

DLK ADVISORY

ATO SCRUTINISING NOVATED LEASES



The ATO has released details of one of the first data matching programs for 2024 on novated leases. According to the ATO, this program has been running since June 2021 (collecting data from the 2018-19 income year at the earliest instance) and has broadly achieved its goals in the previous years by identifying candidates for review and audit in terms of registration of lodgment obligations.

For the current program which will cover the 2023-24 to 2025-26 income years, novated lease data from various fleet and leasing groups will be collected including McMillian Shakespeare Group, Smartgroup Corporation, SG Fleet Group, Eclipx Group, LeasePlan, Toyota Fleet Management, LeasePLUS and Orix Australia.

Specifically, the data items collected from various providers will consist of:

- lessee/employee identification details – unique identifier, name, addresses, DOB, contact numbers and email.
- employer identifying details – unique identifier, trading/legal name of employer, ABN, addresses, contact name, contact number, and email.
- lease transaction details – identifier for lease transaction, lease start/end/expected end date, lease termination date, number plate of the vehicle, type of vehicle (i.e. new or used), category of vehicle (ie sedan, wagon, utility etc), lease price per month including GST, items packaged with the vehicle lease, expenses packaged with the vehicle lease (i.e. fuel, servicing, etc), bank account details for the lessee (ie name, account number, BSB etc).

It is estimated that approximately 240,000 individuals will be affected by the data matching program each financial year. The ATO notes that the program will allow it to identify and address taxation risks such as employers claiming GST credits incorrectly for paying the GST on the purchase of the vehicle, risks related to FBT compliance, and employees incorrectly claiming motor vehicle expense claims.

The data from this program has also been used by the ATO to provide tailored advice and guidance to individuals through online messaging prompts when individuals are completing their tax return, specifically labels D1 (work related car expenses) and D2 (work related travel expenses). This messaging will appear for taxpayers identified in the prior financial year and it will inform the taxpayer that motor vehicle expenses under a novated lease arrangement are not tax-deductible.

In addition, post lodgement, this data will be used by the ATO for targeted prompter campaigns to capture any taxpayers with novated leases who have claimed work-related expenses on their tax returns. According to the ATO, in 2022 its “low touch” prevention strategy for taxpayers with novated leases resulted in a net decrease in the number of claims at label D1 of individual returns by 41% in self-preparers and by 17% in clients of tax agents compared to the control group.

The data will be collected annually by the ATO usually following the end of each March; however, it will also collect data periodically due to the large number of providers currently in the program. The collected data will be retained for 5 years from receipt of the final instalment of verified data files from the providers. The ATO notes that this 5-year period is required, as discrepancy matching requires the comparison of subsequent lodgements against the data extending over multiple financial years.

CONTACT

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