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Practitioner  
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Dear Client,

## 2019 YEAR END CIRCULAR

As the year draws to a close, we (Stuart, Laraine & Kevin) again take this opportunity to thank you for your support during the year and to report on recent changes. Over the past 12 months, with the assistance of Kevin, we have managed to increase the workload and lodgements (nearly 5% increase). There have again been rumours that I have retired. My Tax Agent registration is due for renewal 1<sup>st</sup> December 2020, when a decision will be made. More than likely, I will renew for a further 3 years. **I WILL BE HERE FOR THE NEXT TAX SEASON.**

MY APOLOGIES FOR THE LONG NEWSLETTER, BUT, THERE ARE SOME IMPORTANT ISSUES TO MENTION.

**MERGING** – The merger has been working well. I have a lot of respect for the abilities and ethics of the new partners. I expect to continue to work in the practice with reducing hours for at least the next three years.

At the Tax Counter Pty Ltd, there will be little changing. Kevin Reilly will be working with me in Glenorchy. He is a Chartered Accountant and a member of the Taxation Institute. Kevin has a broad set of skills and an easy-going nature. I will continue to work in the practice for some time yet. Laraine will remain in the important reception/administrative role. Over time, Parker Accounting will integrate a business partner Arthur into the business to assist with some administration duties whilst he grows into an accounting role.

I sincerely urge all my client to embrace the changes and support the new firm.

### **FAMILY MATTERS**

My daughter Catherine, is now 10 years and still growing up too fast over 1.5m tall. She is a continued delight and a joy to both my wife Maricris and I. Catherine has nearly completed Grade 4 and she is looking forward to Grade 5. Catherine has now been learning the piano for nearly five years and continues to present her own compositions in front of audiences. Other pursuits for Catherine have included swimming and now Little Athletics. This summer Catherine has been nominated and invited to participate in Brainways. A program for gifted and talented children. My son continues to pursue his interests in stage work undertaken a number of stage productions as an Actor and director. He is still pursuing a Masters Degree.

We continue to enjoy our house and “home paddock” at Old Bridgewater. Last summer we intended to complete the back and side fences. Unfortunately, this did not happen. A side fence of 110m was replaced and was still standing even after a tree fell onto the fence. We have just started construction of a conservatory at the back of our house. Concrete slab down but still having difficulty finding a builder to construct.

### **SOME ISSUES THIS YEAR.**

From discussions with other tax agents, this year has again been a far better/quicker year for processing of tax returns by the Australian Taxation Office (ATO) than previous years.

I had a visit from three tax officers in November mainly regarding the cash black economy, but, they ending up discussing work related expenses statistics from my practice. They had not undertaken demographic research of my client's location and occupation as it appears that 40% of my clients claim laundry expenses. My comment

‘and’! A large proportion of my clients have either a uniform, protective clothing or occupational specific clothing.

The ATO continues to aggressively chase those who have not lodged or are late in lodging their Income Tax returns and Activity Statements. The ATO has the legal power to impose a penalty of \$210 per 28 days up to \$1,050 that a Tax Return or Activity Statement is late and interest on any liability/debt. I need your paperwork well before the due date, so any additional detail, if needed, can be obtained.

**Pensioner tax offsets:-** The ATO has advised us that they will calculate the offset and that we are to ignore Item T1 on the tax return. On numerous occasions, the ATO has, on numerous occasions, failed to calculate this offset leaving the taxpayer with a reduced refund or tax debt. The ATO produced a ruling QC 54246 on 30 May 2018 and failed to advise of the information to tax agents. This ruling details how to calculate the offset and for the taxpayer to include the calculation at T1. I will work out the offset and include in your tax return where required.

This year three **complaints** with the ATO regarding delayed tax returns with poor reasons/excuses for delaying the refunds. Most of the practice correspondence now relates to debt, remission of penalties and interest.

With all the issues of data storage **hacking**, I advise that we **do not** hold **any** of our clients’ data/information on our website or in the cloud. The website is for information only. Our clients’ information is held on our server which is not directly connected to the internet. We check our computer security systems and update/upgrade the security on a regular basis.

#### CONTRACTOR PAYMENTS

There is now a requirement for any contractor payment to be advised on an annual basis to the ATO on a Taxable Payments annual report. This started with the construction industry (very broad catch all) and has now been expended to include couriers and cleaners. The ATO has been very aggressive in chasing up these reports and issuing heavy penalties.

