



RUNDLES

CHARTERED ACCOUNTANTS

Rundles Report

tax news | views | clues

Winter 2019

Tax planning

With the end of the 2019 income tax year upon us, this issue draws attention to year-end tax planning strategies and compliance matters that you need to consider to ensure good tax health. It focuses on the most important issues for small to medium businesses and individuals to consider.

TIP: This is general information, but we'll take your particular circumstances into account to help you achieve good tax health. Contact us to find out more.

Deferring derivation of income

If your business recognises income on an accruals basis (when an invoice is raised) and your cash flow allows, you may consider delaying raising some invoices until after 30 June, meaning the assessable income will be derived after the 2019 income tax year.

For business income derived on a cash basis (interest, royalties, rent and dividends), you may consider deferring the receipt of certain payments until after 30 June 2019. For example, setting term deposits to mature after 30 June 2019 rather than before.

Bringing forward tax-deductible expenses

To qualify for deductions in the 2019 income tax year, you may be able to bring forward upcoming expenses so that you incur them before 30 June 2019. Small businesses and individual non-business taxpayers may prepay some expenses (such as insurances and professional subscriptions) up to 12 months ahead. This should only be done subject to available cash flow and where the prepayment makes commercial sense.

Tax relief for individuals and small businesses

Instant asset write-off

The instant asset write-off threshold for small businesses has been increased to \$30,000 and extended to 30 June 2020. And from 2 April 2019, the instant asset write-off has also been expanded to include businesses with a turnover from \$10 million to less than \$50 million.

If you purchase an asset (new or secondhand) costing less than \$30,000 and it is used or installed ready for use from 7:30pm on 2 April 2019, you can claim a deduction for the portion your eligible small business uses. Different thresholds and deduction amounts apply for assets purchased before that date.

You can purchase and claim a deduction for multiple business assets as long as each asset is under the relevant threshold. Assets costing \$30,000 or more can't be immediately deducted. You can continue to deduct them over time using the small business pool.

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Low and middle income tax offset

A new low and middle income tax offset (LMITO) will be available for individuals, providing a benefit of up to \$255 if you earn under \$37,000 and up to \$1,080 for if you earn between \$48,000 and \$90,000. The offset reduces by 3 cents for every dollar in excess of \$90,000. There is no offset for individuals who earn more than \$126,000.

TIP: The interaction of the Tax Free Threshold (\$18,200) the Low Income Tax Offset (\$455) and the Low and Middle Income Tax Offset means adult individuals with taxable incomes of \$21,884 or less will not pay any tax.

Individuals

Deduct work-related expenses

People overclaiming deductions for work-related expenses like vehicles, travel, internet and mobile phones and self-education are on the ATO's hitlist again this year. There are three main rules when it comes to work-related claims:

- You can only claim a deduction for money you have actually spent (and that your employer hasn't reimbursed).
- The expense must be directly related to earning your work income.
- You must have a record to prove the expense unless (in some circumstances) the expense is matched off by receipt of a reasonable allowance.

Deductions are not allowed for private expenses (eg travel from home to work that's not required to transport bulky equipment) or reimbursed expenses (eg for the cost of meals, accommodation and travel). And although you don't need to include records like receipts with your tax return, the ATO can deny your claim – and penalties may apply – if you can't produce the evidence when asked.

TIP: The ATO now uses real-time data to compare deductions across similar occupations and income brackets, so it can quickly identify higher-than-expected or unusual claims.

Don't forget sharing economy income

Money that you earn from "gig" jobs through platforms like Uber, Airtasker and Airbnb, such as transporting passengers or renting out a room or house, counts as your assessable income. This means you must declare it on your tax return.

Depending on your gig activities and expenses, you may also be able to claim deductions related to this type of income, but it's important to keep evidence to support your claims.

Superannuation contributions and changes

Both employees and self-employed individuals can claim a tax deduction annually (maximum \$25,000) for personal superannuation contributions, provided the super fund has physically received the contribution by 30 June 2019 and the individual provides their fund with a "notice of intention to claim" document.

Also don't forget:

If your spouse has assessable (ie gross) income of less than \$37,000 you can claim an 18% tax offset in your tax return if you make a non deductible contribution of up to \$3,000 into their superannuation fund. This offset tapers down to zero if your spouse's income exceeds \$40,000.

