PRACTICE UPDATE

# QUARTER UPDATE

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THIS EDITION



## Employers and SMSFs Must Prepare for SuperStream

By 1 July 2015, **ALL** employers – regardless of how many employees are employed – should be working towards full compliance with their SuperStream obligations.

The 30 June 2015 deadline is fast approaching for ***medium to large employers*** to be SuperStream compliant. The ATO is urging employers to act **now** to ensure you are SuperStream ready.

For ***small employers*** with 19 or fewer employees, SuperStream starts from 1 July 2015 and you have until 30 June 2016 to be ready (though you can start using SuperStream earlier, if possible). The ATO offers a free online service (*The Small Superannuation Clearing House)* to all small businesses to meet their super guarantee obligations. For further information, please either phone the ATO on 1300 60 048 or email at: SBSCHEnquiries@sbsch.gov.au.

Employers have options for meeting SuperStream – either using software that conforms to SuperStream, or using a service provider who can meet SuperStream on your behalf. We recommend that you start investigating your options now.

Your options may include:

- upgrading your payroll software.
- using an outsourced payroll function or other service provider.
- using a commercial clearing house or the free Small Business Superannuation Clearing House (19 or fewer employees).

Your default superannuation fund may also have its own electronic channel that can be used during the transitional period up to 30 June 2016. This fund can provide you with details about how to comply with the SuperStream using their preferred facilities.

The ATO has also reminded employees who are members of a *self-managed super fund* (SMSF), that they have the *same deadline* obligations.

For SuperStream to work efficiently, employees with SMSFs must provide relevant e-commerce details to their employer so they can update their payroll system.

This information includes the SMSF's:

- Australian Business Number (ABN);
- bank account details; and
- electronic service address (ESA).

By 30 June 2015, SMSFs must be able to receive employer contributions electronically in the SuperStream format if their members work for a medium or large employer. In the event that an SMSF member fails to provide this information to their employer in time for the employer to get ready, the employer may request that the employee completes a *new choice form*.

Therefore, the ATO recommends that SMSFs provide these details to their employer at least 30 days prior to the date the employer will start sending contributions using SuperStream, to allow enough time for the employer to manage the changes and ensure the SMSF has no interruption in maintaining their contributions flow.

SMSF and other funds will still be able to accept a cheque as payment, however, the business paying the super guarantee via the cheque will not be considered super stream compliant. The ATO will implement penalties if employers are audited and have not shown a genuine attempt to comply with their obligations.

*If you need any assistance with becoming SuperStream compliant, including the requirement to obtain an electronic service address, please contact our office.*

## ATO Warns About Aggressive Phone Scams

The ATO is again warning the public to be aware of a phone scam that is circulating, where fraudsters are intimidating people into paying a fake tax debt over the phone.

The aggressive scam attempts to force people to pay a fake tax debt immediately by threatening arrest if they don't comply.

*If any client receives a call from the ATO, we recommend that they should ask for the caller's name and phone them back through the ATO's switchboard on 13 28 69.*

## Holiday Homes That Taxpayers Rent Out

*The ATO has updated its information guide on claiming deductions on holiday homes. This may have something to do with its stated intention to increase its audit focus on holiday homes that are rented out. Clients with such holiday homes may want to take notice of the following.*

### Claiming deductions on holiday homes

The principles that apply to a rental property also apply to a holiday home if it is rented out.

If a taxpayer rents out their holiday home, they can claim expenses for the property based on the proportion of the income year it was rented out or was genuinely available for rent.

They must apportion their expenses if the property is used:

- for private purposes for part of the year – such as when they use it themselves, or allow their family, relatives or friends to use it free of charge; and

- by family or friends for part of the year and they are charged less than market rent.

If their holiday home is rented out to family, relatives or friends below market rates, their deductions are limited to the amount of rent received for that period.

### Tax Tip: Keeping records for CGT purposes

Clients who own holiday houses should be aware that they need to keep records of their expenses. If they make a capital gain when they sell the property, the proportion of expenses (interest, insurance, maintenance costs and council rates) they could not claim a deduction for are taken into account in reducing the amount of their capital gain.

