RUNDLES

CHARTERED ACCOUNTANTS

RUNDLES REPORT

tax news | views | clues

HAPPY CHRISTMAS 2019

Downsizer super contributions: getting it right

"Downsizer" contributions let you contribute some of the proceeds from the sale of your home into superannuation – but there are several important eligibility requirements.

Are you thinking about selling the family home in order to raise funds for retirement? Under the "downsizer" contribution scheme, individuals aged 65 years and over who sell their home may contribute sale proceeds of up to $300,000 per member as a "downsizer" superannuation contribution (which means up to $600,000 for a couple).

These contributions don't count towards your non-concessional contributions cap and can be made even if your total superannuation balance exceeds $1.6 million. You're also exempt from the "work test" that usually applies to voluntary contributions by members aged 65 and over.

Health insurance and your tax: uncovered

If you don't hold private hospital cover – or are thinking about dropping it – make sure you understand the financial consequences. You could be hit with an extra tax surcharge of up to 1.5% or cost yourself extra premiums in future.

Levies, surcharges and loadings – the terminology around health insurance and tax can be bewildering! But if you don't hold private hospital cover, you need to understand how this may affect your tax.

The Medicare levy surcharge (MLS) is a tax penalty you must pay if you earn above a certain amount and don't take out a sufficient level of private hospital cover for you and all of your dependants. It's designed to give you a financial incentive to insure privately. The MLS is applied by the ATO at tax time and included in your assessment.

Small business CGT concessions: when do I qualify?

CGT concessions allow you to reduce – or in some cases, completely eliminate – the capital gain from the sale of a business asset, whether it's held directly by your business entity or in another related structure.

What's more, the concessions also allow you to make extra super contributions – sometimes up to $1,515,000 – in connection with the sale of business assets. This is an attractive opportunity for many small business owners heading for retirement, especially given the restrictive annual contributions caps that usually apply.

N C Rundle & Co Services Pty ACN 005 453 305

Level One 500 Collins Street Melbourne VIC 3000 Telephone: 03 9629 4631 Facsimile: 03 9614 3460

There are various concessions available, each with their own eligibility rules. There are two basic conditions you must meet before you can access any of the concessions. The first requirement tests whether your business is "small" enough to qualify. There are two alternative tests: a turnover test and a net assets test. The second major requirement is that the capital gain must arise from the sale (or other CGT event) of an "active" asset.

Unpaid super: important amnesty update for employers

The launch of Single Touch Payroll (STP) will dramatically improve the ATO's ability to monitor employers' compliance with compulsory super laws moving forward. This electronic reporting standard is now mandatory for all Australian businesses and gives the ATO fast access to income and superannuation information for all employees.

The government is getting tough on unpaid compulsory super guarantee (SG) contributions, but fortunately for businesses it has recently announced a revised "grace period" to rectify past non-compliance. All businesses should review their super compliance to consider what action they may need to take.

The timing of your disclosure is important. The proposed new amnesty will cover both previous disclosures made since 24 May 2018 (under the old amnesty scheme that the government failed to officially implement) and, importantly, disclosures made up until six months after the proposed legislation passes parliament.

Selling shares: how does tax apply?

Whether you own just a few listed shares or have an extensive portfolio, understanding how capital gains tax (CGT) applies when you sell your shares can help you plan your trades effectively.

Each time you sell a parcel of shares, you trigger a "CGT event" and you must work out whether you've made a capital gain on that parcel (where the proceeds you receive exceed the cost base) or capital loss (where the cost base exceeds the proceeds). You also trigger a CGT event if you give the shares away as a gift – perhaps to a family member. For tax purposes, you're deemed to have disposed of the shares at their full market value.

