



QUARTER UPDATE



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PRACTICE UPDATE - MARCH 2019

THIS EDITION

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CLAIMS FOR HOME OFFICE EXPENSES INCREASED

The ATO has updated the hourly rate taxpayers can use to determine deductions for home office expenses from 45 cents to **52 cents per hour** for individual taxpayers, effective 1 July 2018 (i.e., from the **2019 income year**).

According to the ATO's recently updated PS LA 2001/6, individual taxpayers who claim deductions for either work or business-related home office running expenses may either:

- claim a deduction for the actual expenses incurred; or
- calculate the running expenses at the rate of 52

cents per hour.

Taxpayers who use the rate per hour method to claim a deduction for home office running expenses only need to keep a record to show how many hours they work from home.

This reduced substantiation requirement can be recorded either:

- during the course of the income year; or alternatively
- they can keep a representative four-week diary (where their work from home hours are regular and constant).

DIVISION 293 ASSESSMENTS

The ATO has been issuing ‘**Additional tax on concessional contributions (Division 293) assessments**’ with respect to liabilities relating to the 2018 income year.

Division 293 imposes an **additional 15% tax** on certain concessional (i.e., taxable) superannuation contributions.

It applies to individuals with income and concessional superannuation contributions exceeding the relevant annual threshold.

This means that impacted individuals may ultimately pay **30% tax** (when the Division 293 tax is combined with the existing 15% contributions tax) with respect to:

- superannuation contributions made on their behalf as a result of employer super guarantee obligations or effective salary packaging

arrangements; or

- personal deductible contributions.

The ATO reportedly expects to issue about 90,000 assessments during the first two months of 2019.

Payment needs to be made by the due date to avoid any additional interest charges, although alternative payment methods are available (including the ability to release money from any existing super balances).

*More individuals will receive Division 293 assessments (and be required to pay the additional 15% tax) for the 2018 financial year due to a drop in the applicable threshold from \$300,000 to **\$250,000**.*

Additionally, one of the key ALP tax policies for the upcoming Federal Election includes a further reduction of this Division 293 threshold from \$250,000 to \$200,000.

“Our professional and helpful team are always willing to answer any of your questions regarding these topics or any other matters of concern.”

CHANGES TO THE SMALL BUSINESS INSTANT ASSET WRITE-OFF

On **29 January 2019**, the Prime Minister announced that legislation will be introduced to:

- extend the small business instant asset write-off by 12 months to **30 June 2020**; and
- increase the write-off threshold from less than \$20,000 to **less than \$25,000** (effective immediately).

The current threshold of \$20,000 has applied since 7.30pm AEST on 12 May 2015 and was due to revert to \$1,000 on 1 July 2019.

Under the proposed changes, from **29 January 2019** until **30 June 2020**, small businesses with an aggregated annual turnover of **less than \$10 million** may claim an immediate deduction for the business-use portion of each depreciating asset costing less than \$25,000.

Example

To illustrate, assume an individual acquires a van for \$22,000 (excluding GST entitlements) on 1 February 2019.

The individual is a small business entity and estimates the van will be used 90% for the business

and 10% for private purposes.

Under the current rules, while the business-use portion of the cost of the van is less than \$20,000 (i.e., \$22,000 x 90% = \$19,800), an immediate deduction is not available because the entire cost is \$20,000 or more.

However, the van may be depreciated as part of the taxpayer’s SBE small business pool.

In contrast, an immediate deduction of \$19,800 may now be claimed under the proposed changes, as the entire cost of the van is below the new threshold of \$25,000.

This measure is expected to benefit more than 3 million eligible small businesses.

On 13 February 2019, the Treasury Laws Amendment (Increasing the Instant Asset Write-Off for Small Business Entities) Bill 2019 was introduced in the House of Representatives.

Once this Bill becomes law, it will open up opportunities for small businesses to claim an immediate deduction for depreciating assets (where they cost less than \$25,000) up until 30 June 2020.

TAX SCAMMER ALERT

The ATO has again warned taxpayers to be alert for scammers impersonating the ATO, as it appears they have changed tactics in 2019.

Specifically, the ATO is seeing the emergence of a new tactic where:

“scammers are using an ATO number to send fraudulent SMS messages to taxpayers asking them to click on a link and hand over their personal details in order to obtain a refund”.

The ATO has received reports of scammers maliciously manipulating the calling line identification so the phone number that appears is different to the number from which the call originated.

This is referred to as “spoofing” and is a common technique used by scammers to appear legitimate.

It appears these scams aim to steal taxpayers’ personal details and identities.

