

GST on all (taxable) online transactions from 1 July 2017

The (now former) Treasurer recently announced that the States and Territories had unanimously agreed in principle to reduce the GST threshold on imported goods and services (currently at \$1,000) to zero.

The new arrangements will apply from 1 July 2017.

He said that he had put forward a proposal that relies on a vendor registration model as a method of collecting the GST.

As goods would not be stopped at the border, administering a vendor registration model would have a relatively low cost.

Non-residents (overseas suppliers) will be the ones who charge, collect and remit the GST for digital and physical products.

As is the case in Australia, only vendors with an Australian turnover of at least \$75,000 will need to register and charge the GST.

Holiday rentals under the microscope

The ATO has advised that it is sending letters to taxpayers in approximately 500 postcodes across Australia, reminding them to only claim the deductions they are entitled to, for the periods a holiday home is rented out, or is genuinely available for rent.

They advise that, to avoid making mistakes on their tax return, property owners should:

- keep accurate records to ensure they declare the right amount of rental income and have evidence for claims made; and
- only claim deductions for the periods the property is rented out, or is genuinely available for rent.

If a property is rented at below market rates, for example to family or friends, claims for deductions must be limited to the income earned while rented.

Taxpayers can apply to the ATO for a market value ruling

The ATO has issued an information sheet to help taxpayers get their property valuations right.

They say that practitioners or their clients can apply for a market value private ruling, by either:

- asking the ATO to provide a valuation (they will be required to pay for the work of the valuer); or
- providing the ATO with a valuation and asking them to confirm it – this generally costs less, provided the valuation meets the ATO's requirements.

There are several advantages to requesting a market value private ruling, as opposed to obtaining a private valuation, as a market value private ruling:

- gives the client greater certainty about their tax matters;
- is binding advice that the client can rely on;
- is completed by a professional valuer and the client can be involved in the selection and appointment of that valuer; and
- removes the risk of providing the ATO with a valuation that does not meet its requirements, which could lead to further costs for the client.

ATO warns about doing your own valuation

According to the ATO, taxpayers who undertake their own valuations – or use valuations from people without adequate qualifications – risk incorrectly reporting their tax, and may be liable to pay administrative penalties.

However, taxpayers who use a qualified valuer or equivalent professional for taxation purposes will generally not be liable to a penalty if they have provided the valuer with accurate information should the valuation ultimately prove to be deficient.

GIC and SIC rates for the 2015 December quarter

The ATO has published the 2015 December quarter rates for the General Interest Charge (GIC) and the Shortfall Interest Charge (SIC):

GIC annual rate	9.14%
GIC daily rate	0.02504109%
SIC annual rate	5.14%
SIC daily rate	0.01408219%

Immediate deductibility of capital start-up expenses

From 1 July this year, new provisions apply to allow certain small businesses, or an entity that is not in business, to immediately claim some start-up costs, including business costs associated with raising capital.

Claimable business-related start-up costs

Expenses can be fully deductible in the year in which they are incurred if the expenditure relates to a small business that is proposed to be carried on and is either:

- ◆ incurred in obtaining advice or services relating to the proposed structure or the proposed operation of the business (e.g., advice from an accountant or lawyer); or
- ◆ a payment to an Australian government agency of a fee, tax or charge incurred in relation to setting up the business or establishing its operating structure (e.g., the ASIC fee for registering a company).

It does not include the cost of acquiring assets that may be used by the business.

Reminder of small business tax cuts

The ATO has reminded taxpayers that, from 1 July 2015, a new two-tier company tax system took effect and applies to all companies.

This system sees the whole of a company's taxable income subject to the following rates:

- ◆ 28.5% if the company's aggregated turnover is below a \$2 million threshold (i.e., a small business entity or 'SBE'); or

- ◆ 30% if the company's aggregated turnover is equal to or above a \$2 million threshold.

Importantly, companies don't need to do anything now – if identified as a small business, the new rate will be automatically applied to their PAYG instalments rate or on their next activity statement.

