



RUNDLES  
CHARTERED ACCOUNTANTS

# Rundles Report

tax news | views | clues

Spring 2017

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## ***Please Note:***

***Our new postal address is:***

***PO BOX 223 COLLINS STREET WEST MELBOURNE VIC 8007***

***Our street address remains the same.***

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## **Higher education HELP changes announced**

The Government has announced a package of reforms to higher education – the Higher Education Reform Package – to take effect generally from 1 January 2018. Under the package the maximum student contribution will increase from 1 January 2018, but there will be no up-front fees and no deregulation of fees.

A new set of repayment thresholds will be introduced from 1 July 2018, affecting all current and future Higher Education Loan Program (HELP) debtors.

Maximum student contributions will also be increased, phasing in by 1.8% each year between 2018 and 2021 to cumulate in a 7.5% total increase.

<b>TIP: Already have a HELP debt, or thinking about undertaking more study? Talk to us to find out how these changes may affect you.</b>
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## **Draft legislation: LRBA integrity measures for pension cap**

New exposure draft legislation contains integrity measures for limited recourse borrowing arrangements (LRBAs) as part of the Government's super reform legislation.

The exposure draft proposes to include LRBAs in fund members' total superannuation balance and the \$1.6 million pension transfer balance cap. The changes seek to address concerns about SMSF members' ability to use LRBAs to circumvent contribution caps and effectively transfer accumulation growth to retirement phase that is not currently captured by the transfer balance cap regime. The amendments will only apply in relation to borrowings entered into on or after the Bill is enacted.

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## **Deductions for super funds: major ruling update**

The ATO has issued an important ruling to clarify its views on the deductions available for superannuation funds.

Superannuation funds are generally restricted to claiming deductions to the extent that they are incurred in producing assessable income. The new ruling sets out the acceptable methods for apportioning tax deductions for expenses incurred in partly gaining non-assessable income.

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The ATO has also clarified its views on deductions for the costs of establishing a fund, managing the related tax affairs and amending trust deeds.

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## Bill to reduce corporate tax rate

The *Treasury Laws Amendment (Enterprise Tax Plan No 2) Bill 2017* has been introduced to progressively extend the lower 27.5% corporate tax rate to all corporate tax entities by the 2023–2024 income year. The corporate tax rate will then be cut for all corporate tax entities, phasing down to a 25% tax rate for the 2026–2027 and later income years.

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## Budget updates

### Foreign owners of “ghost” property

The 2017–2018 Federal Budget announced that the Government will introduce a charge on foreign owners of residential property where the property is not occupied or genuinely available on the rental market for at least six months per year. The charge will be levied annually and will be equivalent to the relevant foreign investment application fee imposed on the property at the time it was acquired by the foreign investor.

### Tougher residency rules for pensioners

The Government has announced it will revise the residency requirements for claimants of the Age Pension and Disability Support Pension (DSP). From 1 July 2018, claimants will be required to have 15 years of continuous Australian residence before being eligible to receive the Age Pension or DSP, or meet other, more specific, time requirements.

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## Car expenses for transporting equipment disallowed

A taxpayer working as a stevedore has been denied a deduction for car expenses incurred in transporting equipment to and from work. The Administrative Appeals Tribunal (AAT) decided that it was not necessary for the taxpayer to take home her hard hat, safety glasses, hearing protection or headlight to clean them, and her overalls were laundered by the employer. Accordingly, she could only justify transporting her shirts, trousers and occasional wet weather gear, which were not bulky. The car expenses were therefore not deductible.

**TIP: The ATO pays attention to unusual claims when it comes to work-related expenses. We can help you maximise your tax return while staying within the rules.**

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## Draft legislation: financial complaints and dispute resolution

As part of the 2017–2018 Budget, the Government announced that it would create a new one-stop shop for financial disputes – the Australian Financial Complaints Authority (AFCA) – to be established by 1 July 2018. AFCA will replace the existing framework of the Financial Ombudsman Service (FOS), Credit and Investments Ombudsman (CIO) and Superannuation Complaints Tribunal (SCT). These existing bodies will continue to operate after 1 July 2018 to work through their existing complaints. Financial firms will be required to be members of AFCA, and its decisions will be binding on all firms.

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## Tax cut for small business: ATO will amend returns

For the 2016–2017 income year, the company tax rate for small businesses decreases to 27.5%. Companies with turnover of less than \$10 million are eligible for this rate. The maximum franking credit that can be allocated to a frankable distribution has also been reduced to 27.5% for these companies.



