



# RUNDLES

CHARTERED ACCOUNTANTS

## the report

tax news | views | clues

Autumn 2016

### Single Touch Payroll pilot and tax offset proposed

The Government is looking to cut red tape for employers by simplifying tax and superannuation reporting obligations through its initiative called Single Touch Payroll (STP). "Employers currently manually report Pay As You Go (PAYG) withholdings to the ATO," the Assistant Treasurer Kelly O'Dwyer said. "Under the new STP this information will be automatically reported to the ATO through Standard Business Reporting (SBR) software."

The ATO will be conducting a pilot in the first half of 2017 focusing on small businesses. From 1 July 2017, all businesses will be able to commence STP reporting, with the option to make voluntary payments. In addition, the ATO will transition employers with 20 or more employees to STP. From 1 July 2018, employers with 20 or more employees will be required to use STP enabled software for reporting to the ATO. The Government will make a decision on timing for rolling out STP reporting for employers with less than 20 employees after the pilot is completed.

To assist small businesses with a turnover of less than \$2 million, the Government will offer a \$100 non-refundable tax offset for SBR-enabled software. This offset is proposed to apply from 1 July 2017 and for software purchases or subscriptions made in the 2017–2018 financial year only.

**TIP: Although there are benefits to streamline reporting, some commentators have highlighted cash flow concerns relating to making more frequent payments. Real time pay day reporting also gives the ATO an earlier intervention signal to contact struggling businesses. If you have any questions, please contact our office.**

### Government's Innovation Agenda contains tax incentives

The Government is looking to support innovation and its recently released Innovation Agenda proposes a suite of new tax and business incentive measures. A key proposal is to provide concessional tax treatment to encourage early stage investors to support innovative start-ups. Under the proposal, investors will receive a 20% non-refundable tax offset based on the amount of their investment (capped at \$200,000 per investor, per year), as well as a 10-year capital gains tax exemption for investments held for three years. The Government has advised that the scheme is expected to commence during 2016 as soon as supporting legislative amendments are passed into law.

**TIP: The incentive is proposed to be available for investments in companies that: undertake an eligible business (scope to be determined); that were incorporated during the last three income years; aren't listed on any stock exchange; and have expenditure and income of less than \$1 million and \$200,000 in the previous income year, respectively.**

### ATO data matching real property transactions

The ATO has issued a notice announcing that it will be acquiring details of real property transactions for the period 20 September 1985 to 30 June 2017 from various state revenue offices and tenancy boards. In relation to rental properties, the ATO is seeking details of rent paid and contact details of landlords. In relation to property transfers, the ATO is seeking details of the transfers, including details of the transferors and transferees and any state land tax and/or stamp duty concessions sought.

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The information will be matched to the ATO's data holdings. The ATO said an objective of the data matching program is to ensure taxpayers are correctly meeting their taxation obligations. The ATO expects that around 31 million records for each year will be obtained. Based on current data holdings, the ATO said records relating to approximately 11.3 million individuals are expected to be matched.

**TIP: The data matching program goes all the way back to the start of the capital gains tax (CGT) regime in September 1985. Some commentators suggest this could be the ATO looking for CGT revenue on previously undeclared capital gains or incorrectly claimed CGT concessions. Note also that the ATO intends to carry on its data matching program from 2017. It will no longer announce details of its program as law changes will make it mandatory by then for revenue authorities and other entities to report real property transactions to the ATO.**

## **Tax treatment of earn out rights on business sale**

A Bill has been introduced in Parliament that proposes to amend the tax law to change the capital gains tax treatment of the sale and purchase of businesses involving certain earn out rights (ie rights to future payments linked to the performance of an asset or assets after sale). As a result of these amendments, capital gains and losses arising in respect of look-through earn out rights will be disregarded. Instead, payments received or paid under the earn out arrangements will affect the capital proceeds and cost base of the underlying asset or assets to which earn out arrangement relates.

Clarifying the CGT treatment of earn out rights has been a long time coming – it was first announced on 12 May 2010 as part of the 2010–2011 Budget. The amendments contained in the Bill are proposed to apply from 24 April 2015. However, note there will be protections for taxpayers who have undertaken other actions in reasonable anticipation of announcements made about the amendments in the 2010–2011 Budget.

**TIP: The ATO has released details of its administrative treatment pending the formal enactment of the legislation. Please contact our office for further information.**

## **Are your super saving goals on track?**

The new calendar year is a good time to conduct a superannuation health check and set some new goals to help boost superannuation savings. Although there have been no seismic shifts in the superannuation landscape of late, it may be prudent to reacquaint yourself with the rules. The following are some considerations.

