

Inside

- 1 Tax stats reveal the state of the Australian community
- 2 Small business scams
- 3 Will your business be audited?
- 4 Important announcement about MYOB AccountRight Classic Software

Tax stats reveal the state of the Australian community

Every year, the Australian Taxation Office (ATO) compiles the tax data they collect. The recently released 2015-16 'tax stats' encapsulate the data from 16 million income tax returns lodged for the 2016 income year for 13.5 million individuals, 940,000 companies, as well as superannuation funds, partnerships, and trusts.

Here's some of what they found:

Highest earning job roles

The occupation with the highest average salary is a surgeon on \$393,467, followed by anaesthetists, internal medicine specialists, and

psychiatrists. Legal practitioners came in seventh on an average taxable income of \$198,219. Chief executives and managing directors came in ninth.

Continued next page...

The material and contents provided in this publication are informative in nature only. It is not intended to be advice and you should not act specifically on the basis of this information alone. If expert assistance is required, professional advice should be obtained. We are here to help, contact us today:

STM Accounting Group

Phone 03 9879 8355 | Web stmaccounting.com.au | Email solutions@stmaccounting.com.au

Level 1, 21 Maroondah Highway, Croydon, Vic, 3136

Continued from page 1...

It's worth pointing out that these salary statistics are the average taxable income of a particular occupation category – so, any deductions or losses the individual is able to claim have already reduced the salary represented. It's not the salary that someone would be paid. These figures would also pick up a mixture of full time and part time workers.

The wealthiest Australian suburbs

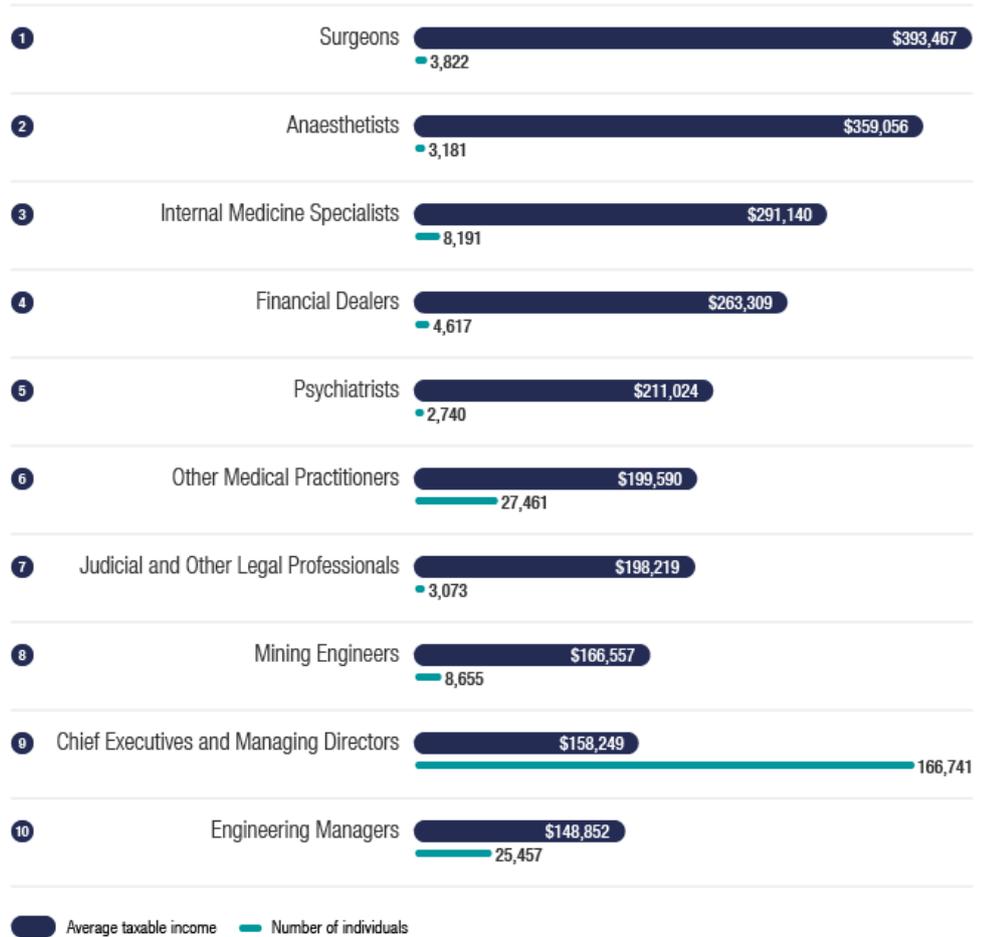
If you live in Darling Point, Edgecliff, or Point Piper (the 2027 postcode) you are in Australia's wealthiest suburb with an average taxable income of \$192,500. By contrast, postcode 2387, covering Bulyeroy and Rowena in far North East NSW, had the lowest average taxable income of around \$12,000. Victoria has five of the bottom 10 postcodes with 3482 recording the second lowest average incomes nationally.

