2017 Christmas Newsletter

From all of us to all of you, thank you for your support in 2017 and may you have a safe and happy holiday season.

Our office will be closed from 12pm Wednesday 20th December 2017 until Monday 15th January 2018.

We look forward to being of service to you again in 2018.

Deduction disallowed for travel expenses for residential rental properties

From 1 July 2017, travel expenses relating to inspecting, maintaining, or collecting rent for a residential rental property cannot be claimed as deductions by investors. The changes are now law. The travel expenditure is also not recognised in the cost base of the property for Capital Gains Tax (CGT) purposes when selling the property.

You can continue to deduct travel expenditure if:

- The losses or outgoings are necessarily incurred in carrying on a business for the purposes of gaining or producing assessable income *(please call us to find out if this applies to you)*; or
- You are an excluded class of entity.

An excluded class of entity is:

- A corporate tax entity;
- A superannuation plan that is not a self-managed superannuation fund;
- A public unit trust; or
- A unit trust or a partnership whose members are entities of a type listed above.

Don't be the next scam victim

The Australian Taxation Office (ATO) is urging all Australians to keep their personal information secure and to report any suspicious activity immediately to the ATO this tax time.

Please be warned that identifying information like tax file numbers, bank account/credit card numbers or your date of birth are the keys to your identity, and can be used by scammers to break into your life if they are compromised.

Your personal information must be treated like your bank PIN. If someone knew your PIN, they would have access to your hard-earned income and it's the same with your personal information and income tax return.

The ATO will never call you threatening that you will be arrested or go to jail. These calls will be from scammers.

If you think your tax file number has been stolen or compromised, you should contact the ATO Client Identity Support Centre directly on 1800 467 033 right away.

If you receive a suspicious phone call, email or SMS text message, please give our office a call before supplying <u>any</u> information. We will be able to check your ATO accounts and advise if you do have any debts or outstanding lodgements with the ATO.

Payment plans made easier

The ATO have added a new Direct Debit payment option for payment plans made with the ATO.

Paying by direct debit is safe and secure and ensures your payments reach the ATO by the agreed dates.

You can set this up by phoning the ATO on 13 28 65 (for individuals); or 13 72 26 (for businesses) and following the prompts. If the debt is for you as an individual, and you have a MyGov account; you may be able to setup the arrangement using your MyGov account online. You can also contact our office and we can setup the arrangement for you.

Please ensure you have the following information in front of you before you call the ATO:

- Your debt $ amount;
- Your ABN (if you have one);
- Your tax file number;
- How much you can pay each instalment;
- How often you can pay the instalments (i.e. weekly, fortnightly, monthly); and
- A start date for the payment arrangement (usually start in around two to three weeks' time, so that you have time to receive the paperwork in the mail).

More information is available on the ATO website – <u>https://www.ato.gov.au/General/Paying-the-ATO/Help-with-paying/</u>

Plant and equipment depreciation deductions limited to outlays actually incurred by investors

Income tax deductions for the decline in value of previously used plant and equipment in rental premises used for residential accommodation are no longer allowed. The changes are now law.

The changes apply from 1 July 2017 to:

- Previously used plant and equipment acquired at or after 7:30pm on 9 May 2017 unless it was acquired under a contract entered into before this time; and
- Plant and equipment acquired before 1 July 2017 but not used to earn income in either the current or previous year.

Investors who purchase new plant and equipment will continue to be able to claim a deduction over the effective life of the asset.

The changes do not affect deductions that arise in the course of carrying on a business, or for:

- Corporate tax entities';
- Superannuation plans other than self-managed superannuation funds;
- Public unit trusts;
- Managed investment trusts; or
- Unit trusts or partnerships whose members are entities of a type listed above.

Streamlined reporting with Single Touch Payroll

Single Touch Payroll is a reporting change for employers. It means employers will report payments such as salaries and wages, Pay As You Go (PAYG) Withholding and super information to the ATO directly from their payroll software at the same time as they pay their employees.

Employers need to ensure that they are setup and ready to go, and their payroll software is able to report through Single Touch Payroll before the due date to commence.

For employers with 20 or more employees, Single Touch Payroll reporting starts from 1 July 2018.

For employers with less than 20 employees, reporting is set to start from 1 July 2019 – however this is subject to legislation being passed in parliament.

Removal of the Temporary Budget Repair Levy from 2017/18 tax year

The 2% Temporary Budget Repair Levy (or 'TBRL'), which has applied to individuals with a taxable income exceeding $180,000 since 1 July 2014, is repealed with effect from 1 July 2017.

Up until 30 June 2017, including the TBRL and the Medicare Levy, individuals earning more than $180,000 faced a marginal tax rate of 49%.

With the benefit of the removal of the 2% TBRL, from 1 July 2017, individuals with a taxable income exceeding $180,000 face a marginal tax rate of 47% (including the Medicare Levy).

Note: Don't forget to add another 1.5% for the Medicare Levy Surcharge for certain individuals that don't have Private Health Insurance.