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The reduced company tax rate of 27.5% will progressively apply to companies with turnover of less than \$50 million by the 2018–2019 income year. The ATO says if a company lodged its 2016-17 company tax return early, and its turnover is less than \$2 million, it will amend the return and apply the lower tax rate.

If the company's turnover is from \$2 million to less than \$10 million, the company will need to review its return and lodge an amendment if required.

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## **Instant asset write-off extended for small business entities**

The *Treasury Laws Amendment (Accelerated Depreciation for Small Business Entities) Act 2017* extends the period during which small business entities (SBEs) can access accelerated depreciation. The extension is for 12 months, ending on 30 June 2018.

SBEs will be able to claim an immediate deduction for depreciating assets that cost less than \$20,000, provided the asset is first acquired at or after 12 May 2015, and first used or installed ready for use on or before 30 June 2018. Depreciating assets that do not meet these timing requirements will continue to be subject to the \$1,000 threshold.

SBEs will be able to claim an immediate deduction for depreciating assets that cost less than \$1,000 if the asset is first used or installed ready for use on or after 1 July 2018.

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## **Work-related deductions denied: lack of documenting evidence**

A pipe fitter has been denied deductions by the Administrative Appeals Tribunal (AAT) for work-related expenses. The AAT disallowed the claims because the taxpayer was unable to produce adequate documentary evidence.

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## **Super reforms: changes to TRIS, CGT relief, pension cap and LRBA integrity rules**

The *Treasury Laws Amendment (2017 Measures No 2) Act 2017* makes a range of technical amendments to the super reform legislation.

### **TRIS rules for becoming retirement phase pension**

The amendments deem a transition-to-retirement income stream (TRIS) to be in retirement phase where the recipient of the income stream has satisfied a condition of release with a nil cashing restriction (eg retirement or attaining age 65). This means that a TRIS will stop being a pension (subject to 15% tax on fund earnings from 1 July 2017) and become a retirement phase superannuation income stream that qualifies for the earnings tax exemption once the recipient notifies the fund that a nil condition of release under the *Superannuation Industry (Supervision) Regulations 1994* (SIS Regs) has been satisfied.

### **CGT relief for TRIS assets**

The period in which an asset supporting a TRIS can cease to be a segregated current pension asset of a fund and still qualify for CGT relief will be extended to include the start of 1 July 2017.

### **Pension balance credit for LRBA repayments**

The Act provides that an additional pension transfer balance credit will arise for certain repayments of a limited recourse borrowing arrangement (LRBA) by a self-managed superannuation fund (SMSF) that shifts value between an accumulation phase interest to a retirement phase superannuation income stream interest in the fund: new s 294-55 of ITAA 1997.

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## Single Touch Payroll operative for early adopters

Single Touch Payroll (STP) is here. It had a “soft” or voluntary start on 1 July 2017. From that date, employers may choose to report under STP. For those who qualify (ie employers with 20 or more employees), STP will be mandatory from 1 July 2018.

For employers with 19 or fewer employees on 1 April 2018, their reporting obligations will not change. They will not need to start reporting through STP from 1 July 2018, but may choose to start using a payroll solution to take advantage of the benefits of STP reporting.

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## “Netflix” tax: who is an Australian consumer?

From 1 July 2017, the supply of services, digital products or rights are connected with Australia (and so potentially liable to GST) if made to an Australian consumer by an overseas-based supplier. This is referred to as the digital import or “Netflix tax” rules.

GST Ruling GSTR 2017/1 explains how overseas suppliers can decide whether a recipient of a supply is an Australian consumer. It explains what evidence suppliers should have, or what steps they should take to collect evidence, in establishing whether or not the supply is made to an Australian consumer.

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## New draft GST guidelines issued

### Supplies through electronic distribution platforms

Draft Law Companion Guideline LCG 2017/D4 (the Draft) deals with how the ATO intends to apply the Netflix and low-value imported goods measures to supplies made through electronic distribution platforms (EDPs).

The draft guidance sets out a four-step approach for determining whether an EDP operator is responsible for GST.

### Redeliverers and supplies of low-value imported goods

Draft Law Companion Guideline LCG 2017/D5 explains the measures in the *Treasury Laws Amendment (GST Low Value Goods) Bill 2017* (awaiting assent) that will make redeliverers responsible for GST on offshore supplies of low-value goods from 1 July 2018.

The Bill imposes GST on supplies of imported low-value goods, ie those worth less than A\$1,000. Under the reforms, a redeliverer will be treated as the supplier if low-value goods are delivered outside Australia as part of the supply and the redeliverer assists with their delivery into Australia as part of, broadly, a shopping or mailbox service that it provides under an arrangement with the consumer.