Who contributes the most tax?

Individuals contribute 52.7% of all tax collected, companies 18.9%, and superannuation funds 4.2%.

The sectors that contribute the most tax dollars were the financial and insurance sector (9%), followed by wholesale trade (8%), manufacturing (6%) and professional, scientific & technical services – that's accountants, lawyers, managers, scientists, etc (6%). Mining only contributed 0.2% of the tax take.

When it comes to individuals, out of a working population of around 15 million individuals, less than 11 million of us pay tax (27% don't pay any tax). Those on taxable incomes of \$80,001 to \$180,000 pay 39.8% of the



Source: Australian Taxation Office

tax paid by all individuals, averaging \$30k per person. The highest income bracket (\$180,001 and above) pay over four times more than the income tax bracket below them averaging \$135,000 per person and contributing over 30% of the tax collected from all individuals.

Over \$6.5 bn in capital gains tax was collected from individuals in 2015-16. As you would expect, the majority of this was from real estate (40.6%) with the remainder made up of other assets (39.7%) and shares (19.6%). Companies and super funds contributed over \$5 bn in capital gains tax. Only 2.6% of gains made by super funds were from real estate.

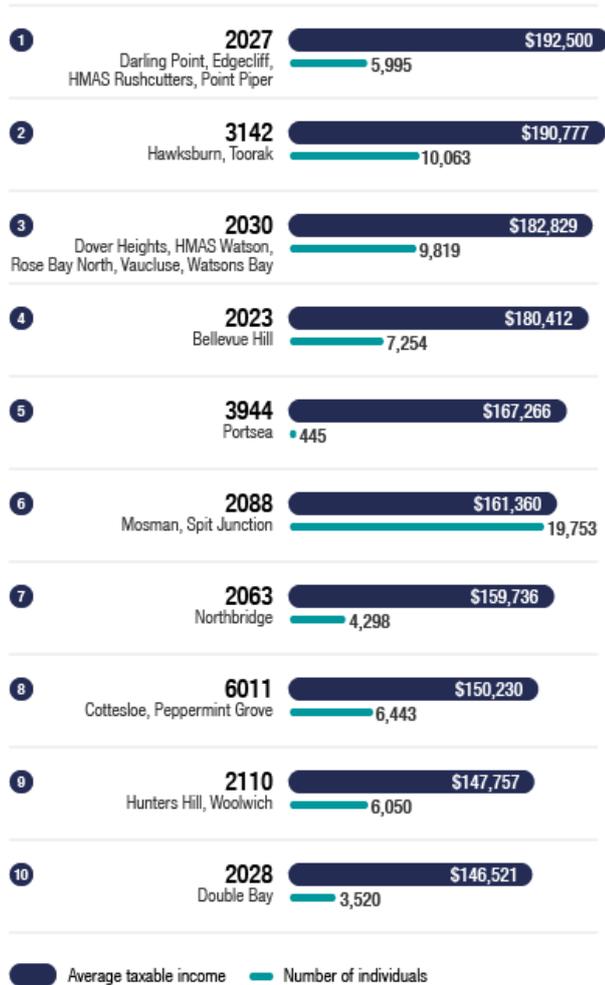
Companies pay 18.9% of all tax. Around 14% of all companies paid no tax or made a loss, which is fairly consistent across the years varying by 0.3% for the last three years (lowest in 2013-14 and

highest in the most recent statistics, 2015-16). The largest companies, which represent 0.1% of all companies, contributed 55% of the tax paid by all companies (over \$36 bn). Medium sized companies were the next biggest contributor at 15.2%, followed by micro businesses, the largest group by volume, at 12.7% of the population of companies.

Where do we make our money?

Salary and wages are obviously the biggest category of income for individuals averaging \$58,827 (up from \$57,576 in the previous year). Once again, these figures represent taxable income, not the gross salary or wages someone earns.

Continued next page...



which proves that you actually spent the money, you were not reimbursed and the expenses were incurred in the course of earning assessable income.

Superannuation

While the average superannuation account balance is \$115,945, the median is only \$37,473, which is clearly not enough to self-fund retirement.

The median account balance of men aged 55 to 59 is \$124,738, with women likely to have only \$83,103 in this same age bracket. The greatest disparity between men and women is in the 50 to 54 age bracket, with women likely to have balances 36% less than their male counterparts.

The highest income earners, those on taxable incomes above \$180,000, had the highest super balances with a median of \$254,273 (\$532,278 average).