Where your assessable income is less than \$37,697 and is predominately derived from personal exertion (ie employed or self employed), you will receive a 50% Government Co Contribution (to a maximum of \$500) to your superannuation fund if you make a non deductible contribution to that fund.

This co contribution tapers down to zero once your gross income exceeds \$52,696.

Important to note!

New rules mean that insurance coverage will be cancelled on “inactive” superannuation accounts from 1 July 2019, unless the fund member informs the fund in writing that they want to keep the insurance. Also, where an inactive account has a low balance (under \$6,000) the fund will have to send that super to the ATO for consolidation and safekeeping.

If you haven't made contributions or rolled over your super in the past 16 months, no matter what your balance, it's important to check in with your fund now to keep your account active and maintain the insurance you want.

TIP: The new law also bans super funds from charging exit fees when you want to leave the fund, which should make it easier to change and consolidate your super accounts when you need to.

Businesses

Lower company tax rate

From 1 July 2016, the income tax rate applicable to qualifying companies has reduced to 27.5%. For the year ending 30 June 2019, this lower tax rate now applies for companies with aggregated turnover of up to \$50 million, as long as they satisfy the “passive income test”.

Small business restructure rollover relief

Small businesses (<\$10 million turnover threshold) have access to the small business restructure relief, which allows eligible taxpayers to transfer assets between related entities, including companies, trusts and individuals, without any income tax or CGT consequences. While this rollover can be very beneficial to a small business, and can lead to substantial tax savings, the eligibility rules can be complex, so care is needed.

Super guarantee contributions

The rate for super contributions paid by employers on behalf of their employees under the super guarantee for the year ended 30 June 2019 is 9.5%.

If you're an employer, you must make super guarantee contributions for your employees quarterly, within 28 days after the end of each quarter (September, December, March and June).

TIP: Although the June 2019 quarter super guarantee contribution doesn't have to be paid until 28 July 2018, it's worth considering an early payment – you can only claim deductions on this year's return for contributions that employees' super funds receive by 30 June 2019.

Beware of ATO impersonation scams at tax time

The ATO warns taxpayers to be alert to malicious scammers who are using increasingly sophisticated methods and technology to impersonate the ATO. A new tactic on the rise is “spoofing”, where scammers mimic a legitimate ATO phone number caller ID to call or send SMS messages, or mimic a legitimate email domain to send emails.

SMSs and emails may ask you to click on a link and provide your personal details to get a “refund” from the ATO. Scammers may also say you need to pay a (fake) tax debt. The ATO warns that these scammers may intend to steal not only your money, but also your identity by using your personal information.

TIP: If you're not sure whether a communication is really from the ATO, don't respond, don't click any links and don't open any attachments. Call the ATO's scam hotline on 1800 008 540 to check its legitimacy.

ATO to ramp up ABN investigations and cancellations

As part of the ATO's work to ensure the integrity of the Australian Business Register, it investigates the business activities of Australian Business Number (ABN) holders when it seems their ABN is no longer being used – for example, if business income isn't being reported, or where the Australian Securities and Investments Commission (ASIC) deregisters a company. The ATO may then cancel the ABN where there's sufficient evidence the business is inactive. An ABN will also be cancelled when the taxpayer themselves advises they've stopped their business activities, or when they lodge their final tax return.

The ATO is ramping up its focus on cancelling inactive ABNs over the coming months, saying it's refined its models to help identify businesses that are no longer active or whose owners have forgotten to cancel their ABN when they ceased business.

If an ABN is cancelled and the holder is still running a business, or an ABN application is refused, the taxpayer can object to the decision within 60 days.

TIP: If your ABN seems to be inactive, the ATO may ask you for evidence that you're setting up or still running a business. We can help you with putting together this information, or with applying to have your ABN reinstated if it's incorrectly cancelled.

Fringe benefits tax: rates, thresholds and ATO focus for 2019–2020

The ATO has issued its annual rulings about rates and thresholds that apply for the new FBT year (1 April 2019 to 31 March 2020), including the benchmark interest rate, the cents-per-kilometre amounts for calculating the value of a fringe benefit from private use of a motor vehicle other than a car, the threshold for the FBT record-keeping exemption, state-by-state amounts for valuing housing benefits, and the weekly amounts the ATO considers reasonable for food and drink expenses incurred by employees who receiving a living-away-from-home allowance.

