

ALERT

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What does the ATO's 'Project DO IT' mean for you?

Introduction

Ahead of its crackdown, the Australian Taxation Office (ATO) is giving Australian taxpayers the chance to voluntarily disclose any undeclared foreign income or assets that have accrued to them. In a highly regulated area, with increasingly severe penalties and growth in international cooperation between taxing authorities, this opportunity should be contemplated by any taxpayers who have unreported foreign income and assets.

Is 'Project DO IT' relevant to you?

A variety of instances exist in which a taxpayer might be the recipient of undisclosed income. Some instances are:

- interest accruing in overseas accounts
- inherited or invested overseas funds
- offshore pension income
- recipient of incorrect tax advice
- general unreported offshore financial activities.

Are you eligible for 'Project DO IT'?

You may be eligible for Project DO IT if:

- you are an Australian taxpayer, either an individual, a company, a corporate limited partnership, a partnership or a trust; and
- you have omitted to report either in whole or in part an accurate representation of any offshore income or capital gains arising from offshore assets or have over – claimed deductions relating to foreign income; and
- you are not already in the process of being audited or a party to a dispute with the ATO regarding activities regarding off-shore income.

Benefits of disclosure

Taxpayers who choose to make a disclosure in line with the Project DO IT initiative will benefit from lower penalties than would otherwise be imposed. These benefits include:

- a reduced tax shortfall penalty, though interest charges



will still apply as normal. Further, there will be no shortfall penalty in a tax year if taxpayer's additional income is \$20,000 or less;

- a taxpayer will only be reviewed within the amendment of assessment time period (usually 4 years);
- disclosed information will not be used for any other purpose, such as an investigation for a criminal offence. Taxpayers will not automatically be selected for future compliance activity if they choose to partake in the disclosure;
- if offshore structures are to be wound up or transferred the ATO can assist the process in line with Australian taxation laws.

Process

The process involved for making a disclosure is relatively straight forward; however it is essential that the steps are carefully followed in order to give an application the greatest chance of success. A taxpayer will need to:

- Make a 'true disclosure' to the ATO – this places an obligation on the taxpayer to disclose all relevant facts to the best of their knowledge. The disclosure must be sufficiently detailed so that offshore gains and relevant shortfall can be calculated accurately.
- The disclosure should be made via a disclosure statement form that can be completed either electronically or in hard copy. It must be submitted to the ATO by 19 December 2014 if it is to be considered.
- If taxpayers require extra time to complete the statement, the ATO can be informed by lodging an expression of interest; otherwise taxpayers will remain subject to the usual compliance initiatives.
- The ATO will then evaluate the disclosure and if deemed eligible taxpayer's statements will be amended and shortfall calculated.

Conclusion

If taxpayers are considering making a voluntary disclosure our Revenue Law team can assist with the process. We can also advise on future arrangements to ensure that prudent and financially sound tax decisions are made in light of the ATO's tightening of the foreign income and offshore activities rules.

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