

Government 'backflip' on superannuation changes

Following further consultation, the government has announced the following 'improvements' to the superannuation changes announced in the 2016/17 Budget:

- the \$500,000 lifetime non-concessional cap will be replaced by a new measure to reduce the existing annual non-concessional contributions cap from \$180,000 per year to \$100,000 per year from 1st July, 2017;
- Under this new proposal, individuals under 65 will continue to be able to 'bring forward' three years worth of non-concessional contributions, to make a contribution of \$300,000 (currently \$540,000);
- individuals with a superannuation balance of more than \$1.6 million will no longer be eligible to make non-concessional contributions from 1 July 2017;
- the start date of 1 July 2017 for the proposed 'catch-up concessional superannuation contributions' measure will be deferred by 12 months to 1 July 2018. (Under this measure, individuals with a superannuation balance of less than \$500,000 will be able to make additional concessional contributions where they have not reached their concessional contributions cap in previous years; and
- the proposed abolishing of the work test as from 1 July 2017 for individuals aged between 65 and 74 will not proceed, so people in that age group will still need to satisfy the prescribed work test in order to make superannuation contributions.

Editor: Clients who wish to discuss these superannuation changes should contact our office. The government's extensive changes to the taxation laws regarding superannuation were passed by Parliament on 23 November 2016.

GST on low-value imports

Goods imported into Australia – often by consumers using the internet – which cost less than \$1,000 are currently GST-free.

On May 3 2016, as part of its package of Budget Night announcements, the Federal government proposed that, as of 1 July 2017, this low-value threshold ('LVT') of \$1,000 will be abolished.

The removal of the LVT will see many purchases made by individuals and businesses over the internet from an overseas vendor being subject to GST from 1 July 2017.

It is proposed that, as of 1 July 2017, overseas businesses with an Australian annual turnover of greater than \$75,000 will be *required to register* for GST and collect GST on sales made to Australian customers.

Singapore and ATO to share data to reduce tax evasion

The Inland Revenue Authority of Singapore and the ATO have entered into an agreement on the automatic exchange of financial account information (based on the 'Common Reporting Standard').

This automatic exchange of financial information will commence by September 2018.

Renting out a room is rental income

The ATO has issued an information sheet to let taxpayers know that money earned from renting out a room in a house is rental income.

This applies to rooms rented by traditional means or through a sharing economy website or app.

Also, taxpayers can only claim expenses related to the part of the house they rent out (so expenses will need to be apportioned accordingly).

The following example illustrates how the ATO would expect rental deductions to be calculated.

Example: renting out part of a unit or house

Jane has a two-bedroom unit with two bathrooms. She lives alone and only uses her spare room as an occasional home office, for storage and when she has guests.

Jane mainly uses the ensuite bathroom. The second bathroom is accessible from the main areas and mainly used by visitors.

Jane decides to rent out the spare room on a sharing economy website to earn extra income.

When paying guests come to stay, Jane removes all excess items from the room and does not access the area.

She also gives paying guests access to common areas including the second bathroom, kitchen, living area and balcony, and to her wi-fi. For the period guests are staying and have access to these, Jane can claim 50% of associated costs.

Jane had the room available and occupied 150 days in the year. When she is not renting out the room she uses it as storage and a home office.

Claiming Rental Deductions

Jane calculates what she can claim based on the following additional factors:

- ◆ The room is 10 square metres
- ◆ The house is 80 square metres
- ◆ The common areas are 50 square metres

She works out she can claim 17.97% of her *general expenses* (such as electricity, interest on her mortgage, internet expenses, rates and body corporate fees) after adding the following two calculations together:

- room occupancy:
 - $(10/80 \times 150/365) \times 100 = 5.13\%$
- common areas:
 - $((50/80 \times 150/365) \times 50\%) \times 100 = 12.84\%$.

She can claim 100% of the expenses associated **solely** with renting out the room, such as the facilitator’s commission or administration fee.

Editor: Note that CGT may also apply if a property used to generate rental income is sold.

Personal income tax cuts are law!

Editor: The government has finally legislated the tax cuts originally announced in the May 2016 Budget, so that the marginal tax rate of 37% now starts at \$87,000.

The following are the rates for adult residents for the 2016/17 income year (i.e., from 1 July 2016).

Taxable income	Tax on this income
0 – \$18,200	Nil
\$18,201 – \$37,000	19c for each \$1 over \$18,200
\$37,001 – \$87,000	\$3,572 plus 32.5c for each \$1 over \$37,000

\$ 87,001 – \$180,000	\$19,822 plus 37c for each \$1 over \$87,000
\$180,001 and over	\$54,232 plus 45c for each \$1 over \$180,000

The above rates do not include the temporary budget repair levy (due to expire on 30 June 2017), nor the Medicare levy of 2%.

The ATO has updated the tax tables and PAYG withholding tax schedules (and their online tax withheld calculator) to reflect these changes.

Record keeping is always key to taking on the ATO

In a recent case before the Administrative Appeals Tribunal (AAT), amended assessments issued to a taxpayer by the ATO, which were based on the amounts of unexplained deposits to the taxpayer's bank accounts (in some years, in the hundreds of thousands of dollars, in others, millions), have been largely upheld.

The total further tax claimed by the ATO was almost \$4 million, and, on top of that, they imposed an administrative penalty of almost \$2 million (imposed at the rate of 50% for recklessness).

The taxpayer was partially successful in proving that some of the amounts deposited into bank accounts held in his name were not assessable income.

In particular, the taxpayer was able to demonstrate that some of the deposits were reimbursements of amounts he paid in relation to a group of companies of which he was an investor, and some were transfers from one of his bank accounts to another.

However, in relation to many of the deposits to his bank accounts, he had no corroborative evidence as to what they represented.

Therefore, he failed to discharge his onus to prove the amounts should not have been included in his assessable income.

Editor: Yet again the AAT has provided taxpayers with another reminder as to the importance of documentation and good record-keeping.

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.