

Is the ATO checking your Facebook profile?

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Why the Tax Office is looking at your Facebook profile



A recent article published in the online small business magazine SmartCompany will have many people reviewing what they say and expose on Facebook and other social networking sites.



Tax Office staff are the last people you expect to be looking at your Facebook profile but according to a lecturer at Latrobe University's Faculty of Law and Management cited in the SmartCompany article, the popular social networking site is being used to build prima-facie cases against investors using offshore tax havens.

Our compulsion to share our every movement on online forums is being used by the Tax Office as a tool to build profiles on high net wealth individuals. So, if you're telling the tax office that you have a modest income but are constantly posting pictures of yourself in your floral board shorts in Barbados, or your latest shopping expedition in Paris, then you can expect a call from the Tax Office very soon.

Offshore tax havens are a particular focus and this compliance program has claimed the scalps of many high profile taxpayers through Project Wikenby.

The accessibility of the information available to the Tax Office to investigate and build cases against taxpayers is increasing every day. Your Facebook profile is just another avenue.

Land Valuations Expected to Rise After 2 Year Freeze



Many local government areas of Queensland are currently having land valuations reassessed for the first time since early 2009 when the Queensland Government introduced a 'frozen valuations' measure. Affected areas include **Brisbane, Gold Coast, Bundaberg, Moreton Bay, Redland, Rockhampton and Townsville.**

Annual valuations will shortly be issued by the Department of Environment and Resource Management (DERM), which estimate the amount for which land could be expected to sell without 'improvements'. Valuations are used for a variety of purposes including Council rating purposes and the imposition of land tax by the Office of State Revenue.

Valuation methodology amendments

Currently the Valuation of Land and Other Legislation Amendment Bill 2010 (Bill) is before the Queensland Parliament. The Bill proposes very significant changes to the valuation methodology used in valuing non-residential properties, in light of a recent Queensland Court of Appeal case. The proposed amendments have been the focus of intense lobbying. We will provide further updates once the final form of the valuation methodology changes is clear.

Objection rights to valuations

Importantly, if this Bill receives royal assent there will also be a complete overhaul of the legislative provisions containing objection rights regarding valuations. The objective of the amendments is to 'allow for the proper management of a more information rich objection process'. This will be achieved by implementing a much more onerous objection process, requiring landowners to collate significant amounts of information if they are to lodge a valid objection within the 45 day time limit.

Implications for land tax

Land tax is assessed at 30 June each year for the coming 12 months, based on the annual valuation issued in the previous March. The actual land tax assessments usually issue in the following August/September. An excessive valuation is not a valid ground to object to a land tax assessment so it is important individuals and businesses consider the likely land tax implications of valuations within 45 days of receiving a notice of valuation (by mid May). If the new objection provisions receive royal assent then any objections lodged regarding 2010 valuations will need to comply with the new provisions.

If you're concerned about what the proposed new Bill could mean for you or your business, make an appointment to see one of the experienced professionals at [IMPACT Accounting Solutions](#) today on **07 5530 6395**.

HELP! I've put too much into my Super Fund!



One of the great things about superannuation is the concessional tax rates. Concessional contributions, which come from pre tax income, are taxed at 15%. There are caps imposed on how much you can put into super and still get the concessional tax rate.

The concessional contributions cap for the current financial year is \$25,000 for those under 50 and \$50,000 for those 50 or over on 30 June 2009. The non-concessional contributions threshold is \$150,000.

Excess contributions are not uncommon and many taxpayers inadvertently breach their contribution limits. The problem is that if you breach the concessional contributions cap, the tax on the contributions over the cap is an additional 31.5% on top of the initial 15% paid by the super fund. And, it's very difficult to do anything about it once you have put the cash into the superannuation account. Where both the concessional and non-concessional caps are breached, the

excess contributions tax could be as high as 93%.

The problem with making excess contributions is that under the law, once the contribution has been accepted by the fund the preservation rules apply (meaning that you can only get the money out once you meet the conditions of release – for example, you turn 60).

In some cases, where an honest mistake has been made, the amount can be refunded. However, if you are over the contributions cap, have changed your mind about the contribution, or you have had a change in income levels so that you cannot utilise the tax deduction, then it is unlikely your excess contribution would be called an honest mistake. However, if you inadvertently banked money into the wrong account (and that account was the superannuation funds account) then that might be an honest mistake if you can prove it.

The important thing is to be aware of what your contributions caps are, the total amounts that have been contributed, and what's contained in your trust deed. Those most likely to breach the cap are those with multiple employers and those who have entered into salary sacrifice arrangements in past years and have not reviewed the amounts being paid into their superannuation fund. This includes those utilising the transition to retirement strategy.

For more information on how to manage your super contributions contact [Doug Ward](#) or [Ben Fitch](#) at [IMPACT Accounting Solutions](#), or call today on **07 5530 6395**.

Selling up? Watch out for CGT



If you're selling your business, the CGT small business concessions have the capacity to reduce your capital gains tax liability to \$0. Understandably, the tax savings that can be achieved make the concessions very popular with business owners. However, the extent of the tax savings also means that the concessions come under close Tax Office scrutiny. Quite a few taxpayers have been stung with very large and unexpected tax bills because they claimed the concessions but did not pass the eligibility tests.

