



RUNDLES
CHARTERED ACCOUNTANTS

Rundles Report

tax news | views | clues

Autumn 2019

Tax clinic trial to reduce tax regulatory burden

To help reduce the regulatory burden on businesses, including the tax burden, the government has allocated \$1 million to set up 10 tax clinics across Australia under a trial program based on the Curtin University Tax Clinic.

Each clinic will receive up to \$100,000 for 12 months to support unrepresented individual or small business taxpayers by providing general taxation advice and helping them with their tax obligations and reporting requirements. The clinics, through identifying issues and building greater understanding of the tax system in operation, are also designed to improve the interactions that small businesses and individual taxpayers have with the ATO.

The clinics will cover advice, representation, education and advocacy, and will offer students training in the profession the opportunity to work with taxpayers, under the direct supervision of qualified tax professionals.

New “work test” exemption for recent retirees

The Federal Government has created a new opportunity for some recent retirees to make additional superannuation contributions. From 1 July 2019, a 12-month exemption from the “work test” for newly retired individuals aged between 65 and 74 years with a total superannuation balance below \$300,000 means many older Australians will now have an extra year to boost their superannuation savings.

The work test requires that a person is “gainfully employed” for at least 40 hours in any 30-day consecutive period during the financial year in which the contributions are made.

The contributions rules are complex, but with the right planning and advice you can maximise your contributions into superannuation at the right time.

TIP: You should also consider other measures that may be available to you, such as “downsizer” contributions (certain contributions of proceeds from the sale of your home) and “catch-up” concessional contributions (accessing unused concessional cap space from prior years).

See the Federal Budget Supplement for proposed expansion of this concession

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ATO issuing excess super contributions determinations

The ATO have been issuing determinations to people who exceeded their concessional superannuation contributions cap for the 2017–2018 financial year. These determinations will also trigger amended income tax assessments and additional tax liabilities. Individuals can elect for the ATO to withdraw their excess contributions from their super fund to pay any additional personal tax liability.

TIP: Concessional contributions include all employer contributions, such as the 9.5% superannuation guarantee and salary sacrifice contributions, and personal contributions for which a deduction has been claimed.

You have 60 days from receiving an ECC determination to elect to release up to 85% of your excess concessional contributions from your super fund to pay your amended tax bill. Otherwise, you will need to fund the payment using non-superannuation money.

Reviewing the tax treatment of granny flats

The Federal Government has asked the Board of Taxation to undertake a review of the tax treatment of “granny flat” arrangements, recommending potential changes that take into account the interactions between tax laws and the social security rules. This request for review is in response to the 2017 Australian Law Reform Commission’s report *Elder abuse: a national legal response*.

Currently, homeowners may have to pay capital gains tax (CGT) where there is a formal agreement, for example, for an older parent to live with their child, either in the same dwelling or a separate granny flat. This may deter families from establishing a formal and legally enforceable agreement, leaving no protection of the rights of the older person if there is a breakdown in the informal agreement.

Small business tax offset: avoiding errors when claiming

The ATO has provided new tips for avoiding common errors when reporting net small business income and claiming the small business income tax offset for unincorporated small businesses. These include tips on reporting amounts in the right sections of your tax return, providing all of the relevant information, and using net income (not gross income) in your calculations.

The offset (up to \$1,000) is worked out by the ATO on the proportion of income tax payable on an individual’s taxable income that is net small business income. For 2018–2019 and 2019–2020 the rate of offset is 8%.

TIP: Not sure if you’re making the most of the tax offset for your small business? We can help – contact us today to find out more.

Home office running expenses and electronic device expenses

The ATO has released an updated version of Practice Statement PS LA 2001/6, its guidance on calculating and substantiating home office running expenses and electronic device expenses that are claimed as tax deductions.

The basic principles have been amended to emphasise that you must actually incur the expenses you claim, and that there must be a real connection between your use of a home office or device and your income-producing work.



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On the other hand, the requirement that your income-producing use must be substantial – not merely incidental – has been removed.

There is new information on what type of evidence you need to be keep, and the cents per hour rate you can claim for eligible home office running expenses has increased from from 45 cents to 52 cents per hour, effective from 1 July 2018.

