



ATO targeting mischaracterised lifestyle assets

The Australian Tax Office (ATO) is targeting privately owned and wealthy groups that display specific behaviours and characteristics in relation to their tax affairs and lifestyle.

A large focus is currently on lifestyle assets and private pursuits that generate deductions or are mischaracterised as business activities. The ATO is also looking at those assets and pursuits which are incorrectly accounted for in terms of Division 7A or Fringe Benefits Tax (FBT).

Activities that attract the Tax Office's attention include:

- private aircraft ownership or activities
- art ownership and dealings
- car or motorbike racing activities
- luxury and charter boat activities
- enthusiast or luxury motor vehicles

- grape growing and other farming pursuits
- horse breeding, racing and training activities
- holiday homes and luxury accommodation provision
- sporting clubs and other activities involving the participation of principals or - associates of principals of private groups. The ATO is addressing the following tax risks:

Income tax

- Entities claiming deductions from ownership lifestyle assets or private pursuits against other income derived by the entity but not carrying on a business.
- Individuals disposing of assets and not declaring the revenue or capital gains on those disposals.
- Entities incorrectly apportioning deductions where assets have been used privately or periods not available for rent or hire.

- Division 7A - individuals purchasing assets through their business entities but applying assets to the personal enjoyment of a shareholder or associate of a private company giving rise to a deemed dividend.

FBT

Individuals purchasing assets through their business entities but applying those assets to the personal enjoyment of an employee or associate giving rise to a FBT liability.

GST

The purchasing of assets or expenditures concerning private pursuits for personal use through their business or related entities and claiming input tax credits they are not entitled to claim.

Superannuation

SMSF's acquiring assets but applying them to the benefit of the fund's trustee or beneficiaries.