TIP: We can help you reduce your business's FBT liability with useful strategies like providing employee benefits that are tax-deductible or FBT-exempt, using employee contributions or providing cash bonuses.

The ATO will focus on monitoring a range of FBT issues this year, including looking for employers who fail to report motor vehicle fringe benefits or incorrectly apply exemptions for vehicles; identifying mismatches between amounts on FBT returns and the income amounts on the employer's tax return; looking for incorrect classifications of entertainment expenses; monitoring issues around car parking fringe benefits; and following up with taxpayers who don't lodge FBT returns on time.

Guidance on when a company carries on a business

With reduced company tax rates available for some businesses in recent years, and changes in eligibility for capital gains tax (CGT) small business concessions, it's become increasingly important for us to understand how the law and the ATO deal with concepts like "small business entity" and "carrying on a business".

New guidance is now available on the types of factors the ATO considers when deciding whether a company "carries on a business in a general sense", and how the scope and nature of the business come into play when the ATO determines the tax consequences of a company's activities and transactions.

The guidance emphasises that it's not possible to definitively state whether a company is carrying on a business, but it's a question of fact that the ATO must decide on a case-by-case basis by looking at a range of indicators across the company's features and activities. One key indicator is whether the company's activities have the purpose of making a profit. The ATO accepts that where a profit-making purpose exists, it's likely the other indicators will support a conclusion that the company carries on a business.

Super guarantee amnesty not yet law, but \$100 million recovered

The ATO has recovered around \$100 million in unpaid superannuation from employers since the 12-month super guarantee amnesty was proposed on 24 May 2018, even though the law hasn't yet changed to put the amnesty in place.

At a Senate Economics Legislation Committee hearing in April, ATO Deputy Commissioner, Superannuation Mr James O'Halloran estimated that there has been a 10–15% increase in the number of employers coming forward to self-report unpaid super guarantee amounts in response to the announcement of the amnesty, despite it not yet being law. Mr O'Halloran said 19,000 employers have come forward within the normal super guarantee charge process for reporting unpaid contributions.

The Bill to implement the amnesty lapsed on 11 April when the Federal Election was called, so the ATO must keep applying the existing law. This means employers who make a voluntary disclosure of historical non-compliance won't be entitled to the proposed concessional treatment, unless and until the amnesty is legislated by a future Parliament.

The ATO has said if this eventually happens, it will apply the new law retrospectively to voluntary disclosures made up until 23 May 2019.

TIP: Employers who've missed a super payment or haven't paid employees' super on time must lodge a superannuation guarantee charge statement and, while the current law applies, pay all of the relevant amounts, including interest and administration fees.

Rental deductions: ATO audits to double

The ATO has warned that it will increase its scrutiny of rental-related deductions this year. It says some people are still claiming travel to residential rental properties, but from 1 July 2017 taxpayers (aside from excluded entities) have no longer been permitted to claim tax deductions for travel expenses related to inspecting, maintaining or collecting rent for a residential rental property.

The ATO expects to more than double the number of its in-depth audits this year to 4,500, with a specific focus on over-claimed interest, capital works claimed as repairs, incorrect apportionment of expenses for holiday homes let out to others and omitted income from accommodation sharing.

Shortfall penalties reduced under new ATO initiative

The ATO has heard from community and tax professionals that people should have a chance to correct their mistakes when they get their tax wrong, provided there isn't dishonest intent behind their errors, and is taking a new approach that seems to be having positive effects.

Under this new approach, if the ATO finds an error on a tax return or an activity statement during an audit or review, the taxpayer may be eligible for automatic penalty relief. This means the ATO will show the taxpayer where they made the error, won't apply a penalty and will educate the taxpayer on getting it right in future.

In the first six months of the initiative, the ATO has assisted thousands of people and small businesses and individuals with errors on their tax returns or activity statements, and shortfall penalties for "failure to take reasonable care" and "not having a reasonably arguable position" have been reduced by 89.2% for individuals and 83.8% for small businesses.