Genuine redundancy payments: alignment with Age Pension age

The Federal Government has announced that it will amend the law to extend the concessional tax treatment for genuine redundancy payments and early retirement scheme payments to align with the Age Pension qualifying age.

Currently, an individual must be aged below 65 at the time their employment is terminated to qualify for a tax-free component on a genuine redundancy payment or an early retirement scheme payment.

TIP: Genuine redundancy payments are made when a job is abolished, and early retirement scheme payments are made when a person retires early, or resigns, as part of a scheme put in place by an employer.

Where an individual is under age 65 and meets the requirements of the *Income Tax Assessment Act 1997*, they receive tax-free a base amount of \$10,399 (for 2018–2019), plus \$5,200 for each whole year of service.

The government says it will amend the law to align genuine redundancy and early retirement scheme payments with the Age Pension qualifying age from 1 July 2019.

Single Touch Payroll Reporting:

Get ready!

Legislation has recently passed to bring in Single Touch Payroll (STP) reporting for all small employers (with fewer than 20 employees) from 1 July 2019.

STP is a payday reporting arrangement where employers need to send tax and superannuation information to the ATO from their payroll or accounting software each time they pay their employees. For large employers (with 20 or more employees), STP reporting started gradually from 1 July 2018, and until now it has been optional for small employers.

Low cost solutions now available!

A range of low-cost STP solutions are now coming into the market. The solutions are affordable (costing less than \$10 per month), take only minutes to complete each pay period and do not require the employer to maintain the software. They will best suit micro employers (with one to four employees) who need to report through STP but do not currently have payroll software.

ATO Commissioner Chris Gordon has said he wants to “reassure small business and give my personal guarantee that our approach to extending Single Touch Payroll will be flexible, reasonable and pragmatic”.

The basics of STP reporting

- With STP reporting, employers no longer need to provide payment summaries to employees for payments reported through STP. Payments not reported through STP, like employee share scheme (ESS) amounts, still need to be reported on a payment summary.
- Employers no longer need to provide payment summary annual report (PSARs) to the ATO at the end of the financial year for STP reported payments.

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- However, they need to complete a finalisation declaration at the end of each financial year instead.
- Employees can view their year-to-date payment information using the ATO's online services, accessible through their myGov account, or can ask the ATO for a copy of this information.
- Employers need to report employees' super liability information for the first time through STP. Super funds will then report to the ATO when the employer pays the super amounts to employees' funds.
- From 2020, the ATO will pre-fill some activity statement information for small to medium withholders with the information reported through STP. Employers that currently lodge an activity statement will continue to do so.

TIP: Contact us today for more information about STP for your business.

Super guarantee compliance: time to take action

The government's latest initiatives targeting non-compliance with superannuation guarantee (SG) obligations give businesses plenty to think about. With Single Touch Payroll on the way for small businesses, all employers should take time to review their arrangements for paying employees' super.

The government is proposing a 12-month "amnesty" for employers to voluntarily disclose and correct any historical underpayments of SG contributions for any period up to 31 March 2018 without incurring penalties or the usual administration fee. This is provided the ATO hasn't already commenced a compliance audit of that employer. Additionally, employers will be entitled to claim deductions for the catch-up payments they make under the amnesty.

TIP: It's an important time for businesses to get their SG affairs in order. If you're an employer with outstanding underpayments of SG contributions, we can assist with the process of making a voluntary disclosure to the ATO.

Beware: Legislation for this amnesty has not been completed and is likely to lapse when the coming election is announced. In the meantime, the ATO is enforcing the current law.

Proposed increase for small business instant asset write-off

Prime Minister Scott Morrison recently announced the government's intention to increase the instant asset write-off already available for small businesses from \$20,000 to \$25,000. Mr Morrison also said that the instant write-off would be extended by another 12 months to 30 June 2020. These measures are expected to benefit more than three million eligible small businesses to access the expanded accelerated depreciation rules for assets costing less than \$25,000.

See the Federal Budget supplement for a proposed expansion of this concession to \$30,000.00.

Beware: None of the instant asset write off amounts will apply where the acquisition of the relevant asset is financed via a lease.

Labor has previously proposed an "investment guarantee" giving all businesses an immediate 20% tax deduction from 1 July 2020 for any new eligible asset worth more than \$20,000. This would be a permanent accelerated depreciation measure so that businesses could continue to take advantage of an immediate 20% tax deduction when investing in an eligible asset.

