



COMMON TAX SLIP-UPS TO AVOID

The vast majority of businesses do the right thing when trying to meet their tax obligations. However, even with the best of intentions, mistakes sometimes happen.

Eight common tax slip-ups to avoid

At present, the ATO is looking at the following common mistakes made by businesses:

1. **Not recording 'cash in hand' work in business records as income** – all cash income received for work performed is business income.
2. **Using cash payments received to pay personal expenses and not recording them as income** – the ATO may want to look at how you meet your personal expenses to see if you are paying for them out of cash income received for work performed.
3. **Offering a 10% discount for cash payments to get work and not reporting any GST or income** – even with a 10% discount, the ATO still expects 1/11th of the cash payment received to be reported as GST payable.
4. **Including personal expenses in business records** – the ATO is checking to make sure that expenses in your records are paid for running your business (keep on eye on mobile phone, motor vehicle and stationery expenses to make sure you are not claiming a deductible expense for costs related to personal use).
5. **Claiming GST credits where the supplier is not registered for GST** – only claim GST credits where the invoice clearly states that GST has been charged (this is a particular problem where sub-contractors are involved).
6. **Not withholding tax from payments to suppliers who do not have an Australian Business Number** – if you're in this situation and the total payment for goods or services is more than \$75 (excluding any GST), you need to withhold 46.5% of the payment and pay it to the ATO.
7. **Not updating wage records regularly with all hours worked by each staff member** – in respect of each employee the ATO will be looking for hours worked, pay rate, gross payments, net payments, amounts withheld and super contributions paid. The ATO is particularly on the look-out for the recording of cash wages.
8. **Failing to make and keep sales records at regular intervals** – this is the type of business record that the ATO will want to see to check your income stream, so it's best to update sales records as regularly as possible.

TIP

The ATO is increasing direct contact with businesses with high volumes of cash transactions. Currently, the ATO is targeting businesses in the retail, construction and consumer service industries.

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