How the ATO identifies wealthy individuals and their businesses

The ATO uses sophisticated data matching and analytic models, drawing on tax returns and referrals from other government agencies or the community, to identify wealthy and high wealth individuals and link them to associated businesses. Given the importance of this group to community confidence in the tax and super systems, the ATO says it has an ongoing focus on engaging with such taxpayers, letting them know what information the ATO holds about them, and offering assistance and services to help "get things right up front". This early engagement is part of the ATO's commitment to improving the client experience, increasing transparency and reducing red tape.

Requirement registered to lodge 2019 tax and other returns

The Notice of Requirement to Lodge a Return for Income Year Ended 30 June 2019 has been registered. This covers income tax returns and other lodgements for franking account returns, including special rules for late balancing corporate tax entities that elect to use 30 June as a basis for determining their franking deficit tax liability; venture capital deficit tax returns; ancillary fund returns; trustees of SMSFs; and member information statements by superannuation providers.

The Notice also covers use of approved forms for lodgement, lodgement deferrals, lodgement exemptions, and penalties for non-lodgement.

The Notice of Requirement for Parents with a Child Support Assessment to Lodge for the Income Year Ended 30 June 2019 has also been registered.

Payment summaries and STP this tax time – taxpayers may need a myGov account

While it is being reported that many businesses are not ready for Single Touch Payroll (STP), with one report suggesting that 70% of small and medium-sized entities (SMEs) are not ready, the employees of businesses that are operating STP face some changes.

As a result of the introduction of STP, taxpayers may need a myGov account in order to get the payment summary details they need to complete their 2019 tax returns. How taxpayers receive their payment summary or income statement from their employer depends on how their employer reports their income, tax and super information to the ATO.

Employers need to let employees know if they won't be giving them a payment summary this year.

Employees with more than one employer may receive both a payment summary and an income statement. In that situation, employees will need to check that income from their payment summaries is included in their tax return.

TIP: This major change for 2019 will see many taxpayers needing to set up a myGov account and link it to the ATO. This is not necessarily a straightforward process. If taxpayers have a myGov account already linked to other services such as Centrelink or Medicare, adding the ATO can be problematic. For example, the name on each account must match exactly – the ATO is likely to have a taxpayer's full name whereas a Centrelink account may only have first and last name. This may prevent the ATO from being added to a taxpayer's myGov account. The situation can be rectified but may require a trip to a Centrelink office. Alternatively, we will be able to access this information on your behalf via our Tax Agents Portal.

STP exemptions and deferrals – ATO reminders

With reported unpreparedness for Single Touch Payroll (STP), mainly among small businesses, and with employers having less than 19 employees needing to report their employees' tax and super information through STP from 1 July 2019, the ATO has reminded businesses about the STP exemptions and deferrals that are available.

There are exemptions for reporting through STP for a particular financial year, for certain payments, or for certain employees.

TIP: Where there are extenuating circumstances that impact an employer's ability to regularly report on or before pay day (eg regular intermittent internet connectivity issues that result in the ATO receiving its report a couple of days after pay day), they can apply for a recurring deferral.

Ombudsman calls on ATO to cease small business recovery action where tax disputes are before AAT

The Australian Small Business and Family Enterprise Ombudsman (ASBFEO) has issued a report into the ATO's enforcement of debt recovery. In a press release, the ASBFEO called for the ATO to immediately cease debt recovery action where tax disputes were before the Administrative Appeals Tribunal (AAT).

The report contains three key conclusions and seven recommendations. The ASBFEO also reminds small business taxpayers in dispute with the ATO of its Small Business Concierge Service, which started on 1 March 2019. This service provides legal assistance for AAT appeals for a limited cost.

The ATO issued a press release outlining its response to the report stating its long standing policy on debt recovery for cases in dispute at the AAT is to only pursue disputed debt in "exceptional circumstances" and that there are only "very rare cases" (eg in 2017-18, it took garnishee action against small business in just four cases).

The ATO further stated that it will give consideration to the report's recommendations while it awaits the Australian National Audit Office's review of how the ATO manages tax debts for small business.

Cryptocurrency: record keeping requirements and data matching program

The Commissioner has published a gazette notice setting out the record keeping requirements for cryptocurrency owners and traders. The ATO advises that it is undertaking a data matching program for 2014-15 to 2019-20 for such entities.

