CLIENT ALERT

JUNE 2019

Common errors with new GST withholding rules

The ATO has noticed some common errors made in activity statements since the introduction of "GST at settlement" on 1 July 2018.

Editor: These new laws require purchasers to withhold GST on settlement (and pay it to the ATO directly) generally when buying 'new residential premises' from developers.

In particular, the new "GST at settlement" law does not affect a supplier's obligation to lodge their activity statement and report their GST liabilities on taxable supplies in the activity statement period in which settlement occurred.

In addition, suppliers are advised **not** to report GST that has been withheld at settlement and paid to the ATO by the purchaser.

Instead, a credit for the amount the purchaser withheld and paid will appear on the supplier's activity statement account once the activity statement is processed.

Latest ATO benchmarks released

The ATO has released updated benchmark data drawn from over 1.5 million small businesses around the country.

Updated benchmarks for more than 100 industries are now available for the following categories:

- ❑ Accommodation and food;
- ❑ Building and construction trade services;
- ❑ Education, training, recreation and support services;
- ❑ Health care and personal services;
- ❑ Manufacturing;
- ❑ Automotive electrical services;
- ❑ Machinery and equipment repair and maintenance;
- ❑ Architectural services;
- ❑ Veterinary services;
- ❑ Retail trade; and
- ❑ Transport, postal and warehousing.

The benchmarks are one of the tools the ATO uses to crack down on the black economy, along with data matching and referrals from the community.

"Businesses operating outside the benchmarks may trigger a red flag for businesses we suspect could be engaging in the black economy," Mr Holt said.

2019/20 Budget Update

The Government handed down the 2019/20 Federal Budget on Tuesday 2 April 2019.

Some of the important proposals include:

- ❑ Increasing and expanding access to the instant asset write-off from 7:30 pm (AEDT) on 2 April 2019 (i.e., 'Budget night') until 30 June 2020, as follows:
  - Increasing the instant asset write-off threshold from $25,000 to **$30,000**.
  - Making the instant asset write-off available to medium sized businesses (with aggregated annual turnover of $10 million or more, but less than $50 million).

Editor: The legislation to make the above changes to the instant asset write-off has already been passed and received Royal Assent.

- ❑ Allowing individuals aged 65 and 66 years to:
  - make voluntary superannuation contributions (both concessional and non-concessional) without meeting the work test from 1 July 2020; and
  - make up to three years of non-concessional contributions under the bring-forward rule (without satisfying the work test).
- ❑ Increasing the upper threshold of the 19% personal income tax bracket to $45,000 from 1 July 2022, and reducing the 32.5% marginal tax rate to 30% from 1 July 2024 (in addition to changes already legislated).
- ❑ Increasing the Low and Middle Income Tax Offset ('LAMITO'), with effect from the 2019 income year, to provide tax relief of up to $1,080 per annum, as well as an increased base amount of $255 per annum.

Scammers impersonate ATO phone numbers

The ATO is warning that scammers have adopted 'Robocall' technology to target taxpayers across the country.

Assistant Commissioner Gavin Siebert said: *"Scammers are sending pre-recorded messages in record numbers and are manipulating caller identification so that your phone displays a legitimate ATO phone number despite coming from an overseas scammer".*

"If the scammers do make contact, they will request payment of a tax debt – usually through unusual methods like bitcoin, gift cards and vouchers. Legitimate ways to pay your tax debt are listed on our website. The scammers will threaten you with immediate arrest, attempt to keep you on the line until payment is made and may become rude or aggressive."

The technique of displaying misleading phone numbers is known as "spoofing" and is commonly used by scammers in an attempt to make their interactions with taxpayers appear legitimate.

FBT: Benchmark interest rate

The benchmark interest rate for the FBT year commencing on 1 April 2019 is 5.37% per annum (up from the rate of 5.20% that applied for the previous FBT year).

This rate is used to calculate the taxable value of:

- a fringe benefit provided by way of a loan; and
- a car fringe benefit where an employer chooses to value the benefit using the operating cost method.

Single Touch Payroll Update

Employers with 19 or fewer employees are required to start reporting through Single Touch Payroll ('STP') from 1 July 2019.