All of your capital gains for the income year are tallied and reduced by any capital losses. This includes your gains and losses from all of your assets that year, not just shares. If you have an overall "net capital gain", half the amount attributed to assets held for more than 12 months is included in your assessable income and taxed at your marginal tax rate. If you held the asset for 12 months or less, the full amount is taxed. If you have a "net capital loss", you can't offset this against ordinary income like salary or rental income. Instead, a net capital loss can be carried forward to future years to apply against future capital gains.

If you trade shares on a scale that amounts to a business of share trading, (but this is very difficult to achieve) talk to your tax adviser about the different tax regime that applies.

ATO to scrutinise every return for tax time 2019

The ATO has announced that it will scrutinise every tax return lodged during Tax Time 2019 as part of its ongoing focus on "closing tax gaps".

Assistant Commissioner, Karen Foat, said taxpayers who have done the wrong thing may be subject to an audit, even if the over-claim of deductions is minor. Third party data indicating under reported income, and deductions that appear high compared to people with a similar job and income level, tend to raise concerns, Ms Foat said.

If you're subject to an audit, it's not always doom and gloom. In some cases, you may get a higher deduction if the ATO discovers that you haven't claimed something you're entitled to. For example, you may be entitled to a deduction for depreciation on a laptop or other technology used for work but had incorrectly calculated the claim or omitted it altogether.

In the event of an audit and you're found to have over-claimed, the ATO may apply penalties depending on your behaviour. If you're found to have over-claimed based on a genuine mistake, for example, if you've claimed the costs which are private and domestic in nature that are

sometimes used for work or study (eg sports backpack or headphones), the ATO may choose not to apply penalties.

Beware of insurance changes in superannuation

Since July this year, super funds have been required to cancel insurance on accounts that have not received any contributions for at least 16 months unless the member elects to continue the cover. In addition, inactive super accounts with balances of under $6,000 will either be automatically consolidated by the ATO with other accounts you may hold or transferred to the ATO. If your super is transferred to the ATO, any insurance will also be cancelled.

This applies to life insurance, total and permanent disability (TPD) insurance and income protection (IP) insurance that you may have with your super fund.

Another change coming to super funds in the not too distant future of 1 April 2020 is opt-in insurance for members under 25 years old and those with account balances of less than $6,000. From that date, members under 25 who start to hold a new choice or MySuper product will need to explicitly opt-in to insurance. Currently, the onus is on the member to opt out of insurance if they do not want it.

ATO debts may affect your credit rating

Businesses with tax debts need to be aware that the ATO will now be able to disclose the details of their tax debts to credit ratings agencies, which could potentially affect the ability of the business to obtain finance or refinance existing debt.

Generally, only businesses with an ABN and debts over $100,000 and that are not “effectively engaged” with the ATO will be affected. The ATO is planning a phased implementation which will consist of undertaking education efforts before it targets companies, followed by partnerships, trusts and sole traders.

The aim of the laws, according to the government, is to encourage more informed decision-making within the business community by making large overdue tax debts more visible, and to reduce the unfair advantage obtained by businesses that do not pay their tax on time.

TIP: Are you unsure if you have a tax debt, or perhaps you need help with working out a payment plan with the ATO for your existing debt? We can help you with all of this and more.

Crowdfunding: is it income?

Crowdfunding has fast become a go-to strategy for people in need of large amounts of money quickly, but is the money raised considered to be income and therefore taxable?

Crowdfunding is when an individual or business (the promoter) uploads a description of a campaign (eg to fund an activity, a project or a new invention) along with the amount they want to raise to a platform like Kickstarter, GoFundMe, Indiegogo or Pozible.

Other people online (the contributors) can then choose to support the campaign or cause by pledging money.

Many campaigns are donation-based. This is where contributors pledge an amount of money without receiving anything in return. If you’re a contributor in this case, you won’t be able to deduct an amount contributed in a crowdfunding campaign as a “donation” in your Australian tax return unless the cause you’ve donated to is an endorsed or legislated deductible gift recipient (DGR).