The data obtained from cryptocurrency designated service providers (DSPs) is being (and will continue to be) used to identify the buyers and sellers of crypto-assets and quantify the related transactions. Data will be matched against ATO records to identify individuals who may not be meeting their registration, reporting, lodgement and/or payment obligations.

The ATO will be working with other regulators, in particular, the Australian Transaction Reports and Analysis Centre (AUSTRAC) and the Australian Securities and Investments Commission (ASIC) to ensure that tax law requirements align with a whole of system approach.

Super death benefit for de facto partner upheld

The Federal Court has dismissed an appeal against a decision to pay a superannuation death benefit pension to a fire fighter's de facto partner instead of a lump sum to his estate in *Howard v Batistich* [2019] FCA 525.

The trustee of the Crown Employees Superannuation Fund determined that the respondent, Ms Batistich, was a "de facto partner" of the deceased at the date of his death under the *Superannuation Act 1916* (NSW) and the *Interpretation Act 1987* (NSW). Accordingly, the trustee determined that Ms Batistich was entitled to a fortnightly pension. If there was no spouse (including a de facto), a lump sum death benefit of \$350,000 would have been payable to the deceased estate.

The deceased's parents, as the administrators of his estate, complained to the Superannuation Complaints Tribunal that Ms Batistich did not meet the definition of de facto partner.

In dismissing the appeal, the Court said it was not satisfied that the SCT had misunderstood its task or failed to take into account all the circumstances of the relationship.

Protecting Your Super – how new law may affect SMSFs

The *Treasury Laws Amendment (Protecting Your Superannuation Package) Act 2019* introduces a number of reforms to protect individual's super savings from undue erosion by fees and unnecessary insurance. The ATO says it will now be able to proactively consolidate eligible unclaimed super money into eligible active super accounts, including SMSFs and small APRA funds, if an individual hasn't requested a direct payment of this money or for it to be rolled over to a fund of their choice. Under the *Protecting Your Super* package, the ATO says SMSFs may receive a rollover of consolidated unclaimed super money for members.

ATO reminds SMEs about paying super for backpackers

The ATO has reminded businesses that employ backpackers that they may need to pay superannuation guarantee (SG) for them.

Backpackers on working holidays are considered temporary residents, and are entitled to superannuation guarantee if they are paid \$450 or more before tax in a calendar month. Once they leave Australia, they can claim the super paid to them as a Departing Australia superannuation payment (DASP) providing all requirements are met.

TIP: Determine if backpackers on working holidays are eligible for super by using the ATO's Super guarantee eligibility decision tool at <https://www.ato.gov.au/Calculators-and-tools/Host/?anchor=ECDTSGET&anchor=ECDTSGET/questions/SGET#ECDTSGET/questions/SGET>

Noel's News



Restaurant Reviews

"Tinto" – 555 Burwood Rd, Hawthorn by Mark Lisle

Tinto has become our favourite local restaurant. I've never been to Spain (we're going there later this year) but this is what I would imagine a café or tapas bar in Barcelona or San Sebastian would be like. It has an authentic Spanish feel about it, all the waiters seem to be Spanish, and the food is fantastic.

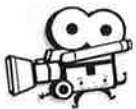
There are plenty of great tapas choices – our favourites were the croquettes, the calamari and the salmon curado – but, in three visits, we haven't tried them all yet. The mains are also delicious, with the lamb shoulder, the beef cheeks and the paella (of course) being our favourites so far. I don't normally eat dessert but the last time we went to Tinto we had the churros with the warm chocolate dipping sauce. Very decadent but you need to try them at least once.

The wine list isn't extensive but is more than sufficient, There are choices of either Spanish or Australian wines but, when you are there, you tend to get caught up in the atmosphere and try a Spanish wine you've never heard of before. The waiters are very helpful and knowledgeable. If you tell them what sort of Australian wine you like, they will suggest a similar Spanish wine.

I reckon Tinto is a great find. If you like Spanish food, I'm sure you will agree.

