



Australian Government

Australian Taxation Office

Don't take the bait

Dodgy schemes
can come back
to bite you.



Beat the dodgy promoters

Promoters of dodgy investment schemes are simply fishing for your money. Their bait is the promise of high investment returns and generous tax breaks.

Take the bait and you could be the one that's bitten. You could lose your money and end up with a tax bill.

This brochure can help you to beat the dodgy promoters and protect your hard-earned money.

Investigate before you invest

You may be offered investments that promise large tax refunds, or arrangements that put your money in an offshore tax haven.

It can sometimes be hard to tell a good investment from a bad one. Promoters can come with convincing sales pitches, and it can be difficult to tell if you're getting sound advice. It can also be confusing, with promoters offering you big tax deductions, especially towards the end of the financial year.

Before you commit to any investment, get independent advice to make sure the investment is sound, including any claimed tax benefits. This is important because our tax system is based on self-assessment and you are responsible for your tax return, even if it is prepared by your tax agent.

If you invest in a dodgy investment scheme, you could be left with the tax bill long after the promoter and your money are gone. If you don't investigate before you invest, you're risking your hard-earned money, and you might have to pay back any missing tax, plus interest and penalties.

Tempting bait

Beware of tempting sales pitches. If it sounds too good to be true, it probably is. These are a few lines that you should never take without a thorough check:

- 'There are no risks. We guarantee the returns.'
- 'You don't need credit or asset checks, we'll lend you the money.'
- 'Even if the investment doesn't go ahead, you'll still make a profit from your tax refund.'
- 'Sign this secrecy agreement – we don't want our competitors stealing our ideas.'
- 'There's no need to ask the Tax Office if it's okay. We already have a ruling.'
- 'You'll receive cash back in your pocket as a commission rebate.'
- 'You can get up to 100% tax deductions fully supported by Tax Office rulings.'
- 'A top lawyer and/or accountant have looked at the investment and they think it's great.'
- 'Your funds will be managed by an international bank (or an international trust, or global corporation...).'
- 'We'll put your money in a tax-free overseas account.'
- 'You can run your business through your own offshore company.'



Questions to ask before investing

Does the salesperson work for a licensed business?

People who offer financial products and advice must work for a business that holds an Australian financial service licence, issued by the Australian Securities and Investments Commission (ASIC). You can check licence details free at www.fido.gov.au or by calling ASIC's Infoline **1300 300 630**.

Does the investment have a product disclosure statement or a prospectus?

As a potential investor, by law, you must be given either a product disclosure statement or a prospectus. Contact ASIC at infoline@asic.gov.au or phone **1300 300 630** if you don't get a current product disclosure statement or prospectus.

Have I got an independent second opinion on the investment scheme?

Before you sign anything, get independent advice about the investment from an adviser who has no connection with the seller or the investment scheme.


Have I checked with the Tax Office to make sure the arrangement has a product ruling?

Many tax effective investments have a Tax Office product ruling. A product ruling provides you with legally binding assurance that the tax deductions set out in the ruling will be available provided the scheme is carried out as described in the product ruling. Call us or an independent tax adviser to find out if the scheme has a ruling.

MORE INFORMATION

- You can find out more about our product rulings and taxpayer alerts at **www.ato.gov.au** or by calling **1800 177 006**, or you can ask an independent tax adviser.
- The Australian Securities and Investments Commission also posts warnings about known dodgy investments on **fido.gov.au** and investigates unlicensed financial advisers.

For more information about offshore arrangements, you can find the booklet *Tax havens and tax administration* (NAT 10567) at **www.ato.gov.au**

-  If you have been offered a dodgy investment scheme, you can tell us about it anonymously by calling **1800 060 062**.

OUR COMMITMENT TO YOU

We are committed to providing you with advice and information you can rely on.

If you feel this publication does not fully cover your circumstances, please seek help from the Tax Office or a professional adviser.

The information in this publication is current at May 2007. We regularly revise our publications to take account of any changes to the law, so make sure that you have the latest information. If you are unsure, you can check for a more recent version on our website at **www.ato.gov.au** or contact us.

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Tips for investing from ASIC

When you are making important decisions about your money – whether it's taking out a loan, buying a house or deciding on a super fund – it can be hard to know where to start.

One of the best places you can go is the Australian Securities and Investments Commission (ASIC) consumer website FIDO at **www.fido.gov.au**

Ask FIDO for information about investing and about all sorts of financial products and services.

It doesn't matter whether you are starting small or planning an investment strategy for the rest of your life. The issues you need to consider will fundamentally be the same.

FIDO can help you:

- develop your financial strategy
- develop your own ground rules for investing so you can stay in control
- avoid the latest scams and dodgy sales practices
- decide whether you should borrow to invest
- decide which tax and social security issues you need to consider, and
- much more.

Visit **www.fido.gov.au**

