

New superannuation rates and thresholds released

The ATO has published the key superannuation rates and thresholds for the 2018/19 income year.

- ❑ The **Non-Concessional Contributions cap** will remain at \$100,000 (although transitional arrangements may apply), and the **Concessional Contributions cap** will remain at \$25,000.
- ❑ The **CGT cap amount** will be \$1,480,000.
- ❑ The **Division 293 tax threshold** will be \$250,000.
- ❑ The **maximum super contribution base** for superannuation guarantee purposes will be \$54,030 per quarter.
- ❑ The **maximum superannuation co-contribution entitlement** for the 2018/19 income year will remain at \$500 (with the lower income threshold increasing to \$37,697 and the higher income threshold increasing to \$52,697).

The superannuation benefit caps for the 2018/19 income year include:

- a **low rate cap amount** of \$205,000;
- an **untaxed plan cap amount** of \$1,480,000;
- a **general transfer balance cap** of \$1.6m;
- a **defined benefit income cap** of \$100,000;
- an **ETP cap amount** for life benefit termination payments and death benefit termination payments of \$205,000; and
- the **tax-free part of genuine redundancy payments** and **early retirement scheme payments** comprising a **base limit of** \$10,399 and for each complete year of service an additional \$5,200.

Inactive ABNs will be cancelled by the ATO

The ATO has recently advised that, in an effort to maintain accurate data, the Australian Business Register (or 'ABR') periodically checks its records for Australian Business Numbers ('ABNs') and automatically cancels those that appear inactive.

Ultimately, a taxpayer's ABN may be cancelled if they:

- ◆ have told the ATO they stopped their business activity;
- ◆ declared no business income in the last two years; or
- ◆ have not lodged a BAS or an income tax return in more than two years.

To avoid cancellation, the ATO has reminded taxpayers that they need to bring their lodgments up to date, and have reminded sole traders that, regardless of their income, they need to lodge the individual tax return with the supplementary section, as well as the business and professional items schedule.

No need to actually 'downsize' for 'downsizer contributions'

From **1 July 2018**, individuals aged 65 or over may use the proceeds from the sale of an eligible dwelling that was their main residence to make superannuation contributions (referred to as '**downsizer contributions**'), up to a maximum of \$300,000 per person (i.e., up to \$600,000 per couple), without having to satisfy the age or gainful employment tests that usually apply.

This measure was announced in the 2017/18 Federal Budget, and aims to provide an incentive for older Australians to 'downsize' their home.

This, in turn, is expected to reduce pressure on housing affordability by freeing up stocks of larger homes for growing families.

Importantly, it should be noted that there is no requirement for an individual **to actually 'downsize'** by acquiring a smaller property, or to even acquire another property at all.

In this regard, all that is required is that the individual (or their spouse) 'downsized' by selling their 'main residence'.

GST withholding measures now law

Legislation has been passed to "clamp down" on GST evasion in the property development sector.

From 1 July 2018, purchasers of new residential premises and new residential subdivisions will generally be required to withhold the GST on the purchase price at settlement and pay it directly to the ATO.

Property developers will also need to give written notification to purchasers regarding whether or not they need to withhold.

The new obligations are primarily aimed at ending the practice of some developers collecting GST on new properties before dissolving their business prior to remitting such tax to the ATO.

ATO focus on holiday home rentals

The ATO has recently advised that they are "*setting their sights on the large number of mistakes, errors and false claims made by rental property owners who use their own property for personal holidays*".

While it confirms that the private use of holiday homes by friends and family is entirely legitimate, the ATO states that such use reduces a taxpayer's ability to earn income from the property, and therefore impacts on (i.e., reduces) the amount of claimable deductions.

As a result, the ATO has reminded holiday home owners that:

- ❑ They can only claim deductions for a holiday home with respect to periods it is genuinely available for rent.

- ❑ They cannot place unreasonable conditions on prospective tenants/renters, set rental rates above market value, or fail to advertise a holiday home in a manner that targets

people who would be interested in it and still claim that the property was genuinely available for rent.

- ❑ Where a property is rented to friends or relatives at 'mates rates', they can only claim deductions for expenses up to the amount of the income received.
- ❑ Property owners whose claims are disproportionate to the income received can expect greater scrutiny from the ATO.

