



ELIZABETH A CLIFFORD & CO

Certified Practising Accountant
and Tax Agent

The Cash Economy and the new Personal living expense

The ATO has developed a new guide to explain the importance they place on examining taxpayers' household expenditure when identifying omitted cash income in the course of reviews or audits.

Editor: Basically, what the ATO will do is work out the taxpayer's family's living expenses, and compare this to their declared income—if the income is less than the expenses, something may be wrong.

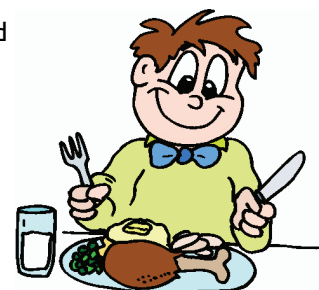
Personal living expense worksheets

During an audit, the ATO often asks taxpayers to complete a questionnaire detailing the living expenses for their household.

The worksheets detail the type of information they look at when examining taxpayers' personal living expenses, including such items as tobacco and alcohol, heating, power, water and sewerage, phone, gardening

and security, eating out, takeaways, lunches and coffees, lottery tickets, clothing and footwear, and "grooming" expenses.

Of course, many of these can be checked with third parties (banks, utilities, etc.), although other expenses have to be estimated. This new guide is integral to those estimations.



If, in the course of an audit, the ATO reassesses the taxpayer's income to a higher figure, the taxpayer would then have to take the ATO to court to prove that the ATO's assessment is excessive.

The taxpayer may also have to pay penalties and interest.

New reporting obligations for employers

If you offer your employees the option to sacrifice some of their before tax income as super contributions to their superfund or if you make additional employer super contributions for your employees, you may need to report these amounts to us and on your employees 2009-10 payment summary. These amounts are called reportable employer super contributions.

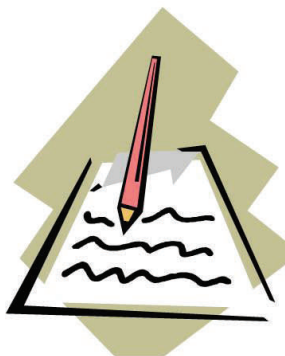
The changes will not affect a person's assessable or

taxable income and will only apply to income tests for tax benefits and obligations such as super co-contributions and the Medicare levy surcharge.

New payment summaries will be available in 2009-10—that will include a new label to show reportable employer super contributions. These changes will also affect your payroll system.

More information will be provided to employers in a brochure that is included in your

PAYG withholding payment summary stationery package. The new obligations for employers are explained on the Tax Office Website.



Issue 3

September 2009

PO Box 17

Seaford VIC 3198

Phone: 03 9783 7726

Fax: 03 9783 6576

Email: liz@lizclifford.com.au

Super contributions—too much super can mean extra tax



Caps apply to contributions made to your super fund for a financial year. Any super contributed over the cap amount is subject to extra tax. The cap amount and how much extra tax you pay once you exceed it, depends upon whether the contributions are:

- Concessional
- Non-concessional

	Concessional cap	Transitional concessional cap*	Non-concessional cap
2009-10 financial year	\$25,000	\$50,000	\$150,000

* The transitional concessional contributions cap is for those aged 50 years or older and is available until 30 June 2012

If you are considering making extra contributions to super, ensure you understand all the implications. Please call us to discuss if have any queries.

ATO focus on work-related expenses

Work-related expenses

The Tax Office says work-related expenses are one of the most commonly claimed deductions. Last year, 7.6m people claimed deductions for work-related expenses. On average, people claimed \$1,920 in work-related expenses with the most commonly claimed items including car, travel, uniform and self-education expenses.

As well as common mistakes, the Tax Office said it also finds claims that are false, are not work-related or can't be substantiated. The Tax Office warns that it looks closely at tax returns from last year and identifies particular occupations where:

- Average amounts of claims are high;



- There is an increase in the number of people making claims; and
- There are a lot of people making claims for the first time.

Occupations targeted this year

This year, the Tax Office says it will write to around 180,000 employees in the following occupations outlining common mistakes and providing advice on how to avoid these mistakes in this year's tax return:

- Truck drivers;
- Sales and marketing managers;
- Sales representatives; and
- Electricians

Claiming the Tax Break

Small businesses can still take advantage of the Tax Break (the bonus 50% deduction) in relation to most depreciating assets acquired by 31 December 2009 which cost at least \$1,000.



To claim the Tax Break, the relevant asset must basically be acquired for the principal purpose of carrying on a business.

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.