



VOLUME 16, 2014

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### Practice News

At MGAA we will be launching our tax planning season from 16<sup>th</sup> May 2014. The following 6 weeks would see us vigorously working at estimating tax position of our business clients and identifying strategies to minimize their tax burden.

Know your tax before the taxman does!

Contact us for further information

## NEWS POINT

### WATCH OUT FOR 'MORE PAIN – NO GAIN'

Under the guise of getting the budget to surplus the treasurer is busy warming us up for 'More Pain – No Gain' in the upcoming budget. Up on the radar (as possible bombshells) are;

- ⚠️ govt. age Pensions to start from 70 years of age,
- ⚠️ a Deficit Tax to be levied, expected to be @1% for anyone earning more than \$150,000 pa,
- ⚠️ Family Assistance to be cut by reducing the eligibility income threshold from \$150,000 to just \$100,000,
- ⚠️ co-contribution to be introduced for General Practitioner (GP) visits, and
- ⚠️ wide spread cuts in welfare spending including family assistance and centrelink support.



While the government plans to take more from those who can hardly afford it, the Googles of the world continue to stash tax free money in tax havens across the globe. Just last week Google declared a mere tax payment of \$466,802 on a profit of \$46m, \$2m of which was collected from advertisement revenue in Australia alone!

**TIP!** We will be following the news closely, leading up to and following the budget. Watch out for our next edition of AboutTax focusing on how the budget affects us all!

### FOFA – FUTURE OF FINANCIAL ADVICE OR FUTURE OF FINANCIAL ATTACK?

It wasn't long ago, 1<sup>st</sup> July 2013 to be precise, that FOFA regulations were brought into action. This meant that Financial Advisors now had to disclose any fees and hidden commissions to their clients and work 'in the best interest' of their clients. You would have thought this is a mere basic requirement of any profession. Certainly is for accountants, and is strictly enforced by accounting bodies like CA, CPA and IPA.

Don't be surprised! In the shadowed period of 2013 Christmas break, the present government decided to water down these FOFA changes. Proposed changes are;

- Financial Advisors would not be required to disclose their fee or commission to their existing stream of clients (only new ones).
- They can continue to charge what they are currently charging without getting each client to particularly sign off these charges every two years (the Opt-In option).

- And what's more - 'working in the best interest' clause has been completely removed!

Meanwhile, it appears ASIC has decided not to take any action against financial planners who do not conform to the current strict FOFA requirements, till the above changes in law are passed.

While all this is happening, SMH continues to report the loss of millions of investors' savings due to bad financial advice, and big financial planning groups continue to splurge millions on overseas 'professional development' conferences.

### TIP!

If you feel passionate about this, please feel free to write to your local MP, contact your financial planner or write to us and we are happy to forward your comments.

## PLANNING POINT

### ATO Top 10 Audit Triggers

We present a list of top 10 ATO audit triggers which could put your business on the ATO's audit radar.

- ⚠ **Business Performance.** If your business performance is not consistent with the benchmark set for your industry or compared to your peers. Check <https://www.ato.gov.au/Business/Small-business-benchmarks>
- ⚠ **BAS and Tax Return.** If there is a difference between the amount reported on your Business Activity Statement and your Income Tax Return. It's all about data matching.
- ⚠ **FBT Return.** If you or your business own motor vehicles and do not lodge a FBT return or report private use of the motor vehicle. Beware, ATO obtains its data directly from the RTA.

- ⚠ **Lodgment status and dues.** If you have a poor record of lodging your returns on time and paying your tax dues. This includes everything; BAS, Employee-related reporting, FBT, etc.

- ⚠ **Superannuation.** If you don't pay the right amount of superannuation for your employees.

- ⚠ **Business Losses.** If your business has been showing losses consistently. The ATO regards 3 loss years out of 5 years as an indicator of problem in the business.

- ⚠ **Financial Position.** If your business shows big fluctuations in financial positions comparing year on year.

- ⚠ **International Transaction.** If your business has international transactions. Transactions with international related party, tax havens, fund transfer in and out of Australia are examples that could raise a red flag with the ATO.

- ⚠ **Tax Returns.** If your tax returns do not disclose all the information – crossed checked by ATO with other sources.

- ⚠ **Get a state tax audit.** If you get an audit for your state taxes e.g. workers comp, payroll tax etc. State and federal revenue bodies work hand in hand and share information for audit across if they find something inappropriate.



### TIP!

We work proactively to identify risk areas for our clients and to represent them in case of any ATO audit or review. If any of the above concerns you, please contact us.

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