Editor: Note that a capped 5% tax discount, designed to broadly mirror the small business company tax cut, was also introduced for unincorporated small businesses from the 2016 income year. It will be delivered to individual taxpayers in receipt of small business entity income via the 'small business income tax offset'.

ATO supporting small business to implement SuperStream

As the SuperStream rollout for small businesses continues, the ATO claims that it is helping employers in select industries who need support implementing SuperStream.

Editor: Employers with 20 or more employees were expected to be using SuperStream no later than 31 October 2015. Employers with 19 or fewer employees need to be using SuperStream no later than 30 June 2016.

The ATO has also stated: "With only two quarters left until SuperStream becomes mandatory, now is a good time for employers to adopt SuperStream and familiarise themselves with it before the deadline.

The ATO step-by-step checklist to help employers prepare can be found at www.ato.gov.au/SuperStreamChecklist.

Guidance regarding the payment of death benefits

The Superannuation Complaints Tribunal, which can resolve disputes between large superannuation funds and their members, recently provided the following guidance regarding the payment of death benefits from superannuation funds:-

"There are some common misconceptions about superannuation death benefits that can result in unexpected outcomes for the beneficiaries of a death benefit, and may result in a complaint being made to the Tribunal.

The most common misconception, arguably, relates to the purpose of superannuation.

Broadly speaking, the purpose of superannuation is to provide income in retirement to members and their dependants; it does not form part of a person's estate.

Accordingly, a superannuation death benefit should be paid to dependants and those who had a legal or moral right to look to the deceased member for financial support had they not died.

The ability of a superannuation fund to pay a death benefit directly to a dependant rather than to the estate has a number of advantages.

Firstly, it ensures that the benefit is paid directly for the benefit of the dependants and is not available to creditors who would be paid first from the assets of the estate.

Secondly, it can usually reach the beneficiaries quicker than if a grant of probate or letters of administration has to be obtained and the estate called in and distributed.

Thirdly, as a general rule, superannuation death benefits are protected from bankruptcy.

Therefore, even if the deceased member was bankrupt, or if the estate is insolvent, funds can be paid direct to the dependants to replace the income stream that may be lost as a consequence of the death.

However, if you would like to ensure that your superannuation is distributed a certain way then it is important to find out if your superannuation fund has the option for a binding nomination and if so, ensure you meet the requirements, including renewing your binding nomination every three years."

Note: The requirements for making a binding death benefit nomination for an SMSF are normally found in the trust deed of the fund, and may allow the nomination to be 'non-lapsing'.

Motor Vehicle Cents per kilometre claims

If you use the 'cents per kilometre' method to claim your motor vehicle expenses:

- your claim is based on a set rate for each business kilometre travelled.

- you can claim a maximum of 5,000 business kilometres per vehicle.
- you do not need written evidence to show how many kilometres you have travelled, but the ATO may ask you to show them how you worked out your business kilometres.
- you cannot make a separate claim for depreciation of the car's value.

To work out how much can be claimed we multiply the total business kilometres you have travelled by the number of cents allowed for your car's engine capacity - see the table below. This figure takes into account all your vehicle running expenses.

The rates are adjusted each year.

Rates per business kilometre: 2014-15

<i>Engine capacity</i>		<i>Cents per kilometre</i>
<i>Ordinary engine</i>	<i>Rotary engine</i>	
<i>1.6 litre (1,600cc) or less</i>	<i>0.8 litre (800cc) or less</i>	<i>65 cents</i>
<i>1.601-2.6 litre (1,601-2,600cc)</i>	<i>0.801-1.3 litre (801-1,300cc)</i>	<i>76 cents</i>
<i>2.601 litre (2,601cc) and over</i>	<i>1.301 litre (1,301cc) and over</i>	<i>77 cents</i>

Rate per business kilometre: 2015-16

The *Tax and Superannuation Laws Amendment (2015 Measures No. 5) Bill 2015* was introduced into Parliament on 15 October 2015. If passed, this Bill will set a single rate for all motor vehicles. The Bill proposes that the rate will be 66 cents per kilometre for the 2015-16 income year and the Commissioner of Taxation will determine the rate for future years.

Please Note: Many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the information's applicability to their particular circumstances.