CLIENT ALERT

SEPTEMBER 2022

DHA
Accountants & Advisors

BEWARE OF PAYMENT REDIRECTION SCAMS

The Australian Securities and Investment Commission (ASIC) has warned small and micro businesses to be alert for payment redirection scams, which have caused some of the highest losses to businesses in 2021, to the tune of $13.4 million reported. In fact the true figure is likely much higher, as an estimated one-third of scam victims do not report their loss.

These scams typically involve scammers impersonating legitimate businesses or their employees and redirecting upcoming payments to a fraudulent bank account. The most common contact method reported was phone or text message, and bank transfers were the most common payment method.

In some cases, the scam may involve the actual hacking of legitimate business email accounts to send scam emails. Other methods include intercepting legitimate invoices and amending bank details before releasing the email to the unsuspecting business customer, or registering email addresses that are very similar to ones from a legitimate business.

TIP: Take immediate action if you or your business inadvertently fall prey to a scam. Start by contacting your financial institution to see if anything can be done to recover the money, and then report the scam to either Scamwatch or the Australian Cyber Security Centre.

Businesses should also beware of falling victim to a follow-up money recovery scam, where victims of previous scams are contacted with the promise of recovering lost money for an up-front payment and/or retrieving detailed personal information.

These money recovery scammers often pose as trusted organisations such as a law firm, the fraud taskforce or a government agency. Some more sophisticated scams will have official-looking websites with fake testimonials.

HAVE YOU LODGED YOUR TPAR?

The taxable payments annual report (TPAR) must be lodged every year by businesses that have made payments to contractors for building and construction services, cleaning services, courier services, road freight services, IT services and security, investigation or surveillance services.

TIP: The TPAR for 2021–2022 was due to be lodged by 28 August 2022.

The ATO uses TPAR information in its data analytics to identify non-compliance with a range of tax obligations, such as lodging income tax returns, reporting the correct amount of income, lodging BASs, being registered for GST when required, and using valid ABNs. The ATO also uses it in pre-filling tax return data, to assist contractors in lodging correctly.

According to the ATO, around $11 billion a year goes missing in taxes. The TPAR system is just one of the tools used to identify non-compliance and keep things fair for all businesses. Last financial year, around $350 billion in payments made to 950,000 contractors was reported through the TPAR.

TAX TIME FOCUS ON RENTAL PROPERTIES

Rental property income and deduction mistakes continue to be one of the main focus areas for the ATO this tax time. This is no surprise, considering that a recent ATO random enquiry program found 90% of tax returns that report rental income and deductions contain at least one error.

One of the income categories for rental properties that may be important for this year, but that many landlords may not know to include, is insurance payouts. With recent events such as the major flooding in large parts of the country, if you obtained insurance payments in relation to loss of rental income or repairs, those amounts will need to be included in your tax return.

If you rent out your investment property, your home, or even part of your home on a short-term basis on platforms such as AirBnB, that income also needs to be included, and you'll need to apportion any expenses according to the space rented out. Joint owners of properties need to ensure that their income and deductions are in line with the rental property's ownership interest.

As for expenses, while some expenses such as rental management fees, council rates, repairs, interest on loans, and insurance premiums can be deducted in the year they are incurred, other expenses, such as borrowing costs, capital works, and some depreciating assets, can only be claimed over a number of years.

If you've sold a property during the 2021–2022 income year you'll need to be extra cautious, as capital gains is another of the ATO's focus areas for this year.

Remember that the ATO receives rental income data from a wide range of sources,including share economy platforms, rental bond authorities of various states, property management software providers and state and territory revenue and land title authorities. This information can of course be matched and compared to the information provided on tax returns, meaning that there is no hiding income from the all-seeing eye of the ATO.

SMSF COVID-19 RELIEF MEASURES HAVE NOW CEASED

The ATO has reminded trustees of self managed superannuation funds (SMSFs) that COVID-19 relief measures that previously applied for the 2019–2020, 2020–2021 and 2021–2022 income years no longer apply from 1 July 2022. The relief measures covered a wide range of areas, including residency requirements, rental reductions and waivers, rental deferrals, in-house assets, loan repayments, limit recourse borrowing arrangements, and related party transactions.

Until 30 June 2022, individuals who became stranded overseas due to COVID-19 and so were out of Australia for more than two years could rely on the SMSF residency relief. This meant the ATO wouldn't take compliance action to determine whether a particular SMSF met the residency test, provided there were no other changes in the SMSF or member/trustee circumstances. Since this relief no longer applies, SMSFs may risk failing to meet some of the residency conditions to be an Australian super fund for tax purposes, which may see it lose its complying super fund status and associated tax concessions.

One of the other prominent relief measures now ended is rental relief provided to related parties. The ATO had confirmed that no compliance action would be taken and no auditor contraventions needed to be reported for rental reductions and waivers to related parties, provided they were on commercial terms, relief was due to COVID, and the arrangement was property documented. Again, now that the rental relief has ended, if an SMSF provides rental reductions or waivers to related parties, it may give rise to a reportable contravention of the super laws.

Similarly, the relief measures relating to loan repayment relief provided by an SMSF and SMSF limited recourse borrowing arrangements relief no longer apply. Therefore, from 1 July 2022, approved SMSF auditors must report contraventions via the auditor/actuary contravention report. Before that happens, SMSF trustees are encouraged to use the ATO's voluntary disclosure service to report any identified contraventions and plan to rectify the contravention as soon as possible. Voluntary disclosures will be taken into account when determining what action the ATO will take.

