

# The tax man cometh for you, big earner

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The Australian Taxation Office is stepping up its crackdown on wealthy individuals by writing to more than 1400 people with net assets over \$30 million, asking them to get their tax affairs in order.

The letters, to be sent this week, enclose a detailed 60 page booklet highlighting key areas the ATO will examine following a successful crackdown on wealthy people last year.

The campaign also focuses on the advisers to wealthy individuals, reminding the taxpayers to ensure they have a long term adviser who is intimate with their business.

The ATO hopes the letters will end excuses offered by some wealthy individuals that they are not familiar with their advisers' activities or don't understand their own tax affairs.

## KEY POINTS

- The ATO's mail-out to the wealthy will address many issues.
- The booklet will identify what will rouse ATO interest in taxpayers.
- The office warns that scrutiny on the wealthy will only increase.  
Previous campaigns were effective.

"If you are conservative and trying to do the right thing, is your adviser like-minded or are they a risk taker?" asks the Tax Office letter.

The cover letter, from commissioner of taxation Michael D'Ascenzo, warns that wealthy individuals are now on notice that "scrutiny of their tax affairs will only increase".

"Appropriate mechanisms

should be in place to manage your tax obligations," it says.

The cover letter identifies eight key questions individuals should ask themselves about their tax affairs, including whether they have good accounting systems, whether they have a history of compliance, the likelihood of being audited, and if audited what interest, penalties or prosecutions would be likely to follow.

The enclosed booklets, expected to be released publicly by the ATO this Thursday, say the Tax Office is focusing on wealthy individuals because of their inherently complex business structures and because very little public information is available about them.

The booklet identifies key signals that will trigger the Tax Office's attention, including variations between tax and economic or busi-

ness performance, unexplained losses, private assets treated as business assets and non-disclosure of offshore dealings.

The Tax Office's focus on wealthy individuals is already reaping rewards.

In a speech earlier this year, Mr D'Ascenzo said that audits of top executives at Australia's largest companies had already reaped \$11 million in revenue, up from just \$1 million the year before.

In his most recent letter to wealthy taxpayers, Mr D'Ascenzo compares the latest ATO crackdown to similar letters sent to company directors reminding them to get a handle on their business's tax risk.

The latest letter says that initiative was well received, but there was in fact significant push-back by directors, who felt the ATO was meddling in their corporate governance,

Mr D'Ascenzo admitted at the time.

It's a sign the ATO is expanding the reach of its compliance crackdown on wealthy taxpayers.

The ATO is also reviewing the tax affairs of public company executives with remuneration of more than \$1 million who have outstanding tax returns.

So far, those efforts have resulted in an average tax bill of \$180,000 per executive and have raised 11 times the amount of money as last year's efforts on high paid executives.

The ATO sent "please explain" letters to 174 executives – or one in five of executives reviewed – asking for details about discrepancies.

Almost 60 per cent of executives voluntarily adjusted their tax returns, adding \$11 million to revenue compared with just \$1 million raised from executives last year.