

Australian Property Investor

FOR HOMEBUYERS, INVESTORS & PROPERTY PROFESSIONALS

17 March 2016

ATO property data match could affect honest owners

By Rebecca Mackie

Late last year the Australian Taxation Office (ATO) announced its intention to acquire details of property transactions dating back to September 20, 1985. Yep, 1985! The scope and amount of information they are requesting is gigantic!



Under the program, the ATO will obtain data from the various state revenue offices and tenancy boards, and will be looking at rental income, capital gains tax and stamp duty. They will also be looking at landlord details, property agents rental records and property transfer information. This information will then be matched to the ATO's data holdings.

The ATO is predicting 31 million records for each year, and 11.3 million individuals could be affected. It has stated: "The purpose of this data-matching program is to ensure that taxpayers are correctly meeting taxation and other program obligations administered by the ATO in relation to their dealings with real property. These obligations include registration, lodgement, reporting and payment responsibilities."

The ATO's objectives are obviously to ensure compliance with tax law, minimise risk to tax revenue and to gain a better understanding of how property is being used to minimise tax obligations.

This data matching will continue until June 30, 2017 as after that time the ATO will be receiving this information automatically from the relevant agencies, assuming the legislation contained in the *Tax and Superannuation Laws Amendment (2015 Measures No. 5) Bill 2015* is enacted.

This may sound quite daunting, but if you've been reporting your rental income and capital gains you should have nothing to worry about, right?... Maybe not. The interesting issue will be where a taxpayer has not reported a capital gain because they have chosen to apply one of the number of capital gains tax concessions available. Let's use the most common PPOR exemption as an example:

You purchase a property in 1992, move in and live there for five years before renting it out for three years. After that, you sell the property and claim the PPOR exemption using the six-year rule. You sold the property in 1999, 17 years ago, and have no obligation to still have records from back then so how will you prove to the ATO that you lived in the property for the first five years and were entitled to the exemption?

The issue arises because there will be the few out there who have not declared a capital gain and will try and use these concessions to justify their decision, regardless of their real intentions. This could make it challenging to have to prove you have done nothing wrong.

It will be an interesting time and if you have any concerns about any of your property transactions, you should speak to your accountant and get some advice. Being proactive will mean you have more chance of avoiding penalties.



Rebecca Mackie has extensive experience dealing with tax and structuring advice for investors including structures in self-managed superannuation and direct property. For more information, go to www.gatherumgoss.com