#### ATO COMPUTER ISSUES

The ATO again admitted that there were a number of software issues meaning that a number of tax returns were incorrectly calculated by the ATO. Issues included Private Health rebates, Pension tax offsets, Reportable employer superannuation contributions and Foreign Tax offsets. There have been numerous occasions when the ATO Portal has been down/unavailable. I will admit that the Portal appears to be improving.

PAYG SUMMARY SHEETS. I regularly find glaring errors on client’s PAYG Summary Sheets. In one case, an employer had corrected a PAYG (three times) sent the duplicates to the ATO and the ATO has included all three PAYG summaries for tax purposes. Also, a case whereby the employer sent an exaggerated PAYG summary which was totally incorrect, sent a correction but the ATO has not corrected the information on the ATO Portal. A number of clients whose employer had sent the PAYG summaries but the ATO has still to add to the ATO Portal 6 months later.

Numerous cases where taxable allowances have been included into gross pay. This then denies the client the possibility of an expense claim against the allowance. A good money spinner for the ATO. That is why I keep on requesting to sight copies of pay slips – **please bring pay slips**.

TWO OR MORE JOBS CHANGING JOBS If you work two or more jobs during the year, **PLEASE, PLEASE** make sure that you are taking out enough tax. I continually see clients who have been undertaxed. If you change from one job to another during the second half of the year, I advise that you **do not** tick off for a tax free threshold claim for the rest of the year - a sure way to have a tax bill. If you are unsure please contact this office.

RECORDS RETENTION I **AGAIN** continue to **strongly** request sighting of receipts/evidence of work related expenditure (receipts, bank statements, credit card statements. I purchased the scanner to scan receipts just in case you lose your documentation. The government needs your money and the ATO is becoming more aggressive.

The ATO has undertaken over 120,000 audits of individual tax returns per year, since July 2012. Still, over 70% have been amended for unsubstantiated claims. This year, to date, I have had three clients being audited – all passed.

Data Matching The ATO continues to be very aggressive in data matching motor vehicle sales, airplane, boat sales and sales of property relating to rental claims. Motor Vehicles used for work and Fringe Benefit Tax paid for vehicles with a value over \$10,000. The ATO is expected to again audit over 48,000 small businesses during

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2018/19 and over 500 million bank transactions (over \$10,000). The ATO has been using third party data to identify taxpayers who have failed to report significant transactions on their tax returns and in some cases associated schedules.

**DEPRECIATION FOR SMALL BUSINESS** Small businesses can claim up to \$30,000 as an expense write-off now extended until 30 June 2020. **REMEMBER** 6 months left.

**ONE TOUCH PAYROLL** Is now in force for ALL employers (regardless of the number of employees) forcing them to become electronic/computerised whether they want to or not. Under 20 employees to comply by 1<sup>st</sup> July 2019. The ATO expects every employer to have electronic accounting systems and payroll systems by then????

#### **OUTSTANDING TAX RETURNS AND ACTIVITY STATEMENTS**

I am able to obtain a printout of my current clients who have not lodged tax returns prior to 2017. We will contact clients, who have not lodged, twice by phone and once by letter or email usually about April to ensure lodgement.

The ATO is currently issuing default assessment notices to taxpayers who have not lodged past years' tax returns. In the vast majority of cases, the client is owed money by the ATO. But with penalties for late lodgement, there could be a debt.

#### **SMALL BUSINESSES ELIGIBLE FOR CYBER SECURITY HEALTH CHECK GRANTS**

From now until June 2020, eligible small businesses with 19 or fewer employees can apply for a grant for a certified cyber health check to determine business risks and areas that need attention.

Depending on the number of devices tested, the maximum grant amount is \$2,100 or up to \$50 percent of eligible project costs. Cyber criminals are becoming increasingly sophisticated and Australian statistics show more cyber-attacks are hitting small businesses. See <https://www.business.gov.au/assistance/cyber-security-small-business-program> website and apply for a cyber security health check as soon as possible.

