



ELIZABETH A CLIFFORD & CO

Certified Practising Accountant  
and Tax Agent

## Cash economy in the firing line

The Tax Office has been promising to 'up the ante' on the cash economy for some time now. With thousands of letters about to hit possible future audit 'targets' and the new benchmarks the ATO has just released on different cash industries, they are definitely starting to play for keeps.

**If any client receives a letter from the Tax Office as described below, please contact our office straight away.**



The Tax Office has released copies of letters which will be sent out to thousands of taxpayers who are in the cash economy.

The ATO stated that it was sending letters to businesses that have:

- made substantial bank deposits that do not appear to be consistent with reported income; or
- made multiple international bank transfers out of their bank accounts that don't appear to be consistent with their reported income; or
- unreported income that doesn't appear to support the owner's personal living expenses.

One of the letters sent out advises the taxpayer that

their business has reported a net income that appears to be lower than required to support a reasonable level of personal living expenses.

It states that the Tax Office uses a range of indicators to identify businesses for reviews and audits including:

- identifying businesses with the opportunity for cash economy activity;
- comparing tax return information to other similar businesses in their industry;
- using information from organisations such as Centrelink, business suppliers and banks; and
- reviewing information provided by the community.

The letter finishes up by saying that the ATO will be monitoring the taxpayer's activity statements and/or income tax returns during the next six months. This may result in the business being selected for an audit.



## SuperSeeker

SuperSeeker is a tool that will help you look for your lost super and provide you with a list of possible matches. It is free to use. The online and phone services are available 24 hours a day, 7 days a week.

To find out more, visit [ato.gov.au/individuals](http://ato.gov.au/individuals) and select 'SuperSeeker' on the right-hand side of your screen.

Issue 5

March 2010

PO Box 17

Seaford VIC 3198

Phone: 03 9783 7726

Fax: 03 9783 6576

Email: [liz@lizclifford.com.au](mailto:liz@lizclifford.com.au)

## Should I use government co-contributions or salary sacrifice?

**Both government co-contributions and salary sacrifice are tax-effective strategies for adding to your super, but which approach is best for you?**

Superannuation rules are complicated, and it can be difficult to work out which strategies make the most sense for you. Government co-contributions and salary sacrifice contributions both offer great incentives to add to your super, but your income will help you to determine which contribution strategy will provide you with a better outcome.



### Doing some calculations

Here we look at three different scenarios for a \$1,000 after-tax contribution and an equivalent pre-tax salary sacrifice contribution\* to see which will give a higher net super contribution, based on different

**Scenario 1:** Your taxable income is \$35,000 or less.

Type of contribution	Net super contribution
Salary sacrifice contribution	\$1,241
After-tax contribution plus government co-contribution	Between \$1,897 (income of \$35,000) and \$2,000 (income of \$31,920 or less)

Therefore, provided you meet the eligibility requirements for a government co-contribution<sup>^</sup>, the government co-contribution strategy will provide you with a greater net contribution than an equivalent salary sacrifice contribution

**Scenario 2:** Your taxable income is between \$35,000 and \$54,710.

Type of contribution	Net super contribution
Salary sacrifice contribution	\$1,241
After-tax contribution plus government co-contribution	Between \$1,241 (income of \$54,710) and \$1,897 (income of \$35,000)

If your taxable income is within this range, then you are still eligible for a government co-contribution (provided other eligibility requirements are met<sup>^</sup>). You will find this strategy will give you a higher net super contribution than using a salary sacrifice strategy. However, you will find that the higher your income, the lower the co-contribution amount will be.

**Scenario 3:** Your taxable income is between \$54,710 and \$61,920.

Type of contribution	Net super contribution
Salary sacrifice contribution	\$1,241
After-tax contribution plus government co-contribution	Between \$1,000 (income of \$61,920) and \$1,241 (income of \$54,710)

Once your taxable income exceeds \$54,710, the situation reverses and the net super contribution from using a salary sacrifice strategy will be higher than from using a government co-contribution strategy.



**Scenario 4:** Your taxable income is above \$61,920.

Your income exceeds the eligibility requirements for a government co-contribution in the 2009-10 financial year. Therefore, a salary sacrifice contribution is the most tax-effective strategy for you.

<sup>^</sup>Eligibility for a government co-contribution includes: Taxable income for the 2009-10 financial year is \$61,920 or less, you are under 71 years of age, you are a permanent resident or citizen of Australia, and you receive 10% or more of your income from employment or running a business.

For full eligibility criteria, visit [colonialfirststae.com.au/supertermsexplained](http://colonialfirststae.com.au/supertermsexplained).

\*Assuming a 30% marginal tax rate, the pre-tax equivalent of a \$1,000 after-tax contribution is \$1,460. After 15% contributions tax is applied, the net super contribution salary sacrifice is \$1,241

## The New Employment Laws *Fair Work Act 2009*

In brief, the *Fair Work Act 2009* (Cth), is to provide a balanced framework for cooperative and productive workplace relations that promotes national economic prosperity and social inclusion for all Australians.

The government has developed National Employment Standards intended to provide a safety net of minimum employment standards to apply to all employees covered by the Federal workplace relations system with effect from 1 January 2010.

There are 10 NES:



1. Maximum weekly hours of work;
2. Requests for flexible working arrangements;
3. Parental leave and related entitlements;
4. Annual leave;
5. Personal/carer's leave and compassionate leave;

6. Community service leave
7. Long service leave
8. Public holidays
9. Notice of termination and redundancy pay; and
10. Fair work information statement which you must give to all new employees.



Remember that for employees of businesses with fewer than 15 employees the employee must have been employed for 12 months before an unfair dismissal claim can be made. For employees in businesses with 15 or more employees the employee must have been employed for 6 months before an unfair dismissal claim can be made.

It is important that your standard employment contracts are reviewed and we recommend you do so as soon as possible.

## Superannuation 'clearing house' service

The Government has announced a new measure to cut red tape for many businesses which have to make superannuation contributions to numerous super funds for their employees.

From July 2010, small businesses will be able to pay one superannuation contribution to a 'clearing house', which will then forward payments on to super funds nominated by the employer.

Medicare is the nominated clearing house and small businesses will be able to begin registering with it online in May 2010 (for a July start).



## Self-education deductible against Youth Allowance

In a recent case before the Full Federal Court, a taxpayer who was studying to obtain a teaching degree has successfully argued that she was entitled to claim expenses of self-education which qualified her to receive the Youth Allowance.

*Editor: We will have to wait and see if the Tax Office appeals the decision to the High Court. If not, it will be open to taxpayers in these circumstances to claim their self-education expenses.*

*Normally this would mean objecting to the last two years' income tax assessments—but taxpayers will need to be able to substantiate their claims.*



If you wish to unsubscribe from this newsletter, please e-mail us

**Limited liability by a scheme approved under Professional Standards Legislation.**

Articles in this publication are of a general nature and do not constitute advice. Please call our office for formal advice before acting in any areas.