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Practice Update

Please read this update
and contact this office
if you have any queries

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Sage Handisoft Client Portal

This month we have implemented a new facility called 'Client Portal'. Clients are able to receive, send and electronically sign documents via the client portal. You may receive an email in the coming weeks with a request to set up a password to access the portal. To use the portal each signatory must have a separate email address for privacy reasons. The Ayr and Home Hill offices both have separate portals & can be accessed via our website [MLP Ayr](#) or [MLP Home Hill](#)

The benefits of this facility include:

- Provides clients with secure access to documents at any time.
- Significantly reduces document handling and processing times (instead of email or post).
- No requirement to print, sign, scan & email documents when using electronic signatures.
- Operates within industry best practice high level security, with 128 bit encryption and authenticated digital signatures.
- Automatic notifications when we upload a file to a client's secure area and when a client sends us a file.

Simpler BAS is coming soon

The ATO is reducing the amount of information needed to be included in the business activity statement (or 'BAS') to simplify GST reporting.

From 1 July 2017, Simpler BAS will be the default GST reporting method for small businesses with a GST turnover of less than \$10 million.

In relation to GST, small businesses will only need to report:

G1 - Total sales

1A - GST on sales

1B - GST on purchases.

This will not change a business' reporting cycle, record keeping requirements, or the way a business reports other taxes on its BAS.

Simpler BAS is intended to make it easier for businesses to lodge their BAS. It should also reduce the time spent on form-filling and making changes that don't impact the final GST amount.

The ATO will automatically transition eligible small business' GST reporting methods to Simpler BAS from 1 July 2017.

Small businesses can choose whether to change their GST accounting software settings to reduce the number of GST tax classification codes

Removal of the Temporary Budget Repair Levy from the 2017/18 income 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Levy (or 'TBRL'), which has applied to individuals with a taxable income exceeding \$180,000 since 1 July 2014, is repealed with effect from 1 July 2017.

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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).

Super concessions for first home savers and downsizers

Does superannuation offer an avenue to help downsizers and first home savers? The Government seems to think so. Late last month the detail of the housing initiatives announced in the Federal Budget were released for consultation. We explore what's on offer and the implications.

Super concessions for downsizers

If you are over 65, have held your home for 10 years or more and are looking to sell, from 1 July 2018 you might be able to contribute some of the proceeds of the sale of your home to superannuation.

The benefit of this measure is that you can contribute a lump sum of up to \$300,000 per person to superannuation without being restricted by the existing non-concessional contribution caps - \$100,000 subject to your total superannuation balance - or age restrictions. It's a way of building your superannuation quickly and taking advantage of superannuation's concessional tax rates. The \$1.6 million transfer balance cap will continue to apply so your pension interests cannot exceed this amount. And, the Age Pension means test will continue to apply. If you are considering using this initiative, it will be important to get advice to ensure that you are eligible to use this measure and the contribution does not adversely affect your overall financial position.

The downsizer initiative applies to the sale of any dwelling in Australia – other than a caravan, houseboat or mobile home – that you or your spouse have held continuously for at least 10 years. Over those 10 years, the dwelling had to have been your main residence for at least part of the time. As long as you qualify for at least a partial main residence exemption (or you would qualify for the exemption if a capital gain arose) you may be able to access the downsizer concession. This means that you do not actually need to have lived in the property for the 10 year period being tested.

The rules also take into account changes of ownership between two spouses over the 10

year period prior to the sale. This could assist in situations where a spouse who owned the property has died and their interest is inherited by their surviving spouse. The surviving spouse can count the ownership period of their deceased spouse in determining whether the 10 year ownership period test is satisfied. This rule could also assist in situations where assets have been transferred as a result of marriage or de facto relationship breakdown.

In general, the maximum downsizer contribution is \$300,000 per contributor (so, \$600,000 for a couple) but must only come from the proceeds of the sale. The contribution/s need to be made within 90 days after your home changes ownership (generally, the date of settlement) but you can apply to the Tax Commissioner to extend this period. And, the initiative only applies once – you cannot use it again for future properties.

Using super to save for your first home

Saving for a first home is hard. From 1 July 2018, the first home savers scheme will enable first-home buyers to save for a deposit inside their superannuation account, attracting the tax incentives and some of the earnings benefits of superannuation.

Home savers can make voluntary concessional contributions (for example by salary sacrificing) or non-concessional contributions (voluntary after tax contributions) of \$15,000 a year within existing caps, up to a total of \$30,000.

When you are ready to buy a house, you can withdraw those contributions along with any deemed earnings in order to help fund a deposit on your first home. To extract the money from super, home savers apply to the Commissioner of Taxation for a *first home super saver determination*. The Commissioner then determines the maximum amount that can be released from the super fund. When the amount is released from super, it is taxed at your marginal tax rate less a 30% offset.