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ATO warns about new scams in 2019

The ATO is warning taxpayers to be alert for scammers impersonating the ATO, using a range of new ways to get taxpayers' money and personal information.

While the ATO regularly contacts people by phone, email and SMS, there are some tell-tale signs that you're being contacted by someone who isn't with the ATO. The ATO will never:

- send you an email or SMS asking you 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 you with arrest, jail or deportation;
- request payment of a debt using iTunes or Google Play cards, pre-paid Visa cards, cryptocurrency or direct credit to a personal bank account; or
- ask you to pay a fee in order to release a refund owed to you.

ATO refers overdue lodgments to external collection agencies

The ATO has recently started referring taxpayers with overdue lodgment obligations to an external collection agency to obtain lodgments on the ATO's behalf. External collection agencies will focus on income tax and activity statement lodgments, and referral to an external collection agency doesn't affect a taxpayer's credit rating.

If your case is referred to a collection agency, the ATO will notify you in writing before phoning you or your authorised contact to negotiate lodgment of the overdue documents and request payment of any debt.

TIP: If your tax return or other ATO paperwork is overdue, don't panic! We can help work out what you need to do next, and even make arrangements with the ATO on your behalf.

Government consultation on sharing economy reporting

The government has released a consultation paper seeking views on a possible reporting regime to provide information on Australians who receive income from sharing economy websites like Uber, Airtasker, Menulog and Deliveroo.

The ATO and other government agencies currently have limited information about the income of "gig workers" in the sharing economy, and the government's Black Economy Taskforce recently recommended designing and implementing a compulsory reporting regime. Although there are a lot of issues still to consider, including costs and data privacy, a new regime could mean gig platforms, payment processors or even banks may soon need to report to the ATO and other agencies on gig workers' income.

Extra 44,000 taxpayers face Div 293 superannuation tax

An extra 44,000 taxpayers have been hit with the additional 15% Division 293 tax for the first time on their superannuation contributions for 2017–2018. This is because the Div 293 income threshold was reduced to \$250,000 for 2017–2018 (it was previously \$300,000).

Individual taxpayers with income and super contributions above \$250,000 are subject to an additional 15% Div 293 tax on their concessional contributions.

Taxpayers have the option of paying the Div 293 tax liability using their own money, or electing to release an amount from an existing super balance, which means completing a Div 293 election form.

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Things to get right this FBT season

Fringe benefits tax (FBT) returns are now due and as always, it's vital to make sure you use the latest rates and rely on the correct information.

FBT rates have recently been updated for the year, and a range of other factors may need to be considered, including using the best car parking valuations, correctly identifying which travel expenses are deductible, considering how FBT applies to your arrangements with employees and independent contractors, and making sure you keep within the entertainment benefits rules. Another issue to keep an eye on is employees' private use of work vehicles.

TIP: We can provide advice on these matters and more, and help get your FBT return lodged on time.

Tax concierge service available to small businesses

The Small Business Ombudsman, Kate Carnell, has announced that taxpayers wanting an external review of an adverse tax decision by the ATO through the Administrative Appeals Tribunal (AAT) can now contact the office of the Australian Small Business and Family Enterprise Ombudsman for assistance.

From 1 March 2019, small business owners without legal representation can access an hour with an experienced small business tax lawyer at a significantly reduced cost, subsidised by the office of the Ombudsman. Lawyers can review relevant documents and provide advice on the viability of an appeal. And should an appeal progress, the Ombudsman's case managers will help the small business owner through the process.

Small business taxation decisions will be finalised within 28 days from the date of a hearing at the AAT.

ATO small business benchmarks updated

The ATO has released its latest small business benchmarks, providing over 100 different industries with average cost of sales and average total expenses. Businesses can see clearly what the relevant benchmarks are for their industry. The benchmark data is drawn from over 1.5 million small businesses around Australia.

Business owners can use the benchmarks to gauge the strength of their business and keep an eye on their competition.

The benchmarks also help the ATO identify small businesses that may be doing the wrong thing and not properly reporting some or all of their income.