2018 Budget Update

The Government handed down the 2018/19 Federal Budget on Tuesday 8th May 2018. Some of the important proposals include:

- The introduction of the 'Low and Middle Income Tax Offset', a temporary non-refundable tax offset of up to \$530 p.a. to Australian resident low and middle income taxpayers for the 2019 to 2022 income years. This offset will apply *in addition* to the Low Income Tax Offset.
 - Providing tax relief for individual taxpayers by progressively increasing some of the tax brackets (including an increase in the top threshold of the 32.5% personal income tax bracket from \$87,000 to \$90,000 from 1 July 2018), and eventually removing the 37% tax bracket entirely.
 - The \$20,000 immediate write-off for small business will be extended by a further 12 months to 30 June 2019 (i.e., for businesses with aggregated annual turnover less than \$10 million).
 - From 1 July 2019:
 - Increasing the maximum number of allowable members in an SMSF from four to six members;
 - Ensuring that unpaid present entitlements (or 'UPEs') come within the scope of Division 7A; and
 - Denying deductions for expenses associated with holding vacant residential or commercial land.
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What the super housing measures mean for SMSFs

The ATO has reminded members of SMSFs that they will be able to use their voluntary super contributions to assist with buying their first home, or to make a contribution into their super from the proceeds of the sale of their main residence (under changes passed by Parliament in December 2017).

The First Home Super Saver Scheme

The First Home Super Saver (FHSS) Scheme allows SMSF members to save faster for a first home by using the concessional tax treatment available within super.

From 1 July 2018, SMSF members can apply to release certain voluntary concessional and non-concessional contributions made from 1 July 2017, along with associated earnings to help buy their first home.

Editor: There are various conditions that need to be met in order to take advantage of this measure – contact our office if you would like to know more.

Car limit for 2018/19

The car limit is \$57,581 for the 2018/19 income year (unchanged from the previous year). This amount limits depreciation deductions and GST input tax credits.

FBT: Car parking threshold

The car parking threshold for the FBT year commencing 1 April 2018 is \$8.83.

This replaces the amount of \$8.66 that applied in the previous year commencing 1 April 2017.

ATO scrutinising car claims this tax time

The ATO has announced that it will be closely examining claims for work-related car expenses this tax time as part of a broader focus on work related expenses.

Assistant Commissioner Kath Anderson said:

“We are particularly concerned about taxpayers claiming for things they are not entitled to, like private trips, trips they didn’t make, and car expenses that their employer paid for or reimbursed.”

This is no doubt because over 3.75 million people made a work-related car expense claim in 2016/17 (totalling around **\$8.8 billion**), and, each year, around 870,000 people claim the **maximum amount** under the cents-per-kilometre method.

Ms Anderson said that the ATO’s ability to identify claims that are unusual has improved due to enhancements in technology and data analytics: *“Our models are especially useful in identifying people claiming things like home to work travel or trips not required as part of your job . . . simply travelling from home to work is not enough to qualify, no matter how far you live from your workplace.”*

Ms Anderson said there are three golden rules for taxpayers to remember to get it right.

“One – you have to have spent the money yourself and can’t have been reimbursed, two – the claim must be directly related to earning your income, and three – you need a record to prove it.”

Case studies

False logbook

A traffic supervisor claimed over \$11,000 for work related car expenses, and provided a logbook to substantiate his claim.

However, upon investigation the ATO discovered that the logbook wasn’t printed until the following year – the taxpayer admitted the logbook was fraudulent and it was ruled invalid.

Even though the logbook was invalid, the taxpayer was able to provide other evidence to show that he had travelled at least 5,000 kilometres for work-related purposes, so the ATO used the cents per kilometre method to calculate the taxpayer’s deduction (but his claim was reduced from over \$11,000 to under \$4,000).

Claiming for home to work travel

A Laboratory Technician claimed \$3,300 for work-related car expenses, using the cents per kilometre method for 5,000 kilometres.

However, he advised that his employer did not require him to use his car for work; this claim was based on him needing to get to work.

The ATO advised the taxpayer that home to work travel is a private expense and is not an allowable deduction – his claim was reduced to nil and the ATO applied a penalty for failure to take reasonable care.

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.