#### **LETTER CONTACT BY ATO**

Unsure as to what it is about, **PLEASE** contact us. In some instances, some ATO officers have been very aggressive in their requests. If you receive a query letter from the ATO **PLEASE** deal with it or contact us **immediately**. If you have any difficulty with any of the ATO letters please ring me. We have had a small number of clients who have received query letters from the ATO and failed to respond only to then receive an amended assessment notice and a tax debt. In most cases, contact with us could have averted the amended assessment and the debt.

It is vital that you notify the ATO if you change your postal address. I'd like to know also, so my circulars reach you! I can notify the ATO for you, electronically, if you wish. Just send me a note with details of the new address.

**myGov CORRESPONDENCE:** The ATO now sends all material direct to either your inbox at myGov or our postal address. This includes audit notices and propaganda about Superannuation Co-Contribution etc.

I have had several clients already who have not received a paper copy of their Notice of Assessment and have thus missed the due date for paying. If you must use myGov, please be aware that you will not receive paper to remind you of what you need to do. Any summons for non-payment will, of course, be hand delivered!

I strongly recommend that you detach the ATO role from your myGov account, so you will receive paper. Many letters from the ATO have a tight time limit and if you do not respond within that limit your rights to object will disappear. The ATO has told tax agents that the client's selection of myGov overrides their right to receive paper. I do receive a list, every so often, but it seems to be random. Any 28 day time limits are very likely to have expired by the time I am made aware of the issuing of the letter. If you have any difficulty with the content of any of the ATO letters ring me. Many issues can be resolved without an appointment.

It is now (theoretically) possible for me to view most correspondence sent by the ATO via the Tax Agent Portal. That means I should be able to see any letter the ATO has sent, and thus I should be able to discuss the contents, without you having to attend my office.

#### **OTHER ADVICE**

Apart from being a Tax Agent, I am also an Australian Securities and Investment (ASIC) registered agent, a Departing Australia Superannuation Payment (DASP) agent and a 'pseudo' Commissioner of Declarations. I am recognised as an auditor for small Not-for-Profit organisations (clubs).

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## **BEWARE THE TAX SCAMMERS.**

I continue to have a number of clients who have been contacted by these scammers demanding payment. **There has been a reported upsurge in tax scam calls. Millions** have been lost. They are very aggressive, threatening and demanding. They use a lot of different telephone numbers similar to ATO telephone numbers. **If in doubt please contact me.** We continually receive scam emails and telephone calls from businesses demanding payment for non-existent accounts, scam Telstra and Microsoft calls, even supposedly from the Australian Federal Police for a supposed traffic infringement. Usually these emails are sent without the receiver's name, address or contact numbers.

One way to reduce speaking to the scammers is not to answer the call within 3 rings. This usually allows someone else to answer the call. The callers usually ring about 20 phone numbers at once and whoever answers first gets targeted with the scam.

From time to time the ATO may contact you by phone but, you should be wary of unsolicited phone calls claiming to be from the ATO and offering you a tax refund. Increasingly we are seeing these scams using names and addresses that have some correlation to actual ATO officers and buildings. We advise taxpayers to be highly vigilant when receiving phone calls of this nature.

If you receive a telephone call from an ATO officer, demand they identify themselves (full name and the section they work in) to your satisfaction. At the end of the conversation, you **MUST** request a receipt number for the call.

Request more formal confirmation, request their extension number,

The name of their team leader and their extension number.

Ask for their request in writing.

**Request a Receipt number for the call.** Normally 13 digits long

OR, Just hang up AND, contact this office.

### **IDENTITY THEFT AND FRAUD**

**Identity crime continues to be a serious problem in Australia.** Some tax agents are being used to unknowingly lodge fraudulent income tax returns on behalf of clients using stolen, borrowed or bought identities. Your Tax File Number (TFN) is unique to you. Do not provide your TFN to any unauthorised person. Treat any request for your TFN with caution. The main uses for TFN's is completing your tax return, opening a bank account, superannuation funds and Centrelink. It is hard work trying to fix up the mess once it has happened.

### **CENTRELINK AAAAHHHHHH!**

I have spoken and advised clients regarding Centrelink's ROBO Debt collection. I have been involved with challenging Centrelink on serious debt issues. Well, the inevitable has occurred. After so much bad press and evidence of the system not working, the system has now been dropped. Many clients can expect a refund.