Other campaigns can be rewards-based. In these cases, the promoter provides a reward, such as goods, services or rights, to contributors in return for their payments. For example, differing levels of campaign-related merchandise may be available. Usually, your acquisition of goods or

services for making a contribution means the payment is considered private in nature and not deductible.

As the promoter of a campaign (either donation-based or rewards-based), whether the money you receive is considered to be taxable depends on the circumstances. Generally, if the campaign is related to running/furthering your business or is a profit-making plan, then any money received would be classed as income.

TIP: If you're thinking of starting a crowdfunding campaign or have already had success with one, we can help you deal with all the tax consequences, so you can concentrate on making your business or project a success.

Non-commercial losses: do the rules apply to you?

If you have a business in addition to your main employment, the non-commercial loss rules could apply to you, which may prevent you from deducting your business losses against your other income.

Depending on your business activity, as long as you satisfy certain conditions your business will not be subject to the non-commercial loss rules. If your business doesn't satisfy these conditions, don't worry – you can also apply to the ATO for an exemption under certain circumstances.

A "non-commercial" business activity in this context is any business where the deductions exceed the assessable income in any particular year.

If you're a primary producer or a professional artist and your income from other sources unrelated to the business is less than $40,000, the non-commercial loss rules will not apply to you. You will be able to deduct any losses from the business against your other income, but you should be aware of the $40,000 threshold, which may change from year to year based on your personal circumstances.

TIP: If you get the bulk of your income from being an employee and run a business on the side, we can help you figure out if you're subject to the non-commercial loss rules. We can also help make a formal request to the ATO to allow you an exemption from the rules.

Less tax for some working holiday makers?

The working holiday tax rate (commonly known as the "backpacker tax") has generally applied from 1 January 2017 to individuals who have working holiday or work and holiday visas. In essence, the first $37,000 of "working holiday taxable income" is taxed at 15%, and then the balance is taxed at the standard rates applicable to residents.

Thus, working holiday makers are taxed at a higher rate on their first $37,000 than residents, because the holiday makers don't get the benefit of the Australian tax-free threshold ($18,200 for 2019–2020).

A recent Federal Court case centred on a British citizen who lived in Australia for almost two years. During most of that time she lived in the same share house accommodation in Sydney, and only left for short stints to travel to other areas. Essentially, the case came down to whether or not she was a resident of Australia and if so, whether the non-discrimination clause in the Australia–United Kingdom double taxation agreement prevented her from being taxed at the higher "backpacker" rate. The Federal Court found that she was an Australian resident for tax purposes, and she should not be taxed at the higher rate.

Some have seen this decision as a win for all working holiday makers, but it's likely to have a fairly narrow application. Coupled with the ATO still considering an appeal, this area of law is far from settled.

TIP: If you're unsure whether this decision affects you, we can help you work out whether you're a tax resident and may be eligible to pay less tax on your working holiday income.

Tax relief for drought-stricken farmers

With drought sweeping across the country, farmers are being offered access to concessional loans, grants and special allowances to help ease the immediate financial burden. While it is difficult to predict when the drought will break, for those who are in the process of navigating their way out of immediate financial strain, there are ways to future proof your farm or primary production business by taking advantage of various tax concessions.

Some of the immediate assistance measures include concessional loans and the farm household allowance, through which lump sum payments of up to $12,000 can be paid to eligible farm households.

The allowance can also be in the form of fortnightly payments for a maximum period of four cumulative years at the same rate as the Newstart allowance. This allowance may be available to both the farmer and their partner, provided certain conditions are met. An activity supplement of up to $4,000 to pay for study, training or professional financial advice may also be available to eligible households.

In addition to the immediate assistance, primary producers can obtain ongoing benefits of various tax concessions, including the instant asset write-off, immediate deductions for fodder storage assets, and income averaging to assist with cash flow.

TIP: If you're experiencing hardship due to drought, we can contact the ATO on your behalf or assist with your application for farm household allowance to ease the immediate financial burden.

