.

The ATO are seeking to obtain data relating to cryptocurrency transactions from cryptocurrency designated service providers (DSP's). The data obtained will be used to identify the buyers and sellers of crypto-assets and quantify the related transactions.

The ATO will match the data provided by the DSP's against ATO records to identify individuals who may not be meeting their registration, reporting, lodgement and/or payment obligations.

Client Profile Leading Edge Electronics



As compiled by Adam and Carrie Williams of Leading Edge Electronics Burnie.

Leading Edge Electronics Burnie was established in September 2002 by Steve and Lindy Charles with three employees. With a very small budget and a lot of hard work, it was successful in filling the need for an Electronics store with a difference in Burnie, North West Tasmania. The mix of Electronics and Hobbies soon became the main direction and the business thrived and staff and floor space grew with three expansions in as many years.

Leading Edge Electronics Burnie is part of one of the largest buying groups in Australia with over 1300 stores to ensure a great range of products at competitive prices. Carrying a large range of products ranging from Electronic components, Radio Controlled Toys, Hobby lines, Model Railway, UHF and Marine Radio, Metal Detectors, Computers to LED Televisions. With 80 plus suppliers if they don't have it they can usually source it for you.

After 17 years of serving the local community, Steve and Lindy sold the store to one of their long-serving employees taking the next step of their lives and retiring.

The new owners Adam and Carrie Williams are enthusiastic about the future of the business and have plans to continue Steve and Lindy's venture. Now with 7 full-time employees, the business shows no sign of slowing down. Keeping the store's original vision in mind to be the best locally-owned electronic store in Tasmania's north-west. They continue to offer great service and advice while expanding their knowledge as technology jumps forward in leaps and bounds.

Locally owned, staffed and very proud to be Tasmanian.

LEADING EDGE ELECTRONICS BURNIE.

Elphinstone Stevens are very pleased to have this business as a continuing long standing client. We wish Adam and Carrie all the best for the future and are sure they will be as hard working and successful as Steve and Lindy have been. We also wish Steve and Lindy all the best for their retirement and hope they get to spend much time relaxing at their shack - they certainly deserve it!



*Changing of the guard. Rear: Lindy & Steve Charles
Front: Carrie & Adam Williams*