The Robo Debt program will be completely renovated after the government committed to abandon a central plank of the program's automation which has seen tens of thousands of welfare recipients overcharged for alleged debts. The department also revealed it would review all existing alleged debts and freeze existing debt recovery pending the review. The dramatic overhaul of the program could result in hundreds of millions of dollars of debts waived as part of the \$3.7bn program.

If you expect to receive Family Tax Benefit, Child Care Benefit and/or SIFS for the 2018-19 financial year, you **MUST** lodge your income tax return by 30 June 2020 to receive the benefit. If you lodge with Centrelink Annually, you **MUST** also apply directly to Centrelink before 30 June 2020 to receive the benefits.

**VET COURSES AND HELP DEBTS** - the Federal Govt has cancelled to debts of vast numbers of students signed up under false pretences to VET type course. The odd client may have repaid some in either the 2018 or 2019 Notice of Assessment. An amendment request may be in order...

### **SUPERANNUATION – INSURANCE**

**Beware.** I continue to notice a number of instances whereby superannuation funds have been deducting regular insurance payments from client's super fund accounts without the client realising. In some instances, thousands of dollars are being deducted annually stripping their super fund. For small fund amounts, Insurance premiums cannot be now deducted. Income Protection insurance premiums are tax deductible. Some life and disability insurances may be deductible for small business owners.

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Since the banking Royal Commission, super fund will need to advise of these insurance payments and it is now up to the client to advise if they do not wish to have insurance.

I am not allowed to provide advice about superannuation or any other investments. Please contact your Financial Adviser or Superannuation Fund.

#### **SUPERANNUATION WARNING**

**The Federal Government's decision to lift the threshold at which inactive superannuation accounts are transferred to the Australian Tax Office (ATO) is inconsistent with superannuation reforms and unfair to those with low account balances. There are some major changes to how much money you have in, or contribute to the tax advantaged superannuation. The new rules applied from 1<sup>st</sup> July 2017.**

The threshold of small inactive superannuation accounts, including those 'lost' to members, has increased from \$2,000 to \$6,000. If you have a number of superannuation funds, it may be advisable to consolidate those funds into one superannuation fund.

#### **FINANCIAL ADVICE**

Under the new FoFA regulations, I am not authorised to provide financial or investment advice. I can provide limited advice regarding self-managed superannuation funds. All financial and investment advice will be passed on to those persons/firms who are regulated/licensed to provide such advice. I do utilise the services of Solas Financial – Australian Financial Services Licence: 234 851 for any financial and investment advice. They have provided excellent financial advice to many of my clients.

**I have to state that:-** “Any informal discussions I may have with you, as my client, on the economy of Australia, the world or future trends cannot be used/construed for investment purpose or as financial advice.”

#### **INSURANCE INDEMNITY ADVICE**

Under professional standards legislation, I am required to disclose limited liability on stationery and business documentation. The wording you must use is as follows:

**“Liability limited by a scheme approved under Professional Standards Legislation.”**

This statement is designed to give consumers clear notice that I operate under an approved Professional Standards Scheme. The statement must appear on all materials that are or could be given to current or prospective clients by participating members to promote ourselves or our occupation.

**WEB PAGE** Our web page has been working well with lots of hits. The web page continues to attract a lot of interest with between 500 and 700 views per month. [www.thetaxcounter.com.au](http://www.thetaxcounter.com.au) The web page has been designed to be opened on a smartphone. The website will be progressively linked to Parker Accounting. The only downside is the increase in the number of spam emails we receive. You can find us at - [www.thetaxcounter.com.au](http://www.thetaxcounter.com.au). There is a link between [www.taxcounter.com.au](http://www.taxcounter.com.au) and [www.thetaxcounter.com.au](http://www.thetaxcounter.com.au). **We have listed all our forms, checklists and various tax topics on our website. Check the site out.**

**We are seeking your assistance in our improvements. I have a question for clients – “How can we improve this business to you as a client?”** Please let us know by email, phone or letter.

#### **CALENDAR**

Being sent again this year. At least no error for December as for the 2018 calendar.

#### **HOLIDAYS**

The office will be closed between Friday 20th December 2019 and 6th January 2020. For urgent matters, I can be contacted on Mobile 0417 720 395.

In closing, all staff wish you and your family all the best for the Christmas festive season and the New Year. **Be safe.**

Yours sincerely

**STUART LENTHALL**

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