The ATO will be working with employers to support them as they transition to STP, including allowing small employers to start reporting any time from 1 July to 30 September (and the ATO will also be "generous" in granting deferrals to small employers who need more time to start STP reporting).

Note also that employers with 19 or less employees do not need to report 'closely held payees' in 2019/20 and can report closely held payees information quarterly from 1 July 2020.

Employees and payment summaries

The ATO has also reminded employees that how they get their end of financial year information from their employer, showing their earnings for the year, depends on how their employer reports their income, tax and super information to the ATO.

Specifically:

- Employers that are not yet reporting through STP will continue to provide employees with a payment summary by 14 July.
- Employers that report through STP are **no longer** required to give employees a payment summary; instead this information will be provided in an 'income statement', available via the employee's myGov account by 31 July (i.e., when the employer marks it as 'Tax Ready').

Editor: We will be able to access employee clients' payment summaries or income statement information through our connections with the ATO (this has not changed).

Please contact our office if you have any queries about STP (whether as an employer or employee).

Cryptocurrency data matching program

The ATO is collecting bulk records from Australian cryptocurrency designated service providers ('DSPs') as part of a data matching program to ensure people trading in cryptocurrency are paying the right amount of tax, and correctly meeting their tax (and superannuation) obligations.

The ATO will collect data from cryptocurrency DSPs to identify individuals or businesses who have or may be engaged in buying, selling or transferring cryptocurrency during the 2014/15 to 2019/20 financial years (the ATO estimates that there are between **500,000 to one million Australians** that have invested in crypto-assets, including SMSF trustees).

Editor: The ATO has also noted that cryptocurrency can be considered a "high risk, volatile investment", and they have already seen incidences of SMSFs losing significant amounts of their retirement savings.

They strongly recommend all trustees undertake their own investigation and appropriate due diligence before investing with any organisation investing super assets into cryptocurrency holdings.

Tax office to double audits of 'dodgy' rental deductions

Rental property owners are being warned to ensure their claims are correct this tax time, as the ATO has announced it will **double** the number of audits scrutinising rental deductions, 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.

Assistant Commissioner Gavin Siebert said:

"A random sample of returns with rental deductions found that nine out of 10 contained an error. We are concerned about the extent of non-compliance in this area and will be looking very closely at claims this year."

"We use a range of third party information including data from financial institutions, property transactions and rental bonds from all states and territories, and online accommodation booking platforms, in combination with sophisticated analytics to scrutinise every tax return," Mr Siebert said.

"Once our auditors begin, they may search through even more data including utilities, tolls, social media and other online content to determine whether the taxpayer was entitled to claims they've made".

The number one cause of the ATO disallowing a claim is taxpayers being unable to produce receipts or other documents to support a claim.

Furnishing fraudulent or doctored records will attract higher penalties and may also result in prosecution.

The ATO has also reminded taxpayers that, since 1 July 2017, they can no longer claim travel expenses related to inspecting, maintaining or collecting rent for a residential rental property, unless they are an "excluded entity".

New rules for immediate write-offs

Small business entity ('SBE') taxpayers who choose to depreciate their assets under the simplified depreciation rules are entitled to an immediate deduction with respect to **low-cost assets** in the year they are first used or installed ready for use for a taxable purpose.

Thanks to recent changes, SBE taxpayers may be entitled to an immediate deduction in the 2019 income year for acquiring certain depreciating assets costing up to $30,000 (net of entitlement to GST input tax credits) for assets used or installed ready for use from 7:30pm AEST on 2 April 2019 until 30 June 2019.

Assets acquired prior to 2 April 2019 may also be eligible for immediate write-off, although the thresholds may be lower (e.g., the threshold is $20,000 for assets used or installed ready for use from 1 July 2018 until 28 January 2019, and $25,000 for assets used or installed ready for use from 29 January 2019 until 7:30pm AEST on 2 April 2019).

On top of this, for the first time, medium sized businesses (with an aggregated turnover of less than $50 million) may also be eligible to claim an immediate deduction for acquiring assets from 2 April 2019.

Editor: While helpful, these changes have complicated matters for the 2019 year, so please contact us if you need any help.