# 2015/16 BUDGET

## Changes Effective Budget Night 7.30pm (AEST) 12 May 2015

### Expanding accelerated depreciation for small business – immediate write-off and small business pool

The government will significantly expand accelerated depreciation for small businesses. It will do this by allowing small businesses with aggregate annual turnover of less than $2 million to immediately deduct assets they start to use or install ready for use, provided the asset costs **less than $20,000** (currently, an immediate write-off is generally available for assets costing less than $1,000). This will apply for assets acquired and installed ready for use between 7.30pm (AEST) 12 May 2015 and 30 June 2017.

Assets valued at $20,000 or more (which cannot be immediately deducted) can continue to be placed in the small business simplified depreciation pool ('the pool') and depreciated at 15% in the first income year and 30% each income year thereafter. The pool can also be immediately deducted if the balance is **less than $20,000** over this period (including existing pools).

The government will also suspend the current 'lock out' laws for the simplified depreciation rules until 30 June 2017. Currently, these 'lock out' rules prevent small businesses from re-entering the simplified depreciation regime for five years, if they opt out.

From 1 July 2017, the thresholds for the immediate depreciation of assets and the value of the pool will revert back to existing arrangements (which are currently based on a 'less than $1,000' threshold).

## Changes Effective 1 July 2015 (i.e. 2015/16 Income Year)

### Tax cuts for small business – 1.5% tax cut for small companies and 5% discount on income tax payable for unincorporated small business activity

From the 2015/16 income year, the government will deliver a tax cut to all small businesses:

(a) **Reduction in company tax rate** – The company tax rate will be reduced to 28.5% (i.e. a reduction of 1.5%) for companies with aggregated annual turnover of less than $2 million. Companies with an aggregated annual turnover of $2 million or above will continue to be subject to the current 30% rate on all their taxable income.

***Note*** that, the current **maximum franking credit rate** for a distribution will **remain at 30%** for all companies, maintaining the existing arrangements for investors, such as self-funded retirees.

(b) **5% discount on tax payable for other taxpayers** – Individual taxpayers with business income from an unincorporated business that has an aggregated annual turnover of less than $2 million will be eligible for a small business tax discount. The discount will be 5% of the income tax payable on the business income received by an unincorporated small business entity. The discount will be capped at $1,000 per individual for each income year, and will be delivered as a tax offset.

## Changes Effective 1 July 2016 (i.e. 2016/17 Income Year)

### Accelerated depreciation for primary producers

Currently, the effective life for fences is up to 30 years, water facilities is three years and fodder storage assets is up to 50 years. For income years commencing **on or after 1 July 2016** (i.e. from the 2017 income year), the government will allow all primary producers to:

- **immediately deduct** capital expenditure on fencing and water facilities such as dams, tanks, bores, irrigation channels, pumps, water towers and windmills; and

- depreciate all capital expenditure on fodder storage assets such as silos and tanks used to store grain and other animal feed **over three years**.

### CGT roll-over relief for changes to entity structure

CGT roll-over relief is currently available for individuals who incorporate, but other entity type changes have the potential to trigger a CGT liability. From 1 July 2016, the government will allow small businesses with an aggregated annual turnover of less than $2 million to change legal structure without attracting a CGT liability at that point. This measure recognises that new small businesses might choose an initial legal structure that they later find does not suit them when the business is more established.

## Other Budget Announcements

### Change to the asset test thresholds for the aged pension

The government will increase the asset test thresholds at which pensions are reduced once the threshold is exceeded, as follows:

- **For a single person** – a full pension may be received if the relevant value of included assets (i.e. assets other than excluded assets) is less than $250,000 for a homeowner (currently $202,000).

- **For a pensioner couple** – a full pension may be received if the relevant combined value of included assets is less than $375,000 for a homeowner (currently $286,500).

Non-home owner pensioners will also benefit by an increase in their threshold to $200,000 more than homeowner pensioners.

However, the current 'taper rate' at which the age pension begins to phase out will be increased from $1.50 to $3 for every $1,000 of assets over the relevant assets test threshold.

Pensioners who lose pension entitlements on 1 January 2017 as a result of these changes will automatically be issued with a Commonwealth Seniors Health Card or a Health Care Card for those under Age Pension age.

### Medicare levy low income thresholds for 2014/15

For 2014/15, the Medicare Levy low income thresholds will be as follows:

- Individuals $20,896 (previously $20,542)
- Families $35,261 (previously $34,367)

The families income threshold (i.e. $35,261) will be increased by $3,238 (previously $3,156) for each dependent child or student.

For single seniors and pensioners, the threshold will be increased to $33,044 (previously $32,279).