- Make extra contributions – the general concessional contributions cap is \$30,000 for 2015–2016. For people aged 50 and over, there is a higher concessional contributions cap of \$35,000 for 2015–2016.
- Check super savings – it is a good habit to check your super balance regularly. You may also want to protect your super from identity crime. For example, you may want to change passwords for accounts that can be viewed online.
- Look for small lost super accounts – the threshold below which small lost super accounts will be required to be transferred to the ATO has increased to \$4,000 (from December 2015).
- Consolidate multiple super fund accounts – you may want to consider consolidating multiple super fund accounts. This may help avoid paying multiple fees, reduce paper work, and make it easier to keep track of your super.
- Salary sacrifice super – you may want to ask your employer about salary sacrificing super, or you may want to consider reviewing existing arrangements with your employer.

**• TIP: Professional advice should be obtained before implementing a new retirement saving strategy. Please contact our office to discuss your circumstances.**

## **Tax relief for small businesses that restructure on the way**

Small businesses are important to the Australian economy, as they facilitate growth and innovation. However, as a small business develops over time, its initial legal structure may no longer be suitable for the business. Where a business has to restructure to accommodate growth, the transfer of assets from one legal structure to another could give rise to unwanted tax liabilities, even though the underlying economic ownership remains the same.

With this in mind, the Government has proposed amendments to the law to provide tax relief for small businesses that restructure on a genuine basis. If the legislative amendments are enacted as proposed, the changes would apply for restructures occurring on or after 1 July 2016. In introducing the Bill, the Assistant Treasurer said that this legislation completes the Government's \$5.5 billion Growing Jobs and Small Business package. Ms O'Dwyer said the Bill will reduce risk and complexity, and will make it easier for businesses to grow.

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## **Trusts' ABNs to be cancelled if no longer carrying on business**

The ATO has advised that the Registrar of the Australian Business Register (ABR) will begin cancelling the Australian Business Numbers (ABNs) of approximately 220,000 trusts, where there is evidence they are no longer carrying on an enterprise.

A trust's ABN will be cancelled where available information indicates that the trust has not lodged business activity statements and/or trust income tax returns for the last two years. Exclusions to these ABN cancellations apply for trusts that are registered with the Australian Charities and Not-for-profits Commission (ACNC) or are non-reporting members of a GST or income tax group.

The ATO said entities will receive a letter if their ABNs had been cancelled. This letter will include the reason for the cancellation, and a phone number to ring to have the ABN reinstated immediately if the entity does not agree with the decision.

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## **Withholding tax for car allowances**

Car expense deductions for individuals were simplified from 1 July 2015. Employers who pay their employees a car allowance need to withhold tax on the amount they pay over 66c per kilometre. If employers have not been doing this, the ATO notes they should start now to avoid their employees having a tax debt.

**TIP: Employers should consider having a discussion with affected employees about whether to increase the withholding amount for the remainder of the financial year to cover the shortfall.**

**If you have any questions, please contact our office.**

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## **"Wildly excessive" tax deduction claims refused**

A professional sales commission agent has been largely unsuccessful before the Administrative Appeals Tribunal (AAT) in claiming tax deductions for work-related expenses, including home office expenses, various grocery items and overtime meal allowances.

The case concerned the taxpayer's deduction claims in his 2011 and 2012 tax returns. The taxpayer worked as a professional sales commission agent and his employer did not provide him with a dedicated office or workspace. His original claims (which changed throughout the course of the AAT proceeding) totalled over \$63,000 for 2010–2011 and over \$53,000 for 2011–12, representing at least 30% of his employment income. During the proceedings, the taxpayer abandoned a claim for a \$5,388 payment to his seven-year-old son for his "secretarial assistance".

The AAT found that the taxpayer's home office claims were "wildly excessive", and that the taxpayer and his representatives failed to critically analyse how these claims helped produce the taxpayer's assessable income. The AAT rejected everything claimed under "staff and client amenities", as it considered the products were overwhelmingly consumed by the taxpayer's family, making the claims "outrageous and utterly unacceptable". The claimed meal allowances were also rejected in their entirety. However, the AAT did not disturb heating and lighting expenses allowed by the Commissioner.

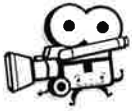
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## **GST credits not available for payments on behalf of super funds**

The ATO has issued GST Determination GSTD 2016/1, which provides the Commissioner's view on whether employers can claim input tax credits for expenses paid on behalf of superannuation funds.

The Determination notes that employers may pay expenses on behalf of superannuation funds for administrative convenience. It provides that an employer is not entitled to an input tax credit if a superannuation fund makes an acquisition and the employer pays the expense on the fund's behalf (eg the super fund obtains legal advice but the employer pays the legal adviser). This is because the advice is supplied to the fund and not to the employer. However, the Determination notes that the fund may be entitled to claim a reduced input tax credit under the financial supply rules (contained in the GST Act), provided the requirements of those rules are satisfied.

