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Tax Compliance

ATO focus on property developers

The Tax Office has issued an information sheet entitled "*Tax avoidance on property sales – don't risk it*" which is directed at trying to keep property developers on the straight and narrow.

The information sheet says that property developers who try and avoid declaring tax on the sale of property *are more likely than ever* to be contacted by the ATO.

The ATO is matching information provided on Business Activity Statements and income tax returns with information from the Office of State Revenue and Land Titles Office to ensure property developers are correctly reporting GST and income tax (including CGT) on property sales.

In a recent case, a taxpayer was identified as a developer of subdivisions who purchased rural farmland and then subdivided it into residential lots. Through data matching, the ATO identified over 100 sales made by the taxpayer.

The taxpayer had not reported the property sales and was charged the highest penalty applicable – amounting to approximately \$4.5 million.

ATO focuses on sham contracting

The Tax Office has indicated that it is now focussing on the practice of 'sham contracting' – whereby employees are hired as contractors – a practice which apparently appears to be spreading to new industries and occupations.

The ATO states that, under sham contracting arrangements, employers often require workers to obtain an Australian Business Number in an attempt to portray the underlying employment relationship as a contract with a business operator.

Under the ATO's new audit focus and review systems on sham contracting, it has recently completed about 1,500 field cases, and expects that an additional 3,000 audits will be completed by 30 June 2013.

Sham contracting is prevalent in the building and construction industries, but has now spread into the following industries and workplaces:

- call centres;
- cleaning;
- security;
- logistics;
- retail;
- tourism & hospitality;
- telecommunications.
- education;
- aged care;
- health.

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