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## Work-related expense claims under scrutiny

Will you claim work-related expenses on your tax return this year? The ATO now uses real-time data to compare people’s tax returns with others in similar occupations and income brackets. This year it’s focused on identifying higher-than-expected claims for expenses related to work vehicles, travel, internet and mobile phones, and self-education, and may even check people’s work deduction claims with their employers.





**TIP: Ever heard that you can make a standard claim of \$300 for work-related expenses even if you don't have evidence? This isn't true! The ATO doesn't ask for receipts up front for claims up to \$300, but you must have actually spent what you claim, and be able to show how you worked out your deductions if the ATO asks.**

The ATO is also concerned about people's many incorrect claims for work-related clothing and laundry expenses. In 2014–2015, around 6.3 million people made claims against clothing expenses, but work-related deductions are in fact only available for specific uniforms and protective clothing items, not for everyday clothes you buy, launder and wear for work.

## **Employee travel expense deductions**

The ATO has also released new guidance on work-related travel deductions. To claim for transport or other employee travel expenses (like accommodation and meals) in your tax return, you must have incurred the expenses as part of gaining or producing your taxable income. Private and domestic travel expenses, including the costs of your ordinary home-to-work travel, aren't claimable.

Transport costs for work-related travel may be deductible, but the ATO will consider factors such as:

whether the travel is a necessary part of performing your work (you can't pretend your family's holiday is a work trip);

whether your employer pays you to undertake the travel; and

whether you have to follow your employer's instructions during the travel period.

Accommodation, meal and other incidental expenses are deductible as work-related only if your work has "special demands" or "co-existing work locations" that mean you have to sleep away from home.

**TIP: We're here to help – contact us to find out more about getting your work-related tax deductions right.**

## **Working holidaymakers and tax returns for 2017**

If your business employs working holidaymakers – or you've been one yourself this year! – you need to know about the "backpacker tax" changes that came into effect from 1 January 2017.

Employers need to issue two payment summaries to each working holidaymaker for the 2016–2017 financial year:

one for income earned up until 31 December 2016; and

one for income earned after 1 January 2017 (using payments code H).

All employers need to include code H on payment summaries of backpacking workers' post-1 January income, even if the employer isn't registered with the ATO as employing working holidaymakers.

**TIP: If only one payment summary is issued, the income needs to be apportioned so the before and after 1 January amounts appear separately on the working holidaymaker's tax return.**



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## Small businesses

### Asset write-offs

Small businesses with a turnover of less than \$10 million can get an immediate deduction for assets that cost up to \$20,000 each in their 2016–2017 return. The \$20,000 threshold now applies until 30 June 2018.

Assets that cost \$20,000 or more can't be immediately deducted. They need to be deducted over time using a small business asset pool.

**TIP: It's important to apply all of the simplified depreciation rules correctly so your business doesn't under-claim for its eligible assets. Talk to us today for more information.**

### Tax debts: setting up a payment plan

Does your small business have a tax debt? The ATO encourages you to get in touch to set up a payment plan. If the debt is \$100,000 or less, you can use the ATO's self-help service to easily arrange paying by instalments.

If a business pays its tax debt late or by instalments, interest accrues on the unpaid debt. However, some businesses with activity statement debts may be eligible for interest-free payment plans.

To deal with a business tax debt of more than \$100,000, you can phone the ATO on 13 11 42.

**TIP: Your business still needs to lodge all of its ongoing activity statements and tax returns on time, even if you have a payment plan or can't pay by the due date.**

## Federal Court rules on PAYG avoidance

The Federal Court and Administrative Appeals Tribunal have agreed with the ATO that a business, Sunraysia Harvesting Contractors Pty Ltd, was making use of a "sham" arrangement with three other companies to avoid pay as you go (PAYG) and payroll accounting responsibilities. Sunraysia's operators argued, unsuccessfully, that the three other companies employed Sunraysia's workers, and those companies were responsible for PAYG deductions and payroll tax. The Federal Court said the arrangement was a "crude" structure with "no worth", and ruled to deny Sunraysia's input tax credits and impose penalties for GST shortfall and the business's failure to meet its PAYG, payroll and other income tax obligations.

## Tax assessments confirmed for undisclosed business income

The Administrative Appeals Tribunal has ruled that the ATO was correct to issue tax assessments of \$3.7 million and penalties of \$3.3 million to a business taxpayer that had underreported its income and failed to lodge several years worth of tax returns. The taxpayer, PSI Pty Ltd, argued that it owned and rented out several Sydney properties, but did not engage in other business activities or receive the significant amounts of income that the ATO had assessed to it.

