Welcome to this end of financial year newsletter. We trust that the information provided will be helpful and informative. Please give us a call if there are issues you wish to discuss in further detail.

Car expenses – 2017/18

The rate and methods of claiming motor vehicle expenses has remained unchanged from the 2016/2017 year:

- Cents per kilometre, limited to 5,000km @ 66c/km (irrespective of engine size).
- Log book/percentage of usage method.

It is important to note that travel for rental properties is no longer an allowable deduction – from the 2017/2018 year onwards.

Further 'affordable housing' measures passed

Parliament has passed the legislation allowing first home buyers to save for a deposit inside superannuation through the First Home Super Saver Scheme (FHSSS), and also allowing older Australians to 'downsize' and then contribute the proceeds of the sale of their family home into superannuation.

From 1 July 2018, a first home buyer will be able to withdraw voluntary superannuation contributions they have made since 1 July 2017 (up to $30,000 each, with individuals being able to contribute up to $15,000 a year within existing caps), along with a deemed rate of earnings, to help buy their home.

Also, from 1 July 2018, when Australians aged 65 and over sell a home they have owned for at least 10 years, they may contribute up to $300,000 from the proceeds into their superannuation accounts, over and above existing contribution restrictions. Both members of a couple may take advantage of this measure, together contributing up to $600,000 from the proceeds of the sale into superannuation.

ATO's focus on work-related expenses

This year, the ATO is paying close attention to what people are claiming as 'other' work-related expense deductions.

This means it's important when taxpayers claim these expenses that they have records to show:

- they spent the money themselves and were not reimbursed;
- the expense was directly related to earning their income; and
- they have a record to prove it.

If the expense is for work *and* private use, the taxpayer can only claim a deduction for the work-related portion.

Importantly, taxpayers are not automatically entitled to claim standard deductions, but need to be able to show how they worked out their claims.

Note: 'Other' work related expenses are expenses incurred by employees in relation to their work that are not for travel, clothing or self-education, such as home office expenses.

Claiming personal super contributions as deductions

What has changed?

In 2016/17, an individual (mainly those who are self-employed) could claim a deduction for personal super contributions where they met certain conditions. One of these conditions is that less than 10% of their income is from salary and wages. This is known as the 10% income test.

Effective 1 July 2017, the 10% income test was removed for the 2017/18 and future financial years. This means most people under 75 years old can claim a tax deduction for personal super contributions (including those aged 65 to 74 who meet the work test) – even if they do not have business or investment income. See below for the maximum concessional contribution amount.

This change improves the flexibility of the super system so that more Australians can use their concessional contributions cap.

From 01/07/2017, you are eligible to claim a deduction for personal super contributions if:

- for contributions made on or after 1 July 2017, you made the contributions to your fund that was not a:
  - Commonwealth public sector superannuation scheme in which you have a defined benefit interest;

- Constitutionally protected fund or other untaxed fund that would not include your contribution in its assessable income;
- super fund that notified the Commissioner before the start of the income year that they elected to either treat all member contributions to the:
  - super fund as non-deductible
  - the defined benefit interest within the fund as non-deductible
- you meet the age restrictions;
- you have notified your fund of the amount you intend to claim as a deduction;
- your fund has acknowledged your notice of intent to claim a deduction.

Age restrictions

If you are aged 75 years or older, you can only claim a deduction for contributions you made before the 28th day of the month following the month in which you turned 75.

If you are under 18 years old at the end of the income year in which you made the contribution, you can only claim a deduction for your personal super contributions if you also earned income as an employee or a business operator during the year.

What you can't claim

You cannot claim deductions for:

- contributions paid by your employer from your before-tax income (including the compulsory super guarantee and salary sacrifice amounts)
- a rolled-over super benefit
- a benefit transferred from a foreign super fund
- a directed termination payment paid into a super plan by an employer under transitional arrangements that applied until 30 June 2012
- contributions paid by your employer from your before-tax income (including the compulsory super guarantee and salary sacrifice amounts)
- voluntary super contributions released to you under the First Home Super Saver (FHSS) Scheme; nor FHSS amounts that you have recontributed to your super fund(s)
- from 1 July 2017, contributions to a:
  - Commonwealth public sector superannuation scheme in which you have a defined benefit interest
  - a super fund that would not include the contribution in their assessable income, such as an untaxed fund
  - other super funds or contributions specified in the regulations.

Superannuation concessional contribution caps

The maximum superannuation concessional contribution cap for 2018/2019 remains the same as the 2017/2018 year - $25,000 (irrespective of age). This includes both employer and personal concessional contributions.

Superannuation

Currently, employers must pay a minimum of 9.5% of each eligible employee's ordinary time earnings each quarter in super. This rate is not currently expected to change until the 2022 financial year.

Division 293 Tax

If your income is over $250,000 for the 2017/2018 year you will be liable for Division 293 tax – which will be an additional 15% on top of the 15% super contributions tax already paid. If this applies to you, the ATO will issue forms for completion after lodgement of your income tax return for the relevant tax year. The same threshold applies to the 2018/2019 year.

New superannuation rates and thresholds released

The ATO has published the key superannuation rates and thresholds for the 2018/19 income year.

- The **Non-Concessional Contributions cap** will remain at $100,000 (although transitional arrangements may apply), and the **Concessional Contributions cap** will remain at $25,000.
- The **CGT cap amount** will be $1,480,000.
- **Division 293 tax threshold** will be 250,000.
- **Quarterly maximum super contribution base** for super guarantee will be $54,030.

- The **maximum superannuation co-contribution entitlement** for the 2018/19 income year will remain at $500 (with the lower income threshold increasing to $37,697 and the higher income threshold increasing to $52,697).