The average superannuation balance in the ACT is higher than anywhere else in Australia at \$185,777 (median of \$57,239) for males, and \$157,981 (median of \$47,364) for females. The gap between males and females is also likely to be less with the average super account balance for females 15% less than males. By contrast, females in Victoria are likely to have super account balances 25% less than males.

Key take out: There are some very real tax benefits to building the superannuation of your spouse using the super splitting rules.

Source: Australian Taxation Office

Continued from page 2...

We made over \$42 billion in rental property income in 2015-16. Over 2 million people have an interest in a rental property, with almost 20,000 of those having six or more rental properties. Most however (1,494,837) have just one property interest. Net rental income has been fairly static over the last few years at -\$3.6 billion (it was lowest in 2011-12 at -\$7.9 billion before the Government reined in deductions).

What deductions do we claim?

The list of deductions should give you a good indication of where the ATO is focusing their compliance activities. 8,627,122 individuals claimed work related deductions in 2015-16 with an average claim of \$2,548 (with most claiming around \$1,123). The ATO

have already flagged work related deductions as a major compliance focus and it is clear that the ATO has already started taking active steps to improve compliance in this area.

\$45.7 billion in rental property deductions were claimed in 2015-16 – that's more than the education budget at \$35.52 billion in the same period. 61% of all those with rental property interests claimed a loss.

When it comes to donations, we have become tighter with around 57,000 less people making a donation. The average amount donated between 2014-15 and 2016-17 dropped from \$674 to \$634.

Key take out: The statistics provide an indication of where you can expect the ATO to focus its compliance activities. Work related deductions, especially travel expenses, are a key area. Even if you only claim relatively small amounts don't assume that the ATO won't query the deductions and ask to see evidence

Small business scams

Scams targeting small businesses come in various forms—from invoices for advertising or directory listings that were never requested to dubious office supplies that were never ordered.

Small business scams are becoming increasingly sophisticated and scammers will go to great lengths to convince you that the documents they send you or the offers they make are legitimate.

However, they can easily copy or modify letterheads, names and logos to make them look real, or set up a professional-looking but fake website. Scammers can even gain access to your supplier's email account and intercept emails without either of you realising.

Scammers recognise that small business operators are busy and have fewer resources than large businesses, so they aim to take advantage of that.

Protect yourself

- Limit how many people have authority to buy or order something for your business.
- Keep your filing and accounting systems well organised—this will make it easier for you to detect bogus accounts and invoices. Double check every request for payment.
- If you notice a supplier's usual bank account details have changed, call them to confirm.
- Keep your office networks, computers, and mobile devices secure. Update your security software, change passwords and back up your data regularly. Store your backups offsite and offline.
- Don't let tactics like bullying, negotiations for a lower price, or charges for unordered or unused goods affect your decision.
- If you think a request is suspicious, independently check business details and do a search online.

Will your business be audited?

How the ATO identifies audit targets

The ATO is very upfront when it comes to their compliance activity. Every year they publish small business benchmarks that outline what a typical business 'looks like' in different industries. If your business falls outside of those benchmarks, the ATO is likely to take a closer look at why that is.

Falling outside of the benchmarks might not indicate a tax related problem. It might mean that your business has a different business model to the norm or is performing poorly relative to others in the industry. If your business does fall outside of the benchmark however, it is important to ensure that the reasons why can be clearly articulated (preferably documented) and the reason for those differences is not tax evasion. If there is no proof as to why the business is outside of the benchmarks, the ATO is likely to simply apply the benchmark ratio and issue a revised tax assessment.

The ATO look at:

- cost of sales to turnover

(excluding labour)

- total expenses to turnover
 - rent to turnover
 - labour to turnover
 - motor vehicle expenses to turnover
 - non-capital purchases to total sales,
- and
- GST-free sales to total sales.

For example, for a veterinary practice with a turnover between \$300,001 and \$800,000, the cost of sales to turnover ratio is expected to be between 25% and 29% (averaging at 27%), and average total expenses are 78%. The cost of labour to turnover ratio is between 21% and 29% and rent is between 5% and 8%.

The benchmarks are also a useful tool for anyone wanting to understand what is typical in their industry and how they perform against the average. It might also indicate opportunities for improvement and where the business is falling behind its competitors.

Important announcement about MYOB AccountRight Classic software

As of 30th September 2019, MYOB will no longer provide features, patches, compliance updates or product support for AccountRight Classic (sometimes known as v19).

After this date anyone with a perpetual licence will still be able to access their file, but you will no longer have updates to your software. This means no new feature updates and no new compliance updates.

MYOB will also no longer provide updates to ensure AccountRight works on new Windows operating systems.

If you are currently using AccountRight Classic you may want to start looking into updating your software before this change occurs.

Please contact our office if you would like some advice on the best software for your business.