The ATO has advised it will **not**:

- send an email or SMS asking a taxpayer to click

on a link to provide login, personal or financial information, or to download a file or open an attachment;

- use aggressive or rude behaviour, or threaten taxpayers with arrest, jail or deportation;
- request payment of a debt via iTunes or Google Play cards, pre-paid Visa cards, cryptocurrency or direct credit to a personal bank account; or
- request a fee in order to release a refund owed to taxpayers.

If you are unsure about a call, text message or email purportedly received from the ATO, the best advice is not to reply.

Should you have any concerns, please contact our office directly, or alternatively you can call the ATO on 1800 008 540 to check if the contact was legitimate or to report a scam.

WHAT'S NEW FOR AUSTRALIAN BUSINESS

The ATO has recently reminded small businesses of the expanded tax concessions potentially available to them, as outlined below:

- The pending increase in the small business instant depreciating asset write-off to **less than \$25,000** (as discussed in further detail above).
- Accelerated depreciation deductions for primary producers for eligible fodder storage assets, as well as for fencing and water facilities.
- Assistance for primary producers impacted by drought at **Drought Help**, or by contacting the ATO on **1800 806 218**.
- A lower company tax rate of **27.5%** for companies qualifying as a Base Rate Entity (‘BRE’).
- Increased Small Business Income Tax Offset (‘SBITO’) for eligible sole traders and individual partners and beneficiaries.

Finally, the ATO has reminded taxpayers that more businesses are now eligible for most small business tax concessions.

Specifically, from 1 July 2016, a range of small business tax concessions became available to all businesses with an **aggregated turnover of less than \$10 million** (i.e., the turnover threshold).

Previously the turnover threshold was less than \$2 million. The \$10 million turnover threshold applies to most concessions, except for:

- the SBITO – which has a **\$5 million** turnover threshold from 1 July 2016; and
- the small business CGT concessions – which continue to have a **\$2 million** turnover threshold.

Note: The relevant turnover threshold for accessing the lower company tax rate is **\$50 million** from the 2019 income year (increased from \$25 million in the 2018 income year).

SUPERANNUATION CLEARING HOUSE

Superannuation payments may take up to seven to fourteen business days to be transferred through the ATO and super fund processes into an employee’s super fund account. Due to this lengthy time-frame

we recommend that you consider processing your superannuation payments by the 14th June so that all payments are received by the super funds before 30th June.

SINGLE TOUCH PAYROLL

Single Touch Payroll (STP) was introduced on 1 July 2018 for all businesses with 20 or more staff (substantial employers). The Bill to extend the Single Touch Payroll (STP) reporting requirements so they apply to all employers, regardless of the number of employees, has now passed the Senate and will be Law.

This means STP is set to be rolled out in stages to smaller organisations with less than 20 employees as at 1 July 2019.

STP will require you to have your payroll transaction data transferred to the ATO each time your employees are paid. This will require you to use a software solution that will transmit the data to and from the ATO on your behalf.

This payroll or reporting system must be STP Compliant, so that each pay cycle you can report the following items to the ATO:

- each employee's name and tax file number (TFN);

- gross amount paid;
- tax withheld on the gross;
- ordinary time earnings for the period, and;
- any superannuation guarantee obligations.

If your payroll process is already automated with reports that can provide the information for PAYG tax withheld and superannuation for every pay cycle, all you need to do is confirm if your product is STP compliant.

However, if your payroll process is still manual it is now time to discuss and review your internal processes. The STP regime is mandatory for employers of more than 20 staff from 1 July 2018, and will be mandatory for all employers by 1 July 2019.

Our advice is to become STP compliant as soon as possible to avoid any fines or penalties in the future from the ATO. In the event that you need a solution or just want your system reviewed, we are happy to help by advising a suitable cost effective solution.

NON-COMPLIANT PAYMENTS TO WORKERS

The rules for claiming deductions for payments to workers are changing.

From 1 July 2019, businesses can only claim deductions for certain payments made to workers where they've met the Pay As You Go ('PAYG') withholding obligation for that payment.

Specifically, a business can only claim a deduction for the following payments if it complies with the relevant PAYG withholding rules:

- Salary, wages, commissions, bonuses or allowances to an employee.
- Directors' fees.
- Payments to a religious practitioner.

- Payments made under a labour hire arrangement.
- Payments made for a supply of services (except from supplies of goods and real property) where the contractor has not provided their ABN.

Where the PAYG withholding rules require an amount to be withheld, the business must:

- withhold the amount from the payment before they pay their worker; and
- report that amount to the ATO.

Importantly, a deduction will not be lost if an incorrect amount is withheld (or reported) by mistake.



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.

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