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Changes to company loan rules: Use of company assets

New legislation has basically removed the scope for private companies to allow shareholders and their associates (including their relatives) to use company assets—such as real estate, cars and boats—for free, or at less than their arm's length value, without paying tax.



Under the new law, which applies from 1 July 2009, if a shareholder (or their associate) uses a company asset but does not pay the company a reasonable amount for that usage

(and no exceptions apply) the company is deemed to have paid a dividend to that person.

Exemptions are available for some farmers and small

businesses (including an exemption for the use of assets that could otherwise be claimed as a tax deduction by the user if they paid for that use) and the minor use of assets is also exempt.

If you are concerned about either of these developments, please contact our office, as we may be able to apply some strategies to minimise the effects of these changes.



Online-selling data matching

The ATO has obtained data from eBay Australia and Trading Post Australia to assess the level of taxation compliance of individuals and businesses that sell goods or services online.



This data is electronically matched with the ATO's own data, and the ATO will contact individuals and businesses that they identify as being at risk of running part of their business off the books, or in other ways not reporting all their income, to encourage them to make a voluntary disclosure of any under reported amounts.



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Benchmarks and dealing with the cash economy

Second Commissioner of the ATO, Mr Bruce Quigley, recently spoke about how the ATO intends to use its new “benchmarking program”.

“Our small business benchmarks program continues to expand. We have now benchmarked the key business ratios of over 100 different businesses.”

“We use the benchmarks to identify businesses that may be avoiding their tax obligations.

“We have recently begun sending letters to approximately 1,000 businesses that are reporting income that is significantly outside of the benchmarks.



“These businesses will be advised that they are required to meet their obligations and/or provide us with records to support the income declared.

“Where they do not fulfil these requirements we will raise a default assessment based on the information available to us through the benchmarks.”

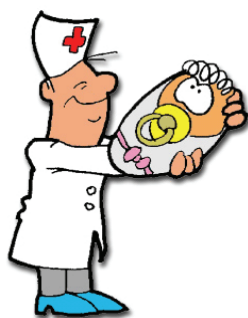


We will review your 2010 results against any applicable ATO benchmarks during the process of preparing your income tax return and discuss any issue arising with you.

In addition, the ATO warns that businesses that fall within the benchmarks should not assume that they are safe from an ATO audit or review.

If you receive a letter from the ATO along these lines, make sure you speak to us first before replying.

Medicare levy surcharge thresholds



The Medicare Levy surcharge of 1% is imposed on top of the 1.5% Medicare Levy where a taxpayer, their spouse and dependants do not have private patient hospital cover and the taxpayer’s ‘income for surcharge purposes’ (which includes reportable fringe benefits, reportable superannuation contributions and total net investment losses) exceeds the relevant threshold:

The Medicare levy surcharge income thresholds have been increased for the 2010/11 income year as follows:

- Single surcharge threshold—\$77,000 (up from \$73,000 for 2009/10); and
- Family surcharge threshold—\$154,000 (up from \$146,000) for 2009/10).



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