Extension of the $20,000 SBE Immediate Deduction Threshold

In the 2017/18 Federal Budget handed down on 9 May 2017, the Federal Government announced that it intended to extend the ability of Small Business Entity (or 'SBE') taxpayers to claim an outright deduction for depreciating assets costing less than $20,000 until 30 June 2018.

This Budget Night announcement has now been passed into law.

Prior to the relevant legislation being passed into law, the outright deduction threshold for SBEs in relation to depreciating assets was scheduled to revert back to $1,000 as of 1 July 2017. Now that this change has become law, the threshold is scheduled to revert back to $1,000 as of 1 July 2018.

To qualify for an immediate deduction for depreciating assets purchased by an SBE taxpayer costing less than $20,000, the asset needs to be first used or installed ready for use on or before 30 June 2018.

Note: The 'aggregated turnover' threshold to satisfy the requirements to be an SBE taxpayer has increased from $2 million to $10 million, as of 1 July 2016. As a result, more business taxpayers than ever before will be eligible for the $20,000 immediate deduction for depreciating assets.

Please contact our office if you need any assistance in determining if your business is an SBE, whether an asset purchase you are considering will qualify as a "depreciating asset" and/or what constitutes being "used or installed ready for use".

Change to deductions for personal super contributions

Up until 30 June 2017, an individual (mainly those who are self-employed) could claim a deduction for personal super contributions where they meet certain conditions.

One of these conditions is that less than 10% of their income is from salary and wages. This was known as the "10% test".

From 1 July 2017, the 10% test has been removed. This means most people under 75 years old will be able to claim a tax deduction for personal super contributions (including those aged 65 to 74 who meet the work test).

Note: Call our office if you need assistance in relation to the application of the work test for a client that is aged 65 to 74.

Eligibility rules

An individual can claim a deduction for personal super contributions made on or after 1 July 2017 if:

- A contribution is made to a complying super fund or a retirement savings account that is not a Commonwealth public sector superannuation scheme in which an individual has a defined benefit interest or a Constitutionally Protected Fund;

- The age restrictions are met;
- The fund member notifies their fund in writing of the amount they intend to claim as a deduction; and
- The fund acknowledges the notice of intent to claim a deduction in writing.

Note: It is important to be aware that we must receive a copy of the acknowledgement notice from the Super Fund before we can lodge the corresponding income tax return.

Concessional contributions cap

Broadly speaking, contributions to super that are deductible to an employer or an individual, count towards an individual's 'concessional contributions cap'.

The contributions claimed by an individual as a deduction will count towards their concessional contributions cap, which for the year commencing 1 July 2017 is $25,000, regardless of age. If an individual's cap is exceeded, they will have to pay extra tax.

Note: Call our office to discuss the eligibility criteria and tax consequences of claiming a tax deduction for a personal contribution to super for the year commencing 1 July 2017.

No small business tax rate for passive investment companies

The Government has released draft tax legislation to clarify that passive investment companies cannot access the lower company tax rate for small businesses of 27.5%, but will still pay tax at 30%.

The amendment to the tax law will ensure that a company will not qualify for the lower company tax rate if 80% or more of its income is of a passive nature (such as dividends and interest).

The Minister for Revenue and Financial Services said the policy decision made by the Government to cut the tax rate for small companies was meant to lower taxes on business, and was not meant to apply to passive investment companies.

ATO relief for SMSFs reporting 'transfer balance account' events

The ATO has announced that, from 1 July 2018, SMSF event-based reporting regarding events impacting a member's transfer balance account (i.e., via a Transfer Balance Account Report) will be limited to SMSFs with members with total superannuation balances of **$1 million or more**.

Note: This new reporting is only required if an event that impacts a member's transfer balance account actually occurs (e.g., such as starting an account based pension, or commuting such a pension).

This effectively means that up to 85% of the SMSF population will not be required to undertake any additional reporting with respect to a member's transfer balance cap, outside of current time frames (as SMSFs with members with account balances below $1 million can choose to simply report events which impact their members' transfer balances when the fund lodges its SMSF annual return).

However, from 1 July 2018, SMSFs that have members with total superannuation account balances of $1 million or more will be required to report any events impacting members' transfer balance accounts within 28 days after the end of the quarter in which the event occurs.

Note: Whilst SMSFs are not required to report anything to the ATO until 1 July 2018, SMSF trustees should be mindful that, where the $1.6 million transfer balance cap has been breached in respect of a member from 1 July 2017, any resulting tax liability will continue to accrue until the excess amount is commuted (i.e. irrespective of when ***reporting*** *that breach is required).*

Office relocation

We have happily settled into our new premises and would like to remind you of our new postal and street addresses listed below:

Postal: ***PO Box 845***
Aspley Qld 4034

Street: ***728 Robinson Road West***
Aspley Qld 4034

We are now in an old Queenslander house. Off street parking is located down the driveway behind the house.

Our phone and fax numbers have remained the same:

Phone: *07 3265 1288*

Fax: *07 3265 4735*