For example, if you earn \$70,000 a year and make salary sacrifice contributions of \$10,000 per year, after 3 years of saving, approximately \$25,892 will be available for a deposit under the First Home Super Saver Scheme - \$6,210 more than if the saving had occurred in a standard deposit account (you can estimate the impact of the scheme on you using the [estimator](#)).

If you don't end up entering into a contract to purchase or construct a home within 12 months of withdrawing the deposit from superannuation, you can re-contribute the amount to super, or pay an additional tax to unwind the concessional tax

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treatment that applied on the release of the money.

To access the scheme, home savers must be 18 years of age or older, and cannot ever have held taxable Australian real property (this includes residential, investment, and commercial property assets). Home savers also need to move into the property as soon as practicable and occupy it for at least 6 of the first 12 months that it is practicable to do so.

As with the concession for downsizers, the first home saver scheme can only be used once by you.

While the capacity to voluntarily contribute to the first home savers scheme started on 1 July 2017 (with withdrawals available from 1 July 2018), it's best to wait until the legislation is confirmed by Parliament just in case anything changes.

ATO warning regarding work-related expense claims for 2017

The ATO is increasing attention, scrutiny and education on work-related expenses (WREs) this tax time.

Assistant Commissioner Kath Anderson said:

"We have seen claims for clothing and laundry expenses increase around 20% over the last five years. While this increase isn't a sign that all of these taxpayers are doing the wrong thing, it is giving us a reason to pay extra attention."

Ms Anderson said common mistakes the ATO has seen include people claiming ineligible clothing, claiming for something without having spent the money, and not being able to explain the basis for how the claim was calculated.

"I heard a story recently about a taxpayer purchasing everyday clothes who was told by the sales assistant that they could claim a deduction for the clothing if they also wore them to work," Ms Anderson said.

"This is not the case. You can't claim a deduction for everyday clothing you bought to wear to work, even if your employer tells you to wear a certain colour or you have a dress code."

Ms Anderson said it is a myth that taxpayers can claim a standard deduction of \$150 without spending money on appropriate clothing or laundry. While record keeping requirements for laundry expenses are "relaxed" for claims up to this threshold, taxpayers do need to be able to show how they calculated their deduction.

The main message from the ATO was for taxpayers to remember to:

- Declare all income;
 - Do not claim a deduction unless the money has actually been spent;
 - Do not claim a deduction for private expenses; and
 - Make sure that the appropriate records are kept to prove any claims.
-

GST applies to services or digital products bought from overseas

From **1 July 2017**, GST applies to imported services and digital products from overseas, including:

- ◆ digital products such as streaming or downloading of movies, music, apps, games and e-books; and
- ◆ services such as architectural, educational and legal.

Australian GST registered businesses will not be charged GST on their purchases from a non-resident supplier if they:

- provide their ABN to the non-resident supplier; and
- state they are registered for GST.

However, if Australians purchase imported services and digital products only for personal use, they should not provide their ABN.

Action to address super guarantee non-compliance

The Government will seek to legislate to close a loophole that could be used by unscrupulous employers to short-change employees who choose to make salary sacrificed contributions into their superannuation accounts.

The Government will introduce a Bill into Parliament this year that will ensure an individual's salary sacrificed contributions do not reduce their employer's superannuation guarantee obligation.

Super Guarantee – What Happens When You Get It Wrong

The ATO receives around 20,000 reports each year from people who believe their employer has either not paid or underpaid compulsory superannuation guarantee (SG). In 2015-16

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the ATO investigated 21,000 cases raising \$670 million in SG and penalties.

The ATO's own risk assessments suggest that between 11% and 20% of employers could be non-compliant with their SG obligations and that non-compliance is "endemic, especially in small businesses and industries where a large number of cash transactions and contracting arrangements occur."

Celebrity chefs are the latest in a line of employers to publicly fall foul of the rules - one for allegedly inventing details on employee payslips and another for miscalculating wages. But what happens if your business gets SG compliance wrong?

Under the superannuation guarantee legislation, every Australian employer has an obligation to pay 9.5% Superannuation Guarantee Levy for their employees unless the employee falls within a specific exemption. SG is calculated on Ordinary Times Earnings – which is salary and wages including things like commissions, shift loadings and allowances, but not overtime payments.

Employers that fail to make their superannuation guarantee payments **on time** need to pay the SG charge (SGC) and lodge a Superannuation Guarantee Statement. The SGC applies even if you pay the outstanding SG soon after the deadline.

The SGC is particularly painful for employers because it is comprised of:

- **The employee's superannuation guarantee shortfall amount – so, all of the superannuation guarantee owing**
- **Interest of 10% per annum, and**
- **An administration fee of \$20 for each employee with a shortfall per quarter.**

Unlike normal superannuation guarantee contributions, **SGC amounts are not deductible**, even if you pay the outstanding amount. That is, if you pay SG late, you can no longer deduct the SG amount even if you bring the payment up to date.

