



Good Recordkeeping – More Important Than Ever

The ATO's new process for benchmarking has highlighted the importance of good recordkeeping for business clients operating in the cash economy.

In this electronic age, the ATO is becoming better equipped at running data analysis processes on business tax returns to "benchmark" each business – essentially determine whether the financial information of a particular business is outside the parameters of that industry. This, of course, has been a tool used by the ATO for many years to highlight potential targets for further review and audit, but the recent benchmarking process has taken this a step further.



The new process will work as follows:

- » The ATO issues a letter to advise the business that it is outside the industry benchmarks;
- » Where necessary, the business will be asked to provide their records for review;
- » If the ATO is satisfied that the records are acceptable no further action will be taken;
- » Where records are found to be inadequate, the ATO will apply industry benchmarks unless further records or information are provided within 14 days;
- » If there is no response, the business is issued with a default assessment resulting in additional tax.

It is the taxpayer's obligation to prove that the ATO is wrong. Not an easy thing to do without the recordkeeping. Records are generally required to be kept for a period of 5 years.

Clients wishing to discuss the adequacy of their recordkeeping should contact our office.

In this edition

- » Scams Target Businesses
- » Office Closure
- » Planning For Aged Care

Scams Target Businesses



We have all at one time or another received an unsolicited letter or email that seemed too good to be true. Perhaps it was the overseas lottery asking you to be the recipient of massive unclaimed winnings or, as in our case, the client some years ago seeking advice on how he should account for the \$30m he was expecting to hold for a wealthy Nigerian family migrating to Australia.

Unfortunately, businesses are also being targeted in creative scams. In a recent scam, an Australian earthmoving contractor received

what he thought was great news – his business had been the successful tenderer for a Nigerian pipeline project. Some time earlier, he had been approached and asked to tender by an agency which seemed to know of his business, knew the technical terms, and seemingly had the right credentials, including contracts backed by the Bank of Nigeria. He paid his up-front fees, but nothing ever came of the work; there was no pipeline and no work.

This is one of a number of scams that target businesses, and one which was investigated by Detective

Superintendent Brian Hay, head of the Queensland Police Fraud Squad. According to Hay, “there was an aura of authenticity” about this scam. “Everyday there’s a scam, everyday someone receives an email or is approached. It’s a criminal industry.”

According to Hay, Queensland alone sends \$600,000 to \$800,000 a month to Nigeria, most of which is scam money. Last year \$70million of scams was reported nationally to the ACCC, although it is widely believed that many scams go unreported.

There are four major strategies used to target businesses:



For Your Information

We would like to wish all our clients a merry Christmas and a prosperous 2011. The Renshaw Dawson Lang office will be closed over Christmas from 1.00pm Friday, 24 December 2010 and will re-open on Tuesday, 4 January 2011.



Overpayment of accounts – a new customer orders from you and overpays on what unknown to you, is a fake cheque or credit card. You are contacted about the overpayment by the customer, and asked to transfer it to a bank account. By the time you are notified of the fake cheque or credit card payment, the scammer has taken off with your money.

Fake Invoices – Scammers target larger businesses, particularly during busy times, with invoices for goods such as directory listings or office supplies that have not been ordered. Unless the accounts payable department is vigilant,

payers can assume that the account seems reasonable and the invoice is approved for payment.

Phishing – This is where a business is tricked into disclosing its banking details, passwords, etc. Typically it appears by way of an approach from a bank or supplier purporting to confirm details of accounts and passwords. Australian banks have made it clear that they do not request information in this way.

Investments that are too good to be true – Well, they usually are. This often targets small business owners who are busy and may not

have the time or processes for proper consideration of a proposal.

Business owners are busy focussing on their business, and often delegate financial roles to office staff. As well as being alert themselves, it is critical that business owners correctly train staff so that they are alert to the potential for theft by scams. Effective processes (often called “internal controls”) help to minimise the risk of fraud as well as error in a business. Over the years, clients have requested our assistance in analysing systems and recommending improvements. We can offer this to your business as part of our Audit and Assurance services.

Planning For Aged Care



The move to an aged care facility for an elderly parent requires a number of financial decisions. With the average accommodation bond in the range of \$350,000 and \$450,000 in metropolitan areas, it is important to plan how to best fund the payment. This can be difficult, especially if an elderly parent has had a fall and needs accommodation at short notice.

Entering residential aged care necessarily requires a person to move out of their principal home on a temporary or permanent basis. This creates the need to deal with a number of issues:

The principal home – Will someone else still be living there? Should it be sold? Should it be rented out? Is a reverse mortgage appropriate?

Social Security – What will be the impact of the move on your social security entitlements (if any)?

Tax and estate planning implications – What special tax offsets may be available when living in residential aged care? Are there capital gains tax implications for selling the house compared with allowing it to pass through the will?

Aged care costs – What are the entry and ongoing costs of residential aged care and how can they be funded effectively?

Selling the home just before a person needs to enter aged care does not always achieve the best financial outcome. It may be more beneficial for the aged care resident and their beneficiaries to wait to pass on the principal home through a will, rather than through an immediate sale.

Selling the home may result in an increase in aged care fees and can also result in the reduction of age pension entitlements.

There are a number of strategies to optimise the financial situation such as paying a higher bond. This may help qualifying or maintaining age pension. Alternatively, if it is possible to keep the family home, it may be appropriate to pay the bond partly by lump sum and partly by periodic instalments. If the home is then let out, the rental income is not counted by Centrelink. The right strategy will depend on personal circumstances. There is no single correct strategy because it is not just a financial decision.



Renshaw Dawson Lang ABN 84 164 947 290

60-64 Railway Road, Blackburn 3130
PO Box 189, Blackburn 3130

Phone 03 9878 1477 **Fax** 03 9894 1798

Email contact@rdl.net.au **www.rdl.net.au**