

## Seven unforgivable tax sins



CPA Australia

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During these tough times, households and businesses should be wary of committing the following tax sins to ensure money does not slip through their fingers, according to the nation's leading accounting body, CPA Australia.

1. Tax apathy: The Australian Tax Office (ATO) says around 500,000 taxpayers who may be eligible for the tax bonus payments have yet to lodge their 2007-08 tax returns. Taxpayers can still obtain a tax bonus of up to \$900.00 from the ATO but they must lodge an income tax return for the 2007-08 tax year by 30 June 2009. If you're eligible, there's no excuse not to claim.

- Other forms of tax apathy include: Not claiming all your work-related expenses such as uniforms, certain laundry and dry cleaning costs, telephone costs, home office expenses, work related motor vehicle expenses, subscriptions, union fees, tax agent fees and donations.
- Not claiming all your rental property deductions including advertising, bank charges, body corporate fees, cleaning, council rates, electricity and gas, gardening, insurance, interest on loans, land tax, lease preparation expenses, legal costs, pest control, postage and stationary, property agent fees and commissions, repairs, secretarial and bookkeeping fees, security patrol fees, telephone calls and water rates.
- And not self-assessing the effective lives of your depreciating assets, instead relying solely on the ATO's ruling on the effective lives of assets. If in doubt, seek professional advice.

2. Failure to claim a temporary investment break: If you're self-employed or in business you still have an opportunity to get an extra 50 per cent deduction this year under the investment allowance tax break by entering into a contract to acquire and install eligible depreciating assets costing \$1000 or more before 30 June 2009.

3. Neglecting your super: You have a few weeks left before the window of opportunity snaps shut to make tax effective superannuation contributions of \$50,000 (or \$100,000 for the over-50s). These contributions will be capped to \$25,000 and \$50,000 respectively from next year onwards. Where you are self-employed this means paying the contributions to your fund by 30 June 2009 whereas employees will have to amend their salary package to forego future salary for superannuation contributions in the remaining weeks before year-end.

4. Ignoring the blue moon: There is a once in a blue moon opportunity to defer income or bring forward deductions because the 40 per cent tax rate reduces to 38 per cent from 1 July 2009. This means there is a rare opportunity to get tax savings by either deferring assessable income or bringing forward deductions, provided action is taken by 30 June 2009.

5. Forgiving debt: Forgiving a business debt without understanding the adverse tax exposures that may arise is fraught with danger. Debt forgiveness is a highly complicated area of taxation and has the capacity to ruin your business, so seek advice from a registered tax agent if you're unsure.

6. Robbing Peter to pay Paul: Paying private expenses through your company and either not paying the money back, or not putting an appropriate loan agreement in place in time.

7. Failure to review your trading stock: Failure to review trading stock on hand to determine whether you can value your stock at the lowest possible allowable value at year end.

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