In fact, evidence before the Tribunal showed that PSI made a range of expensive capital purchases, including fitness equipment, more than 30 motor vehicles, firearms and a "bomb dog". Its bank statements included references to "consultation fees", "gun licenses" and a "security industry register", a loan application suggested income 20 times what the taxpayer admitted to earning, and PSI had apparently made significant loans to related parties with no returns.

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The Tribunal upheld the assessments and penalties issued, and allowed the ATO to impose an extra 20% penalty for two of the taxpayer's income years.

## What every Person must know about Aged Care

As a valued client of Rundles, you are invited to join us for a complimentary event with Prime Financial.

During this evening, guest speaker, Martin Jones of Regis Aged Care, will guide you through the start-to-end process in Aged Care in a clear and easy-to-understand way. On the night, Martin will present on:

**The admission process:** The steps involved in planning for you or your parents' Aged Care requirements

**Types of accommodation & standards of care:** The types and levels of Aged Care services available

**General costs & fees:** Breakdown the costs and create the best outcome from both a financial and lifestyle perspective

And much, much more...

**Date:** Thursday 19 October, 2017

**Start Time:** 5.30pm Start

During this event, you'll enjoy leading Local and international wines, paired with canapes and cheese platters.

**End Time:** 7.30pm

**Venue:** Palace Como Theatre

Level One

Cnr Toorak Rd & Chapel St

South Yarra VIC 3142

**RSVP On This Website:** <http://bit.do/AgedCare>

**Or Call Us On: 9205 4690**

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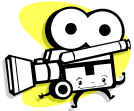
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# Noel's News



**Film Reviews – by Evan Thiveos**

## ***The Hitman's Bodyguard***

**Cast: Ryan Reynolds & Samuel L. Jackson**

Michael Bryce (Ryan Reynolds) is a no-nonsense protection agent who has fallen onto hard times after failing to protect the life of one of his biggest clients. Caught in a downward spiral, he is swayed by his ex-girlfriend Amelia to take on another job. She leaves him in charge of escorting a witness against Dictator Vladislav Dukhovich from London to The Hague. That witness happens to be Darius Kincaid (Samuel L. Jackson), world class hitman, and the main reason his career is down in the dumps. This obviously doesn't go smoothly, as a gang of henchmen want to prevent Darius from testifying. The race to get him to The Hague in time is an eventful one.

Reynolds and Jackson have a great chemistry, additional to the main plot, Kincaid is trying to get his wife free of prison. She's played by Salma Hayek, and although she doesn't share much screen time, she does an excellent job and will have you wishing she was in more scenes.

**I walked into this film not expecting too much, however, by the end I had had my fair share of laughs and enjoyed the fight scenes. It's worth a watch but not a must see. Therefore, I recommend watching this film at the cinemas if you're a comedy-action movie nut.**

**However, if you aren't, be sure to catch it on Netflix/Foxtel when it's released. 7/10**



**Restaurant Reviews by Mark Lisle**

***Pure South Dining***  
***3 Southgate Ave, Southbank***

Pure South has been around for a long time and it had always been good but it was relaunched this year. It is now bigger, more stylish and the menu is a probably bit more upmarket.

Upstairs is the dining room and downstairs on the river level is the bar and bistro. The dining room menu is modern Australian and all the produce is sourced from Tasmania, including King Island and Flinders Island (hence the name - Pure South).

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As you can imagine, steak and seafood figure prominently on the menu. You can't help but be impressed with the food and the Tassie wines are first class too. The view of the Yarra and city skyline is also fantastic - a great place to bring overseas or interstate visitors.

If you haven't yet been to the new Pure South, give it a try. I don't think you will be disappointed.



### ***Sporting Predictions – as seen by Evan Thiveos***

#### **AFL & NRL Grand Finals**

Both games this weekend will be close and hard fought. The Victorian sides (AFL & NRL) will both come out on top. Richmond will win by 5 points with their skipper Cotchin receiving the Norm Smith. However, I predict Eddie Betts will kick the first goal of the game.

The Storm should have it a little easier winning by a couple of tries with Billy Slater being awarded best on ground.

#### **Socceroos**

It has been a disappointing world cup qualifying performance so far. However, I expect us to take care of Syria easily (4-0 on aggregate) and move on to one of the most important games in recent football history – a do-or-die clash against the USA. This one won't be easy, but if we play at our best we should be playing in Russia next year.

#### **Spring Carnival Racing**

Caulfield Cup - Bonneval  
Cox Plate - Winx  
Melbourne Cup - Almandin