THINKING OF DITCHING YOUR SMSF?

Are you having doubts about using your self managed superannuation fund (SMSF) for your retirement? Whatever your age, if recent market conditions, cost or the amount of administration involved are getting to be too much and you would like to wind up the SMSF, there are several steps involved. Winding up an SMSF is not a simple process and requires the trustee to understand the terms set out in the trust deed, dispose of the fund's assets and finalise compliance obligations, among other things.

Even if you are happy with your SMSF, it may be prudent to ensure that there are no impediments to winding up if something unforeseen happens. An exit plan should be in place as a matter of course. In some complex cases it may be prudent to seek professional advice.

For most SMSFs, the first step in a winding up is to find out what the fund's trust deed requires in that event. For example, the trust deed may require all of the assets of the fund to be sold, or all ownership to be transferred to members.

Trustees are then required to meet to ensure they agree with the winding up decision and to sign the winding up agreement. Decisions and details about asset sales should be carefully documented.

The next step is to finalise outstanding tax and compliance obligations, and final invoices and expenses due to assets sales and outstanding tax liabilities need to be paid before the calculation and distribution of member benefits. Where a member meets a condition of release, their benefits can either be paid out in cash or rolled over into another complying super fund. Where a condition of release is not met, the member benefit must be rolled over into another complying super fund.

Finally, after member benefits have been distributed, the trustee needs to ensure the SMSF has been audited every year since its establishment and complete one final audit. The final SMSF annual return can then be lodged. The ATO will confirm by letter that the SMSF has been wound up, close the SMSF records on its system, and cancel any associated ABNs.

ATO: SUPER - ANNUAL BALANCE REPORTING REMINDERS

The ATO has issued a reminder that super funds need to report the 30 June 2022 account balance amount, any applicable phase values, notional taxed contributions, and defined benefit contributions, on or before 31 October 2022 via the Member account transaction service (MATS). When reporting annual amounts and balances for 30 June 2022, super funds should ensure the member account is already reported through the Member Account Attribute Service (MAAS). The Australian business number (ABN), unique superannuation identifier (USI) and member account identifier reported in the MATS should be identical to those reported through MAAS for the member account.

DIRECTOR ID – DEADLINE APPROACHES

Further to the ATO reminder reported in our Daily Update of 6th September, and as per the article in Issue 16 of our Outlook magazine, directors who have not already obtained their director ID should do so without delay as the deadline for directors appointed on or before 31 October 2021 is 30 November 2022.

Note also that directors appointed between 1 November 21021 and 4 April 2022 were required to obtain their director ID within 28 of appointment, and directors appointed from 5 April 2022 were required to obtain their director ID before being appointed.

COMMISSIONER'S VISION OF THE TAX SYSTEM BY 2030

The Commissioner has outlined the ATO's vision of the tax system of the future in a speech last week, noting the ATO's Executive had endorsed a new vision for the ATO to be fully digitalised by 2030. In doing so, he outlined how the system has progressed from historic reporting and payment, through to systems like Single Touch Payroll where reporting happens in real-time, but payment is still made later. The future aim is where reporting, payment and real-time compliance checks coincide with the taxable event. A big part of this transition is the introduction of eInvoicing which is a new way to send and receive invoices directly in software via a secure network. Importantly, he also emphasised that there was no intention to design tax professionals out of the system as technology processes, but that "if your business model is high-volume, low-margin, simple tax returns, your business will not be viable in 3 to 5 years. You should be looking to diversify to remain viable longer-term."

REGISTER YOUR .AU DOMAIN!

23:59 UTC on 20 September 2022 is the cut-off to register for your .au direct domain. The .au domain is the new, general purpose, shorter Australian domain name option.

If you do not register the direct match of your existing domain for the direct .au domain, you risk your brand equity being consumed by someone else, rivals redirecting your clients to their products and services, squatters holding the domain, or cybercriminals impersonating your business. The opening of the new .au domain is the single biggest shift in Australian cyber real estate in decades and the risks for business are high.

If you are registering:

- an exact match of your existing domain name, for example .com.au or net.au; and
- you held your domain name prior to 24 March 2022

then you have priority access but only up until 23:59 UTC on 20 September 2022 (9:59am AEST on 21 September). Once this deadline has passed, the .au direct domain name will be available to anyone with a connection to Australia to register from 21:00 UTC 3 October 2022 (8:00am AEDT 4 Oct).

While you can register for the .au domain through any number of providers, the most efficient method is to utilise your existing provider. To do this, you will need your domain's access information. If these details cannot be found, for example, the details were held by a former staff member, it can take some time to recover them so do not leave the registration process until the last minute.

Once you have applied for your matching .au domain, if your application is uncontested, you will be able to use the .au direct name soon after applying for priority status.

WHAT HAPPENS IF .COM.AU AND .NET.AU BOTH APPLY FOR THE .AU NAME?

If you share a domain name with another entity, for example, one entity owns .com.au and the other .net.au, the right to register the .au domain will cascade according to priority. Category 1 are those that secured the domain on or before 4 February 2018. Category 1 applicants have priority over Category 2 applicants who registered their domain after 4 February 2018. If the name is contested by a Category 1 and a Category 2 applicant, the Category 1 applicant will secure the name. If two Category 2 applicants apply for the name, the name is allocated to the applicant with the earlier domain license creation date. But, it gets tricky when two Category 1 applicants apply for the name. In these circumstances, both parties must agree on the allocation or the name remains unallocated.

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