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ATO Audit Targets for 2010 Tax Returns

The ATO has made it clear this year that they would be looking at teachers, mechanics and engineers due to claim patterns that 'were often unsubstantiated by supporting documentation'.

The most common mistakes by people in these occupations include:

- Insufficient documentation to support motor vehicle and travel expenses
- Incorrectly claiming motor vehicle expenses on the basis that they are carrying bulky equipment
- Incorrectly claiming travel and motor vehicle expenses when they are required to travel from home to work more than once per day, and
- Incorrectly claiming home office, mobile phone and internet expenses



The ATO has developed three new guides to help engineers, mechanics and teachers claim their expenses. Please see our website for the link to these guides.

www.lizclifford.com.au/links



Regardless of what occupation you have you should make every effort to ensure you have supporting documents for your 2009-2010 tax claims.

SMSFs and trauma insurance policies

A trustee of an SMSF can purchase a trauma insurance policy in respect of a member and still satisfy the sole purpose test in s.62 of the SIS Act provided any benefits payable under the policy:

- Are required to be paid to a trustee of the SMSF;
- Are benefits that will become part of the assets of the SMSF at least until such time as the relevant member satisfies a condition of release; and
- The acquisition of the policy is not made to secure some other benefit for another person such as a member or member's relative.



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Standard Deductions: An attack on refunds

The Government's Budget announcement to introduce standard deductions to replace work-related deductions and deductions for tax agent fees may end up meaning NO deductions!

"In the 70's, taxpayers were entitled to claim deductions for doctor, medical, hospital and chemist expenses, education of dependants and self education, life insurance, rates and taxes on their home, and a deduction for funeral expenses."

"However, the government of the day criticised the tax system as too complex and introduced a 'standard deduction' that was turned into a rebate. Then the rebate was almost abolished completely. The right to these deductions was taken by stealth. Never to be seen again."

"Unless we are careful, the same will happen here," warns Andrew Gardiner of the NTAA.

Superannuation Clearing House: Registration Details

Small businesses (with fewer than 20 staff) are able to register online to use the Government's free Small Business Superannuation Clearing House, by visiting www.medicareaustralia.gov.au/super.

Small businesses can enter their business details, and once they receive their login details they can enter their employee's details and finalise the registration online.

The service enables small businesses to pay their employees' superannuation to a single location in one electronic transaction.

The service will commence from 1 July 2010.



Making investment decisions—have you done your research?

Are you considering a tax effective investment? It's important you have all the facts to make an informed decision.

Before investing:

- Find out as much as you can about an arrangement;
- Make sure the arrangement has a prospectus or product disclosure statement;
- Get independent advice about the promised tax benefits. A person associated with the scheme is not independent.

Some investments offer tax benefits such as reducing assessable income or increasing deductions, but end up being outside the law. Check with us to ensure promised tax benefits will be available.

The Australian Taxation Office website provides information about tax effective investing and how to detect potential tax avoidance schemes. Visit www.ato.gov.au/investing and read the [investigate before investing](#) fact sheet. You can also check if the arrangement you're considering is covered by an ATO product ruling confirming the tax benefits, or if a taxpayer alert has been issued warning about the arrangement.



Doing your research will help you avoid negative consequences including having to repay tax and incurring interest and penalties.

If in doubt don't proceed until you talk to Liz Clifford.

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