Early recovery of small business tax debts: ATO to be scrutinised

Minister for Small and Family Business Michaelia Cash has asked Australian Small Business and Family Enterprise Ombudsman Kate Carnell to look into the ATO's practices in pursuing early recovery of tax debts from small businesses who are in dispute with the ATO.

The Minister said she was determined to make sure the ATO treats small businesses fairly.

"Early recovery can be devastating for a small business, and is particularly damaging when the small business disputes the recovery and then goes on to win the case," she said.



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The Ombudsman will look into the extent of the problem to gather a holistic picture of how current systems impact people running small businesses. The scrutiny will focus on historical cases and will not include live cases currently before the Administrative Appeals Tribunal.

Compensation for defective ATO administration: review announced

Mr Robert Cornall, a former Secretary of the Attorney-General's Department, will lead a review of the Scheme for the Compensation for Detriment Caused by Defective Administration (the CDDA Scheme).

The CDDA Scheme allows Commonwealth Government agencies (including the ATO) to pay discretionary compensation when a person or an organisation suffers as a result of defective administration but there is no legal requirement to make a payment.

Mr Cornall's review will consider the consistency of the ATO's CDDA Scheme processes for small businesses, the timeliness of decisions, how effectively findings are communicated, how independent decision-making can be best achieved in future, and the adequacy of compensation for small businesses that have suffered an economic and/or personal loss as a consequence of the ATO's actions.

ATO finds 90% error rate in sample of rental property claims

ATO Commissioner Chris Jordan has advised that as part of the ATO's broad random enquiry program, its auditors have recently completed over 300 audits on rental property tax deduction claims and "found errors in almost nine out of 10 returns reviewed".

The ATO is seeing incorrect interest claims for entire investment loans where the loan has been refinanced for private purposes, incorrect classification of capital works as repairs and maintenance, and taxpayers not apportioning deductions for holiday homes when they are not genuinely available for rent.

The ATO's next area of focus will be rental income and related deductions, to help taxpayers report the right information, claim only the amounts they are entitled to, and "close the tax gap".

Property used for storage an active asset for small business CGT concession purposes

The Administrative Appeals Tribunal (AAT) has decided that a property a small business owner used to store materials, tools and other equipment was an active asset for the purpose of the small business capital gains tax (CGT) concessions.

The taxpayer carried on a business of building, bricklaying and paving through a family trust. He owned a block of land used to store work tools, equipment and materials, and to park work vehicles and trailers. There was no business signage on the property.

After the property was sold in October 2016, the ATO issued a private ruling that the taxpayer was not entitled to apply the small business CGT concessions to the capital gain because the property was not an "active business asset".

However, the AAT concluded that the business use of the land was far from minimal, and more than incidental to carrying on the business. This meant the CGT concessions could be applied.

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Noel's News



Restaurant Review by Mark Lisle

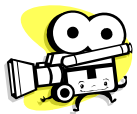
Coda – Basement 141 Flinders Lane (Cnr Oliver Lane), Melbourne

Coda is the sister restaurant to *Tonka*, which has been written up in this column previously. I think I may have described *Tonka* as “trendy Indian”, well *Coda* could be described as “trendy Vietnamese”. However, many of the dishes are not really Vietnamese at all, so I have settled on “Modern Asian”.

No matter how you describe the cuisine, the food is very good. A lot of the dishes are suitable for sharing but you and your dining partners could also go your separate ways. The portion sizes are not large, as you would expect from a restaurant of this type. There is plenty of variation in the menu and a number of dishes that you will not have tried before. The drinks menu is not extensive but was perfectly fine for our purposes.

This is a trendy, basement-style venue and the clientele seems to be generally quite young, similar to *Tonka*. However, we didn't feel out of place and I thought the atmosphere was quite good. The service was certainly very attentive and professional.

Prices are upper end without being ridiculous. Overall, well worth a visit.



Film Review by Tim Ryan

Instant Family

Instant Family is a new comedy from director Sean Anders (*Daddy's Home*) and starring married couple Pete (Mark Wahlberg), and Ellie (Australian Rose Byrne) as they foster three siblings from an underprivileged background with the ultimate intention of adopting them. The film is based upon the true life experiences of Anders and his wife and while the film is portrayed in a humorous manner with all the antics and misbehaviour of young children are displayed for the world to see, the underlying theme is very emotional as it reflects the reality of the many challenges faced in the very noble tasks taken on by foster parents.

