

CLIENT ALERT

JUNE 2014

Change in the FBT rate – 2014/15

FBT Rate – 2013/14 & 2014/15

The FBT rate of tax has been increased by half a percent from 1 April 2014. The new rate of tax and the consequent increased gross-up rates follow:

FBT Year Ended	Rate of Tax
31 March 2015	47.0%
31 March 2014	46.5%

Gross-up Rates – 2013/14 & 2014/15

Description	Gross-up Rate	
	2013/14	2014/15
Type 1	2.0647	2.0802
Type 2	1.8692	1.8868

Editor: With the increase in the FBT rate to 47% from 1 April 2014, it's important that employers immediately adjust their salary sacrifice arrangements with their employees. If you need a hand with this, please call our office.

GIC and SIC rates for June 2014 quarter

The ATO has released the June 2014 quarter rates for the General Interest Charge (GIC) and the Shortfall Interest Charge (SIC) as follows:

GIC annual rate	9.63%
GIC daily rate	0.02638356%
SIC annual rate	5.63%
SIC daily rate	0.01542466%

Also, the Interest rate on Overpayments, Interest rate on Early Payments and Delayed Refunds Interest rate is 2.63%.

SMSF trustees may soon be fined for breaches by their fund

Newly enacted legislation will apply to impose penalties on trustees for contraventions occurring in their super fund from 1 July 2014.

They will also apply to contraventions that were made prior to 1 July 2014 and continue after that date.

For example, if a fund has lent money to a member or relative and the loan still exists on or after 1 July 2014, the trustee will be liable for a penalty.

Under the measures, penalties will vary according to the type of breach. In the example above:

- ◆ Each individual trustee would be personally liable for a penalty of \$10,200.
- ◆ For an SMSF with a corporate trustee, each director would be jointly and severally liable for a penalty of \$10,200.

The penalty cannot be paid using the resources of the SMSF.

The ATO says that if trustees are making progress in resolving contravention(s) by 1 July 2014, it would consider these circumstances in any request to remit any imposed administrative penalties.

Super caps increased for 2014/15

The ATO has announced the following changes to the superannuation contributions caps.

Concessional contributions cap

These include:

- employer contributions (including those under a salary sacrifice arrangement); and
- personal contributions claimed as a tax deduction by a self-employed person.

The amount of the cap will be increased from \$25,000 in 2013/14 to \$30,000 in 2014/15.

Non-concessional contributions cap

Non-concessional contributions include personal contributions for which taxpayers do not claim an income tax deduction.

The amount of the cap will be increased from \$150,000 in 2013/14 to \$180,000 in 2014/15.

ATO data matching projects

The ATO has announced that it will conduct the following three data matching projects:

- **Online selling** – the ATO will obtain details of online sellers who sold goods and services to the value of \$10,000 or more in the 2011/12 and/or 2012/13 financial years via online selling sites.

It will collect data relating to between 15,000 and 25,000 individuals for 2012 and 2013 from eBay Australia & New Zealand Pty Ltd.
- **Childcare Service and Educator Payments** – the ATO will acquire details of more than 12,000 taxpayers receiving taxable Childcare Service and Educator Payments from the Department of Education for the 2011/12 and 2012/13 financial years.
- **Qld State Gov't payments and grants** – the ATO will acquire details of more than 5,000 individuals receiving taxable payments and grants from the Queensland State Government for the 2010/11, 2011/12 and 2012/13 financial years.

Repairs to a rental property formerly used as a home

In recent years, there has been an increasing tendency for home owners to use an existing home as a rental property, especially where a new home has been purchased.

In these situations, it is common for taxpayers to undertake repairs and maintenance to their existing home in order to make it more attractive to prospective tenants before the property is available for rent and/or actually rented to tenants.

However, according to the ATO, no deduction will be available for repair expenditure that is incurred before a taxpayer's home is held or used for income-earning purposes (e.g., before the property is genuinely available for rental).

Undertake repairs when property is available for rent

Where appropriate, a taxpayer should consider 'holding-off' undertaking repairs to the former home until the property is either genuinely available for rent (e.g., listed with a real estate agent for rental) or actually rented to tenants.

In these circumstances, a deduction for repairs may be available even though:

- ◆ the property was previously used by the taxpayer for private purposes (i.e., as the taxpayer's home); and
- ◆ some or all of the defects, damage, or deterioration are attributable to the period the property was used as the taxpayer's home.

Gov't to effectively get rid of super excess contributions tax

In the May Budget, the government stated it will introduce legislation to ensure that inadvertent breaches of the non-concessional contributions cap, *that are reversed*, will not incur a penalty.

For any excess contributions made after 1 July 2013 that breach the non-concessional cap (currently \$150,000), individuals will be allowed to withdraw those excess contributions and associated earnings.

If a taxpayer chooses this option, no excess contributions tax will be payable and any related earnings will be taxed at the individual's marginal tax rate.

Anyone who leaves their excess contributions in the fund will continue to be taxed on these contributions at the top marginal rate.

Car parking threshold 2014/15

The car parking threshold for the 2014/15 FBT year is \$8.26. This replaces the amount of \$8.03 that applied in the 2013/14 year.

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.
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