

# Practice Update

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

APRIL 2012

## 2011/12 FBT return time

It's fringe benefits tax (FBT) time again, and that means that FBT returns will soon need to be lodged by those businesses that provide "fringe benefits" to their employees.

*Note: A "fringe benefit" is basically something provided to somebody, because they are an employee, which is not salary and wages.*

*However, not all benefits are subject to FBT. Certain benefits such as superannuation contributions and some work-related items (see later) are specifically exempted.*

Where we usually prepare the FBT return for your business, we ask that you collect all relevant FBT records relating to any benefits provided, such as:

- ◆ motor vehicles;
- ◆ car parking;
- ◆ meal entertainment;
- ◆ expense payments; and
- ◆ living away from home allowances;

together with travel diaries, employee declarations, etc.

*Editor: Please call if you need to make an appointment or discuss the records needed. The following is some handy information about benefits which are exempt from FBT.*

### Minor benefits exemption

Fringe benefits with a taxable value of less than \$300 may be exempt from FBT if they are provided on an irregular and infrequent basis.

For a benefit to qualify for this exemption, the benefit must have a GST-inclusive taxable value of less than \$300.

### Exempt work-related items

Generally speaking, if you provide the following items to employees, and they are primarily for use in their employment, you do not have to pay

FBT on them:

- ◆ a portable electronic device such as a mobile phone, calculator, personal digital assistant, laptop, portable printer and portable global positioning system (GPS) navigation receiver;
- ◆ an item of computer software;
- ◆ an item of protective clothing;
- ◆ a briefcase; and
- ◆ a tool of trade.

## SMSF trustee information packs

The Tax Office has announced that, over the coming weeks, it will be reviewing all self-managed super fund (SMSF) trustee and member details and amending registration records when required.

As a result of this work, existing SMSF trustees may receive a trustee education letter and information pack for the first time from the ATO.

This pack includes publications relating to the role and responsibilities of an SMSF trustee.

The ATO advises that this letter and information pack is for educational purposes only to support a tax agent's clients in their role as a trustee.

## New personal tax rates 2012/13

From 1 July 2012, personal tax rates are to be adjusted by:

- raising the tax-free threshold from \$6,000 to \$18,200;
- lifting the first two marginal tax rates from 15% to 19% and from 30% to 32.5%; and
- reducing the low-income tax offset from \$1,500 to \$445.

**Tax rates for 2012/13**

2012/13	
Taxable income	Tax Payable
0 – \$18,200	Nil
\$18,201 – \$37,000	19% of excess over \$18,200
\$37,001 – \$80,000	\$3,572 + 32.5% of excess over \$37,000
\$80,001 – \$180,000	\$17,547 + 37% of excess over \$80,000
\$180,001 and over	\$54,547 + 45% of excess over \$180,000

**ATO warns of 25,000 reports of scams last year**

The Tax Commissioner has warned the community about scammers trying to trick people into giving away their money by providing their tax file number.

"To catch people off guard, scammers use phone calls, letters, SMS messages, emails, bogus websites and even fake job advertisements."

"Last year we had about 25,000 reports of telephone and email scams using the ATO brand."

A range of tricks are used to make scams appear authentic. For example:

- ◆ including a legitimate-sounding message at the start of a call, such as the call is being recorded 'for training purposes'; and
- ◆ sending emails that appear to have come from the ATO, which when opened or downloaded infect a taxpayer's computer with malicious software.

**Coffee shops now an ATO target**

The ATO says that it is making it harder for people in business who deliberately use cash transactions to hide income and evade tax obligations.

**Cash Economy**

The focus of this work is on industries which have ready access to cash in their business dealings. Examples include businesses in the hospitality industry such as coffee shops.

This expanding net now includes coffee suppliers' store trade account information, with their customers' purchase information being available to the ATO. From this information, the ATO says it will be able to tell if a business is skimming cash.

Information received about coffee shops buying more than 15 kilograms of coffee a week from suppliers will be checked by the ATO to ensure they are reporting all their business income.

**Super contribution not in on time costs a taxpayer dearly**

A recent tax case involved a superannuation contribution of \$7,215 mailed by the taxpayer's employer on 28 June 2007 but which was not recorded as income by the fund until 5 July 2007.

Unfortunately, the taxpayer ignored the amount as a contribution for the 2007/08 year, and contributed another \$50,000 to the fund – exceeding the super cap by more than \$7,000.

The ATO issued an Excess Contributions Assessment – on the contributions above the \$50,000 cap.

The Tribunal held that there were no special circumstances which would allow the Commissioner or the Tribunal to allocate the amount to another year.

The taxpayer simply got it wrong and "ignorance of that kind is not a special circumstance".

**Building industry data matching – trade accounts**

The Tax Office has obtained details of individuals or businesses that hold a trade account with purchases between \$10,000 and \$3 million in the 2009/10 financial year from a major Australian warehouse chain. It will be using the details from those trade accounts in concert with its benchmarking process to review incomes returned.

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.