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## Tax and Compliance Update

### ATO targeting GST compliance

The ATO received specific funding in the 2010 Budget to look closely at GST compliance, and will be implementing a dedicated program over the next four years to deal with some specific compliance issues.

They will focus on:

- The timely lodgment of activity statements;
- Verifying GST refund claims;
- Identifying and dealing with those that deliberately avoid GST; and
- Addressing aging GST debts and those who deliberately use debt as a way of avoiding their tax obligations.

They say that they are continuing to expand their ability to identify non-lodgers and detect businesses that overclaim entitlements, deliberately under-report or omit income and use cash transactions to hide income.

They will do this in part by:

- Comparing businesses to small business benchmarks for their industry to select businesses for audit – businesses that do not report within their range may not be recording or paying tax on all their transactions, especially cash transactions;
- Using benchmarks to calculate default assessments where a business provides insufficient or unreliable information or has not met their lodgment requirements; and
- Using new risk filters and risk models to detect incorrect or fraudulent refund claims on activity statement credits.

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## **50% Tax Break deduction under new “Green Building’s Scheme”**

The Assistant Treasurer has released a public consultation paper regarding tax breaks for redevelopments that will substantially improve the energy efficiency of existing buildings.

From 1 July 2011, the Tax Breaks for Green Building’s Scheme will offer businesses that invest in eligible assets or capital works to improve the energy efficiency of their existing buildings – from 2 stars or lower to 4 stars or higher – the ability to apply for a one-off bonus tax deduction of 50% of the cost of these improvements.

## **ATO looks at limited by guarantee loan arrangement**

The Tax Office has issued a taxpayer alert warning people of arrangements involving loans to members of a company limited by guarantee.

Under these arrangements, a company limited by guarantee is established to receive income distributions from a trust and then lend that money to directors, members or associates of that company or related parties.

"The use of a company limited by guarantee makes no commercial sense, aside from the tax advantage sought from these arrangements. These types of companies cannot distribute profits to members or utilise any franking credits obtained," Michael D'Ascenzo, the Tax Commissioner, said.

He said the ATO believes that people are utilising these arrangements to get income from their trusts without having to pay the required amount of tax and is warning anyone who has participated in these arrangements to come forward prior to 30 April 2011 and before they are contacted by the ATO.

If they do, they will be entitled to a reduction in any tax penalties.