



# media release

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## You may be in the ATO's sights – but don't freeze!

The Australian Taxation Office has released its list of occupations targeted for audit activity for the 2011 tax year. Every year the Tax Office selects some occupations that they plan to target in relation to work related expenses claims.

This year the occupation targets are:

- Earthmoving plant operators
- Flight attendants
- Carpenters and joiners, including apprentices and trainees
- Real estate employees.

H&R Block Regional Director, Frank Brass, today said the critical response is not to panic. Every year some individuals in occupations targeted by the ATO freeze-up and become over-cautious in making their claims. The best approach is to get your paperwork in order and make a full and genuine claim for your entitlements, said Mr Brass.

The ATO's campaign activity includes writing letters to taxpayers whose claims are at the upper level of average for that occupation; taxpayers whose claims have increased significantly in the past few years; and it may require the taxpayer to complete work related expense information sheets on lodging the tax return.

The Tax Office will pay close attention to their claims for using cars and travel expenses as well as deductions for home office, mobile phone and internet expenses.

"Taxpayers have a right to tax deductions, and the ATO scrutiny does not take that away. You should claim all you are legally entitled to and the best way is to make sure that you have all the necessary records to substantiate your claims, and then claim accordingly", said Mr Brass.

Attached is a list of Tax Office review areas and some hints for taxpayers to help them get their tax returns correct.

**For further information please contact**

**Frank Brass**  
0414 183 207  
(03) 9388 1611

## We take the burden out of Tax

### ***About H&R Block***

*H&R Block is the largest lodger of tax returns in Australia, through a network of over 400 Company Owned and Franchised Offices throughout Australia.*

## 1. Work Related Expenses

The Tax Office have indicated 4 targeted occupations this year, and they are writing to these taxpayers outlining common errors that are made claiming work related expenses for their occupations.

- Earthmoving plant operators
- Flight attendants
- Carpenters and joiners, including apprentices and trainees, and
- Real estate employees.

### The main areas of review will be

- not having sufficient documentation to support motor vehicle and travel expenses
- incorrectly claiming motor vehicle expenses on the basis of carrying bulky equipment, and
- incorrectly claiming home office, mobile phone and internet expenses.

### Some background on the areas of review for the listed occupations

#### Not having sufficient documentation to support motor vehicle and travel expenses

The best record to keep is a log book of your business travel for 90 days, and then you choose the method that gives you the best claim, but if you do not have a log book your claim will be limited to what records you do have.

#### Incorrectly claiming motor vehicle expenses on the basis of carrying bulky equipment

You cannot claim the cost of travelling to and from your normal place of work as it is commuting and not deductible. If you need to carry bulky tools to work, (Generally over 20 kg is considered bulky) then this travel is claimable, unless your workplace provides a secure area to lock up your tools and equipment.

#### Incorrectly claiming home office, mobile phone and internet expenses

If you carry on all or part of your employment activities from home, then some portion of the home running expenses can be deducted. You do not need to have a room set aside for your home office claim, but you can only claim the expenses for the hours you had exclusive use of the area

If you use your mobile phone for work, you need to establish a log of calls over a period of time, to determine the work related percentage to be able to substantiate the claim if you are audited

If you use your internet connection for work, you need to establish a log of calls over a period of time, to determine the work related percentage, to be able to substantiate the claim if you are audited

#### Our Advice to taxpayers

Taxpayers should continue to claim what they are legally entitled to, they just need to make sure that the claims are correct and that they have the right documents and receipts to substantiate the claims, when they lodge the claim, so they have the records if queried by the ATO.

## 2. Data Matching

The Tax Office matches over 500 million transactions each year from a large variety of businesses and government departments to taxpayers looking for undeclared income and signs of spending patterns outside the declared income of taxpayers.

Once the ATO identifies income a taxpayer may not have declared, they send out an income matching letter detailing what the ATO believe is the under declared income requesting the taxpayer to verify the non declared income.

The main areas are:

- Interest
- Dividends
- Trust Income
- Sale of assets where Capital Gains may apply
- PAYG income
- Foreign Income
- Partnership income
- Employee shares benefits
- Motor Vehicle purchases
- Property purchases

### **3. Rental Property Investors**

This is always an area of review for the Tax Office as it is a fast growing area of claims.

This year the ATO plans to contact over 100,000 rental property owners about their claims, detailing what is deductible and how to claim these expenses

Some of the areas that taxpayers get caught on are:

- **Investment property must be declared in the tax return of the property owner**  
The income and deductions should be apportioned in the same percentage as the ownership on the title i.e. if the property is owned 50/50 between two owners the income and deductions should be claimed 50/50.
- **Property not available for rent**  
Generally you cannot claim any deductions for a property that is not available to be rented.
- **Renting to friends and family**  
If you are renting the property to family or friends at a discounted rent, you need to apportion the expenses by the same % i.e. if the rental is at a discount of 20% to the market rent for the property, you can only claim 80% of the expenses.
- **Holiday homes**  
If you have a holiday home as an investment property, you must not claim any expenses for the periods that you and your family and friends occupy the property.

Taxpayers who use the property privately will have to pro rata all the expenses for the periods that they and their family and friends who have rented at a discounted rate.

### **4. Conducting a business online and not declaring your income**

The sale of goods over the internet has grown considerably and the Tax Office has been matching records with sellers and eBay.

The Tax Office's initial research, from 2009 and 2010 years, showed 10% of sellers had made sales in both years and 318 people made sales of more than \$500,000. In 2009, 2,069 people had over 1,000 individual transactions and 119 had over 10,000 transactions.

Through their data matching to date, we have identified around 2,200 sellers who reported fewer sales on their activity statement or income tax return than reported by eBay for 2009. This includes 235 sellers who appear to have under reported by \$100,000 or more.

The ATO has recently commenced a program of more than 2,000 audits and reviews to address potential underreporting reporting of sales by eBay sellers.