And, the calculation for SGC is different to how you calculate SG. **The SGC is calculated using the employee's salary or wages rather than their ordinary time earnings.** An employee's salary and wages may be higher

than their ordinary time earnings particularly if you have workers who are paid for overtime.

Under the quarterly superannuation guarantee, the **interest component will be calculated on an employer's quarterly shortfall amount from the first day of the relevant quarter to the date when the superannuation guarantee charge would be payable.**

The penalties imposed on the employer for failing to meet SG obligations on time might seem harsh, but they have been designed that way on purpose. This is really money that belongs to the employee and should be sitting in their superannuation fund earning further income to support the employee in their retirement.

Directors are personally liable for unpaid SG

Where attempts have failed to recover superannuation guarantee from the employer, the directors of a company automatically become personally liable for a penalty equal to the unpaid amount.

Directors who receive penalty notices need to take action to deal with this – speaking with a legal adviser or accountant is a good starting point.

Change to travel expenses for truck drivers

The ATO has released its latest taxation determination on reasonable travel expenses, and it includes a big change for employee truck drivers.

For the 2017/18 income year, the reasonable amount for travel expenses (excluding accommodation expenses, which must be substantiated with written evidence) of employee truck drivers who have received a travel allowance and who are required to sleep away from home is **\$55.30 per day** (formerly a total of \$97.40 per day for the 2016/17 year).

If an employee truck driver wants to claim more than the reasonable amount, the whole claim must be substantiated with written evidence, not just the amount in excess of the reasonable amount.

The determination includes an example of a truck driver who receives a travel allowance of \$40 per day in 2017/18 (\$8,000 over the full year for 100 2-day trips), but who spent \$14,000 on meals on these trips.

In terms of claiming deductions for these expenses, he can either claim \$14,000 as a

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travel expense (if he kept all of his receipts for the food and drink he purchased and consumed when travelling), or just rely on the reasonable amount and claim \$11,060 (\$55.30 x 200 days) as a travel expense (in which case he will need to be able to show (amongst other things) that he typically spent \$55 or more a day on food and drink when making a trip (for example, by reference to diary entries, bank records and receipts that he kept for some of the trips)).

Changes to the foreign resident withholding regime for sales of Australian real estate

Since 1 July 2016, where a foreign resident has disposed of real estate located in Australia, the purchaser has had to withhold 10% of the purchase price upon settlement and remit this amount to the ATO, where the market value of the property was \$2,000,000 or greater.

As a result of another 2017/18 Budget Night announcement becoming law, in relation to acquisitions of real estate that occur on or after 1 July 2017, the withholding rate has increased to 12.5% and the market value of the real estate, below which there is no need to withhold, has been reduced to \$750,000.

Unfortunately, even if a sale of real estate with a market value of \$750,000 was to take place between two siblings on or after 1 July 2017 (both of whom have been Australian residents for 50 plus years), withholding must occur **unless** the vendor obtains a 'clearance certificate' from the ATO – despite the two siblings clearly knowing the residency status of each other!

These changes highlight the need to obtain clearance certificates where the vendor is an Australian resident and the real estate is worth \$750,000 or more - not a high exemption threshold given the sky-rocketing values of Australian real estate! If you are buying or selling real estate worth \$750,000 or more (including a residential property, i.e., home) please call our office to see if a clearance certificate is needed.

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).

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.

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.

Smartcane BMP accreditation

Wilmar Sugar is offering growers a new financial incentive to obtain their environmental accreditation.

A one-off payment of 15 cents per tonne of cane when growers obtain **Smartcane BMP** accreditation is payable.

A one-off payment of 10 cents per tonne of cane if you also obtain **Bonsucro** certification. This requires completing all three core modules of the Smartcane BMP program, plus additional modules.

The payment is capped at 25,000 tonnes per ABN. The BMP incentive is available in 2017 and 2018 with eligibility ceasing with finalisation of 2018 cane payments. The Bonsucro incentive is available in 2017, 2018 and 2019 with eligibility ceasing with finalisation of 2019 cane payments.

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Wilmar Sugar will also apply the payments retrospectively to any grower who has already achieved BMP or Bonsucro accreditation.

For more information about the incentive scheme, contact **Leeanne Marriott** at Inkerman Mill on **4782 3816** or at **Leeanne.Marriott@au.wilmar-intl.com**

Quote of the Month:

'A business that makes nothing but money is a poor business' – Henry Ford

Car depreciation limit for 2017/18

The car limit for the 2017/18 income year is \$57,581 (the same as the previous year). This amount limits depreciation deductions and GST input tax credits.

Example

In July 2017, Laura buys a car to which the car limit applies for \$60,000 to use in carrying on her business. As Laura started to hold the car in the 2017/18 financial year, in working out the car's depreciation for the 2017/18 income year, the cost of the car is reduced to \$57,581

<p>Please Note: Many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the information's applicability to their particular circumstances.</p>