# Noel's News



## ***Film Review – by Mark Lisle***

I have seen a few films since the last newsletter... here is a quick snapshot:

### ***The Big Short***

***Starring Christian Bale, Steve Carell and Ryan Gosling***

I'm a sucker for movies based on a true story, especially ones that I lived through. The Big Short is based on the GFC and focuses on a few astute people who managed to profit from the collapse of the US housing loan market. The film does a great job "sexing up" some of the financial themes that are central to the plot. This movie boasts a great cast and they don't let you down. I loved it! *4 Stars*.

### ***Spotlight***

***Starring Mike Ruffalo, Michael Keaton & Rachel McAdams***

Once again, this film is based on a true story, being the expose in the early 2000's, by the Boston Globe newspaper, of the Catholic church's cover-up of the sexual abuse of young boys by Catholic priests in the 70's and 80's. It comes at a topical time here in Australia as the Royal Commission into child abuse continues to evoke hostility towards the Catholic Church. As you can imagine, given the subject matter, there is not a single light moment in the film but I found it compelling from start to finish. The best film I have seen for some time. *5 Stars*.

### ***The Daughter***

***Starring Geoffrey Rush, Sam Neill and Anna Torv***

This is an Australian film based on the son of a wealthy businessman who returns to Australia from America to attend his father's wedding (to his 31 year old housekeeper). The son uncovers some deep family secrets and manages to ruin the lives of several people in the process. The film is very dark and I found it somewhat unfulfilling in the end. However, it is very well acted and did manage to hold my attention from start to finish. *3 Stars*.

### ***Brooklyn***

***Starring Saoirse Ronan, Emory Cohen and Domhnall Gleeson***

A definite "Chick Flick". However, the film is superbly acted by the main character, Saoirse Ronan, and is easy to watch. The story is based in the early 1950's, and is about a young Irish woman who leaves Ireland for Brooklyn in the U.S. to make a better life for herself. Make a better life she does and within a year falls in love with a young plumber of Italian heritage. I won't spoil the story but, suffice to say that things become a little complicated. This is a classic romantic drama with a few of delightful lighter moments. The girls will love it but most blokes will grudgingly enjoy it too. *4 Stars*.



## **Restaurant Reviews by Mark Lisle**

### ***Bistro Gitan***

**52 Toorak Road, South Yarra.**

Situated in the old Fawkner Hotel building, this is a great restaurant for lovers of French cuisine. The owners claim that the menu has a bit of a Spanish influence but I didn't notice it. All the usual favourites are there and a couple of more contemporary dishes as well. We loved the food and couldn't fault the service or decor. We found the wine list a bit limited but I'm told it changes constantly. Overall, very enjoyable and very French!

*Bistro Gitan* also has a sister restaurant, called *L'Hotel Gitan*, at 32 Commercial Road Prahran. This is a more casual version of *Bistro Gitan* and it has a more extensive range of steaks - more of a bistro style. The wine list was also more extensive. A younger crowd is more likely here, compared to big sister, and it probably lends itself better to group bookings.



## **Book Review – Mark Lisle**

### ***Chasing Shadows***

***The Life and Death of Peter Roebuck***

**By Tim Lane and Elliot Roebuck**

I found this book fascinating. I had long read Peter Roebuck's articles in *The Age* and heard him on the ABC and was very curious about the nature of his death. When I heard that Tim Lane, who I regard as peerless in sports journalism, was the author of this biography, I knew it would be a must read. The book provides a fantastic insight into Peter Roebuck the cricketer, the journalist and the man. He was obviously very intelligent but he was also a complex character with a dark side. This book explores his character, as well as his sexuality, and tries to make some sense of his death. You don't have to be a cricket lover to enjoy this book (but it will help).



## ***Sporting Predictions – as seen by Brad Roach***

### **AFL**

After a long summer, the 2016 AFL season is finally underway. My top 8 at the opening of the season are West Coast, Geelong, Sydney, North Melbourne, Western Bulldogs, Hawthorn, Port Adelaide and Richmond. The grand final will be played out between West Coast and Geelong with West Coast winning a close encounter. Looking ahead to the Brownlow Medal, the top three vote getters will be Patrick Dangerfield, Gary Ablett and Daniel Hannebery. Josh Kennedy will win the Coleman Medal.

### **GOLF**

The next major golf championship is the US Masters to be held at Augusta. Jason Day and Adam Scott are both in great form and will be in contention. Looking forward to some great golf from Rory McIlroy, Jordan Spieth and Rickie Fowler but it will be Jason Day hanging on in a nail biting finish.

### **SOCCER – A LEAGUE**

The A-League competition is approaching the end of the 2015-2016 season. Melbourne City will be the A-League premiers over Western Sydney Wanderers 2-0.