The superannuation benefit caps for the 2018/19 income year include:

- **low rate cap amount** of $205,000;
- **untaxed plan cap amount** of $1,480,000;
- **general transfer balance cap** of $1.6m;
- **defined benefit income cap** of $100,000;
- **ETP cap amount** for life benefit termination payments and death benefit termination payments of $205,000; and
- **tax-free part of genuine redundancy payments** and **early retirement scheme payments** comprising a **base limit of** $10,399 and for each complete year of service an additional $5,200.

Reduction in the corporate tax rate

The Government has proposed to reduce the corporate tax rates.

Access to the reduced corporate tax rate will be restricted to corporate entities that **carry on business** with an aggregated turnover of **less than** the thresholds listed in the following table.

Income Year	Aggregated turnover	Company tax rate
2018	< $25 million	27.5%
2019	< $50 million	27.5%

Note: Corporate entities with an aggregated turnover equal to or more than the threshold; or more importantly, companies that do not carry on business (e.g., passive investment companies and 'bucket companies') will continue to have a corporate tax rate of 30% for the 2017/2018 and 2018/2019 years.

Changes to GST on Property

Legislation has been passed to "clamp down" on GST evasion in the property development sector.

From 1 July 2018, purchasers of new residential premises and new residential subdivisions will generally be required to withhold the GST on the purchase price at settlement and pay it directly to the ATO.

Property developers will also need to give written notification to purchasers regarding whether or not they need to withhold GST.

The new obligations are primarily aimed at ending the practice of some developers collecting GST on new properties before dissolving their business prior to remitting such tax to the ATO.

Get ready for Single Touch Payroll

Single Touch Payroll (or 'STP') is mandatory for 'substantial employers' (being those with 20 or more employees) from 1 July 2018.

All employers are required to count the number of employees on their payroll on **1 April 2018** to find out if they are a substantial employer (note that this can be done after 1 April, but they need to count the employees who were on their payroll on 1 April).

They must count each employee (not the full time equivalent), including full-time, part-time and casual employees, as well as those employees based overseas or absent or on leave (paid or unpaid).

Employers that are part of a company group must include the total number of employees employed by all member companies of the wholly-owned group.

However, employers don't have to include the following in the headcount:

- any employees who ceased work before 1 April;
- casual employees who did not work in March;
- independent contractors;
- staff provided by a third-party labour hire organisation;
- company directors or office holders; or
- religious practitioners.

Note that, although directors, office holders and religious practitioners are not included in the headcount, if the employer starts reporting through STP, the payment information of these individuals will need to be reported (because the payments are subject to withholding and are currently reported in the *Individual non-business payment summary*).

Employers don't need to send the ATO the headcount information, but they may want to keep a copy for their own records.

Once an employer becomes a substantial employer, they will need to continue reporting through STP.

This applies even if their employee numbers drop to 19 or less (unless they apply for and are granted an exemption).

Note: Please contact our office if you need any assistance regarding the new STP regime.

Trading names are being retired

Please check if you are trading under a ***"Business Name" or "Trading Name"*** on the Australian Business Register (ABR) website.

The Australian Business Register (ABR) is working with Australian Securities & Investments Commission (ASIC) in preparation for the retirement of trading names.

To continue trading under a specific "Trading Name", you need to register it as a business name. After a business name is successfully registered it will appear on ASIC's business names register and the ABN Lookup.

From November, all trading names will be removed from ABN Lookup. Only registered business names will continue to be listed, so check you have registered your trading name as a business name with ASIC by then.

FBT: Car parking threshold

The car parking threshold for the FBT year commencing 1 April 2018 is $8.83. This replaces the amount of $8.66 that applied in the previous year commencing 1 April 2017.

2018/19 Federal Budget

The Government handed down the 2018/19 Federal Budget on Tuesday 8th May 2018. Some of the important proposals include:

- The introduction of the 'Low and Middle Income Tax Offset', a temporary non-refundable tax offset of up to $530 p.a. to Australian resident low and middle income taxpayers for the 2019 to 2022 income years. This offset will apply *in addition* to the Low Income Tax Offset.
- Providing tax relief for individual taxpayers by progressively increasing some of the tax brackets (including an increase in the top threshold of the 32.5% personal income tax bracket from $87,000 to $90,000 from 1 July 2018), and eventually removing the 37% tax bracket entirely.
- The $20,000 immediate write-off for small business will be extended by a further 12 months to 30 June 2019 (i.e., for businesses with aggregated annual turnover less than $10 million).
- From 1 July 2019:
  - Increasing the maximum number of allowable members in an SMSF from four to six members;
  - Ensuring that unpaid present entitlements (or 'UPEs') come within the scope of Division 7A; and
  - Denying deductions for expenses associated with holding vacant residential or commercial land.

Superannuation guarantee amnesty introduced

The Government has introduced legislation to complement the super guarantee ('SG') integrity package already before Parliament by introducing a **one-off, twelve month amnesty** for historical underpayment of SG.

The Bill incentivises employers to come forward and "do the right thing by their employees" by paying any unpaid super in full, as well as the high rate of nominal interest (but without the penalties for late payment that are normally paid to the Government by such employers).

Employers that do not take advantage of the amnesty will face higher penalties when they are subsequently caught – in general, a minimum 50% on top of the SG Charge they owe.

In addition, throughout the amnesty period the ATO will still continue its usual enforcement activity against employers for those historical obligations they don't own up to voluntarily.

The amnesty will run for twelve months from 24 May 2018.

Office relocation

We 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 remain the same:

Phone: ***07 3265 1288***

Fax: ***07 3265 4735***