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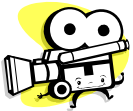


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The three children – Lizzy, Juan and Lita are delightful kids but all have their own issues and find it difficult to trust their new parents. Parents who take on the duty of fostering children are the true heroes as they give love to the children who have never been cherished and who suspect any attempts to improve their lives and struggle to understand what true love is all about. Despite all the inter sibling rivalry, every mishap and disaster are portrayed in a humorous way but the message is clear true love always abides and the children are blessed to have such devoted foster parents.

Instant Family is a movie that will make you laugh and cry but the theme of goodness and kindness prevails throughout the film, but in the end all we have is love, which is what life is all about.



Film Review by Janene Young

Dirty John

After spotting St Kilda fanatic and movie star, Eric Bana at the AFL recently, I could not stop thinking about this Netflix Thriller (series), where Eric stars as the main character.

This series was produced after a popular Podcast based on a true crime story which played out in glitzy Newport Beach, California around the year 2016. The storyline is based on a wealthy interior designer and single mother, Debra Newell (Connie Britton) who braves the online dating scene where she meets John Meehan (played by Eric Bana), who poses as a charming, polite and well-educated Doctor. However, soon enough subtle cracks appear in his persona and a manipulative, controlling monster is slowly revealed. Debra's young-adult children, who are sceptic about John and their mother's relationship, delves into John's background to uncover some disturbing and spine-chilling truths who find themselves caught up in the nightmare.

Eric Bana is rather good and plays a frightening and disturbing character extremely well (although his Aussie accent does slip into the fake American vocabulary occasionally, sounding like someone from The Castle, Chopper or Poida in Fast Forward back in the 90's).

The plot is sometimes frustrating, drawn out and implausible (a bit like a Danielle Steel novel), but overall this left me a bit demoralized and feeling like I will never Swipe Right on any dating app and will stay locked up with my cats forever!!

Maybe, my next review will be somewhat more uplifting, possibly with the upcoming Toy Story 4!!....

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Book Review by Andrea Sent

The Dalai Lama's Cat by David Michie

Seeing the world through the eyes of a cat is a delightful experience. And when that cat is the Dalai Lama's cat, you can be sure that the story will be told with mindfulness, compassion and humour. This novel is a fictional tale about the life of a cat who is adopted by the Dalai Lama. There is adventure, misadventure, intrigue, and drama. The characters are engaging and entertaining, and the story is uplifting. Woven gently through the chapters are timeless teachings about meditation and mindfulness - it is almost as if the story offers you an opportunity to experience a deep sense of peacefulness and calm while you are reading it. A book for everyone, and especially for cat lovers.



Sporting Predictions as seen by James Ramsden

RACING – 2019 AUTUMN CARNIVAL

**April 13 – Queen Elizabeth – Group 1 – Weight for Age – 2,000m - \$4,000,000
(Royal Randwick)**

Winner: Winx

Hot Tip: Winx

Cannot see anything coming close to Winx in what will be the mighty mare's final race. There will be huge anticipation for this race and it will be sure to stop the nation. I hope this legend can add to her racing record by winning thirty-three in a row. Will take a lot to beat her.

AFL

AFL Premiership: Collingwood

After losing the Grand Final in a close encounter with West Coast last season, the Pies will be ready to bounce back. The addition of Dayne Beams returning from Brisbane Lions will add to their already strong midfield group. There really are not too many deficiencies with Collingwood. Star forward Jordan De Goey will have a break out year and will stand up throughout the season when it matters most.

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Brownlow: Nathan Fyfe

Nathan Fyfe will claim his second Brownlow this year following a few sub par seasons as a result of injury. With an almost full pre-season under his belt Fyfe will be a dangerous player and the opposition will attempt to limit his influence. He is a stand out player with his athleticism and will definitely attract the attention of the umpires.

Coleman Medal: Josh Kennedy

Only injury stopped Josh Kennedy from claiming his third Coleman Medal last year. If he makes it through the whole season and West Coast are a dominant force again, he will be hard to beat. For his awkward kicking style, he sure kicks a lot of goals and I cannot see that stopping anytime soon.

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