"The Riverstone Estate Winery" by Bronwyn Campbell

Having a friend visiting from overseas, it was time for some delightful food and to take in some fresh autumn air. We went for a relaxed drive to the Yarra Valley and stumbled across a small, quaint winery called Riverstone Estate. It was perfect for a lazy, relaxed afternoon. This is normally a wedding only venue, but during winter it is open to the public for lunch and afternoon tea. We enjoyed a gorgeous view of the whole valley along with delectable food. Antipasto platter, seafood marinara and topped off with a delicious warm lemon pudding! Could not have asked for nicer food, service and view. A perfect day. After enjoying the view for a couple of hours we finished our day with a bush walk at Badger Weir in Healesville, just a 15 minute drive from the winery. This winery estate is highly recommended.



Film Review by Corey Lisle

"Rocketman" – Starring Taron Edgerton, Jamie Bell, Bryce Dallas-Howard and Richard Madden

It is not to its own detriment that *Rocketman* will be compared to last year's *Bohemian Rhapsody*. Both are musical biopics, a genre that is often criticised for being formulaic. Both follow an eccentric, instantly recognisable homosexual protagonist of music-royalty and place their famous talents and eccentricities as the film's main focus. Where *Rocketman* differs is that, unlike the lazily written, directed and edited *Rhapsody*, it is an engaging, original and fittingly-honest portrayal of an amazing artist.

The Elton John moments you wanted to see are all there - incredible musical performances (sung and acted brilliantly by Taron Edgerton), over-the-top costumes and the history behind the biggest songs in pop music history. Also present are moments I'm sure John would rather forget; copious amounts of drugs, alcohol and sex.

This movie is a dark and refreshingly honest reminder that money and fame can't buy happiness. It's refreshing to see the trials and tribulations of pop-music's biggest star told with such little hesitation. However, make no mistake, *Rocketman* is a colourful, over-the-top musical. Characters burst into song, float in the air mid-performance and extras break out into choreographed dance. Perhaps for a different biopic it would seem jarring, but for an artist as famously colourful as John, it fits well.

Once again, like *Rhapsody*, the film's flaws come in its unnecessary stretching of the truth or its omission entirely. However, unlike *Bohemian Rhapsody*, they are few and far between in this case. A loud, fun and often gritty ride through the life of one of pop-music's most recognisable stars. *4 Stars*



Sporting Predictions as seen by James Ramsden

Wimbledon

Rafael Nadal is in hot form fresh off an astonishing record of 12 French Open titles. I cannot see the "King of Clay" slowing down anytime soon. Do not leave Roger out of the equation. After a three year absence from the French Open, Federer wound back the clock to set up a semi final meeting with Rafa. I would not be surprised if these two greats meet in the Wimbledon final. However, I believe Novak Djokovic is a class above on the grass court and without injuries is the one to beat. I will give youngster Alexander Zverev a sneaky chance and believe it is only a matter of time before he wins a grand slam.

Winner: Novak Djokovic

AFL

Going into round 14 over the half way mark of the season, teams are beginning to settle at the top with Geelong, Collingwood and GWS and down the bottom with Carlton, Gold Coast and Melbourne. Apart from that the competition is still very open. Geelong have been complemented by the likes of Gary Rohan and Luke Dahlhaus up forward. The Cats have also had the luxury of a relatively injury free list for the majority of the season. Collingwood have also been impressive but have not been as fortunate in the injury department. If the Pies have a strong list going into September, they will run over the top of opposition teams with their pace in the midfield and large array of scoring options when going forward.

Premiers: Collingwood

Soccer

In the 2019 FIFA Women's World Cup, currently taking place in France, the world's premier female round ball operators from all parts of the globe compete to be crowned best team in the world in the famous quadrennial tournament. After the group and early knockout stages, the first of the Semi-finals should see heavily-backed favourites the United States take on England, while the other semi-final will likely see Italy take on Germany for the other spot in the Final. The result of the match – to be played in the wee hours of Monday 8 July (AEST) – United States defeating Italy 2-1.

Golden Boot for most tournament goals will be awarded to American, Alex Morgan.

Cricket

Now, moving across the English Channel to the ICC Cricket World Cup, currently taking place in England and Wales. After a strong start for the Aussies I predict they will continue all the way to the Final, where they will capture a redemptive win against perennial powerhouse India. Steve Smith to star in the final, but Player of the Tournament honours goes to fellow Aussie top order batsmen, Aaron Finch.