Super guarantee opt-out for high income earners

Under the superannuation guarantee framework, employers are required to contribute a minimum percentage (currently 9.5%) of their employees' ordinary time earnings into superannuation. Employers that fail to do so will be liable for a penalty called the superannuation guarantee charge, payable to the ATO. If you're a high-income earner with multiple employers, this requirement has the very real chance of pushing you over the concessional contributions cap of $25,000.

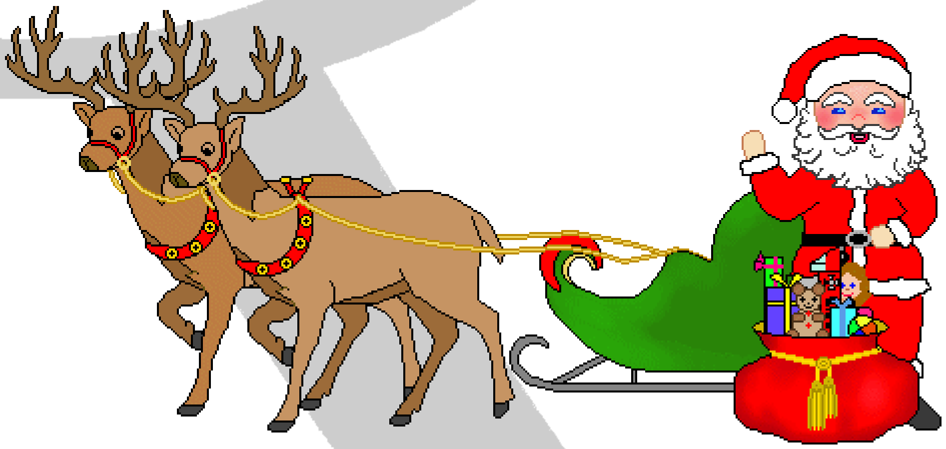
To avoid this unintended consequence, laws have recently been passed so that eligible high-income earners with multiple employers can opt out of the super guarantee regime. From 1 January 2020, employees with more than one employer who expect their combined employers' contributions to exceed the concessional contributions cap can apply for an "employer shortfall exemption certificate" with the ATO.

TIP: It's a good idea to speak to your employers before deciding to apply for an exemption certificate, as it may impact relevant awards or your workplace agreements.

N C Rundle & Co Services Pty ACN 005 453 305
Level One 500 Collins Street Melbourne VIC 3000 Telephone: 03 9629 4631 Facsimile: 03 9614 3460

RUNDLES

CHARTERED ACCOUNTANTS



PARTNERS AND STAFF WISH ALL OUR CLIENTS
A VERY MERRY CHRISTMAS AND A PROSEROUS NEW YEAR

OUR OFFICE WILL BE CLOSED FROM
MIDDAY FRIDAY 20 DECEMBER 2019 AND REOPENING MONDAY 6 JANUARY 2020

N C Rundle & Co Services Pty ACN 005 453 305
Level One 500 Collins Street Melbourne VIC 3000 Telephone: 03 9629 4631 Facsimile: 03 9614 3460

Noel's News

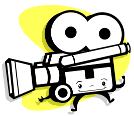
Restaurant Reviews by Mark Lisle

Rubira's – 162 Station Street, Port Melbourne

I've been meaning to write this place up for some time and now I've finally remembered. Rubira's is located at the old Swallow's Hotel in Port Melbourne, on the corner of Station Street and Ingles Street. Their claim is Simply Sensational Seafood and that pretty much sums it up. The seafood is as good as you will get anywhere in Melbourne (and that includes The Atlantic) but add to that a great atmosphere, good wine list and friendly, helpful staff and it's pretty hard to beat. It's not cheap but the prices are commensurate with the quality.