There are a number of rules and conditions that a small business and their owners need to meet to be able to access the concessions. One of the main eligibility requirements is the \$6 million maximum net asset test (although an alternative \$2 million turnover test is available in some circumstances). This test requires that the combined value of the assets of the business, any connected entities, any affiliates and any entities connected to the affiliates, is less than \$6 million.

The \$6 million maximum net asset test applies at the time when the CGT event occurs (generally when the contract of sale is entered into), so you need to satisfy yourself, and be able to substantiate to the Commissioner if you are audited, that your net assets were less than the \$6 million threshold at that time.

Certain assets such as the family home, some personal assets, and your superannuation are not counted toward the threshold. With some of your assets it should be reasonably easy to calculate their value. Other assets such as privately held businesses or listed securities can provide greater problems.

The risk with listed securities is where there is volatility in their value and you are near the \$6 million threshold. Because your position is counted at the time of the CGT event, if you hold listed securities and there is a spike in their value at this time, then you could breach the threshold. The value of these assets is on public record and this is an area you need to be careful about if you are near the maximum

limit.

Private businesses create a different risk. In the majority of cases there is no ready market for these businesses and so their value is not readily identifiable. Without a formal valuation you may underestimate the value of your businesses. It is not uncommon for the ATO to ask for evidence of your eligibility for the concessions. If they have doubts about the value you have assessed then they may substitute their own valuation. Keep in mind that the value of your business is not necessarily what is recorded in your financial statements. Where the business holds unrealised goodwill or other intangible assets, the value of the business can be substantially greater than is recorded in the financial statements.

Clearly, the more valuable your business is, and the closer your other assets are to the \$6 million threshold, the greater your risk.

If you are contemplating selling your business or want to make sure you have the right structure in place, contact [IMPACT Accounting Solutions](#) today for a review.

Extreme makeover - land tax pitfalls



On 27 January 2010 the Queensland Land Court delivered a judgement regarding the land tax position of residential property owners who vacate their main residence for renovation purposes: a process not without risk.

Land tax

Most home owners never concern themselves with land tax. Whilst qualifying as a 'principal place of residence' (PPR) a property's unimproved value will not be taken into account when assessing liability to land tax.

However land tax is assessable on the taxable value of an owner's total land-holdings. The taxable value is the aggregate of the relevant unimproved value of all land owned less any exemptions or deductions (including the PPR deduction). The relevant unimproved value of land will be the lesser of the:

- unimproved value for the financial year
- average of the unimproved value over the current and previous two financial years, and
- capped value of the land for the relevant year.

Land tax is assessed at 30 June each year for the coming 12 month period. Although the PPR deduction is generally claimed without dispute, sometimes the Commissioner denies the availability of the deduction, as a Gold Coast couple recently discovered during a particularly difficult renovation.

Jackman v Commissioner of Land Tax

The Jackmans lived on Hedges Avenue on the Gold Coast. They decided to renovate the Hedges Avenue property, which they had owned for many years. Unfortunately, and for reasons beyond the Jackmans' control, the works took nearly a year longer to complete than originally scheduled. Whilst they tried to hold out and live in the Hedges Avenue property during the renovation ordeal, they found it too difficult and began to more frequently utilise another nearby property they owned, which was set up as a holiday home. Ultimately the Jackmans leased a unit in an apartment building given they had genuine need of a properly set up home office. The Jackmans then resided in the unit until the renovation works were complete, at which time the Jackmans returned to the

Hedges Avenue property.

The Jackmans were not residing at the Hedges Avenue property at 30 June (when land tax is assessed for the coming 12 months) and the Commissioner took the view that the PPR deduction should not apply - meaning that land tax was payable on the Hedges Avenue property. Given the location of the land the assessment was significant. The Jackmans appealed to the Land Court.

[The renovation game and land tax](#)

The Jackman decision demonstrates the difficulties that can be faced from a land tax perspective that are not normally in the minds of renovators.

Specific legal advice should be sought in situations where the PPR deduction for land tax purposes may be in jeopardy, as the situation may require the consideration of a number of factors. Advice should also be sought on any potential CGT ramifications.

Contact [IMPACT Accounting Solutions](#) today for more advice specific to your personal situation.

The latest from the ATO



Rental Properties and Travel Expenditure

This year, the ATO will be looking into taxpayer's returns with rental property income and expenditure (again). In particular, related travel deductions will come under scrutiny. For more information on travel expense deductions download a copy of the relevant document from ATO online: www.ato.gov.au/investment

Tax Tables Online

In response to the changing needs of businesses, the ATO will no longer post tax tables in the mail when tax rates change. Instead, the ATO will contact taxpayers to advise that the rates have changed and direct them to the PAYG tax tables on their website. Printed tables will continue to be available for those who request them. To access the PAYG withholding tax tables, visit this website www.ato.gov.au/taxtables

Managing your tax debt

Got a little tax problem? The ATO has a range of guidelines on managing your tax debt available online. Visit the website www.ato.gov.au

Quote of the Month



"I tried being reasonable, I didn't like it."

Clint Eastwood


Contact IMPACT Accounting Solutions TODAY!

For the very best advice on Accounting, Business Services, Tax, Financial Planning, Finance Broking and Insurance, contact [IMPACT Accounting Solutions](#) for a free no-obligation consultation:



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