Rubira's is the sort of place that would be equally suitable for a business lunch, a family occasion, a catch up with friends or a romantic dinner for two. I really like this place. In fact, I will award it my restaurant of the year for 2020. There you go, saved the best to last.

Compliments of the Season to all.



Film Review by James Ramsden

Ford v Ferrari

Academy Award winners Matt Damon and Christian Bale star in FORD v FERRARI. Based on the incredible true story surrounding car manufacturing royalty in Enzo Ferrari and Henry Ford II facing off. In the 1960's a merger bid proposed by mega Ford Corporation to a bankrupt Ferrari is rejected. This aggravates the powerful Henry so he dramatically reacts. He writes an open cheque to start a Ford racing team that would compete in the 24 hours of Le Man's (car race) in France that Ferrari have been dominating in recent history. The best drivers were required aka Brit Ken Miles (Bale) and the best manufacturers aka Carroll Shelby (Damon) if they were going to have any chance.

Do not be put off by the long running time. The film is fast paced with plenty of suspense and thrills. However, it is not all serious with plenty of comedy throughout. There are a few one-liners that will roll off the tongue when you leave the cinema. The on-screen bond between Damon and Bale after never working together appears genuine which brings emotion to the story.
The production is almost perfect with Bale's British ascent and at times the CGI a hard selling point. Ultimately, car enthusiast or not I believe it is a must watch that will leave you buzzing and wanting more. - James Ramsden – 4.5/5

N C Rundle & Co Services Pty ACN 005 453 305
Level One 500 Collins Street Melbourne VIC 3000 Telephone: 03 9629 4631 Facsimile: 03 9614 3460

Sporting Predictions

Australian Open Predictions by James Ramsden

Another year gone and it’s amazing to think three out of the “big four” are still at the top of the ATP rankings. With Nadal – 1, Djokovic – 2 and Federer – 3 all in their thirties and playing 17 tournaments each is astonishing. In comparison, this is much less than the average of 25 tournaments.

The only person missing from the “big four” is Andy Murray, where he had an emotional send off at the most recent Australian Open, due to crippling hip injuries. After sitting out the rest of the Grand Slams and undergoing resurfacing surgery, Andy of course made a comeback to the game. He also took out an ATP singles title which was his first since 2017 when his hip started troubling him. It may be a boring scenario but more likely than not, one of these four champions of the sport is likely to win the men’s draw. If Andy could win and or get close it would make a good story, especially since he is at long odds.

Alexander Zverev is still the best young talent apart from struggling in the slams. Zverev’s, best performance has come in the French Open, reaching the quarter finals twice. Aussie Alex de Minaur is our best hope but still needs time to develop.

Alternatively, the women’s draw is more open. Although Serena is at the top of the betting she has not won a Grand Slam since 2017 and is proving to be beatable. Ash Barty, after winning the 2019 French Open in what was a stellar season currently holds the number 1 ranking. The last time an Australian made the final of the Aus Open was Lleyton Hewitt in 2005. It would be very special if she were to go close. Also, Simona Halep is one of the favourites after winning a Grand Slam in each of the past two years. In the prime of her career at age 28 and reaching the Australian Open in 2018, suggests she should not be underestimated.

Cricket by Tom Cooper

The Summer of cricket continues with the Australian Cricket Team playing host to the New Zealand Black Caps in a 3-test series for the Trans-Tasman Trophy. The series kicked off last Thursday in Perth, with the following tests to take place on Boxing Day and 2 January, in Melbourne and Sydney, respectively. This series will mark the first time Australia has squared off New Zealand in the Boxing Day Test since 1987. The series promises to be much more competitive than the historical record between these two nations might suggest, with the Kiwis fresh off a 1-0 series win over England and looking much more formidable than Australia’s previous opponents, Pakistan, whom Australia defeated resoundingly in their recent series, thanks to Dave Warner’s historic performance.

Prediction: Australia to retain the Trans-Tasman Trophy after drawing the series 1-1.