In the Loop

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September 2017

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Message from Swai Phie, SPCA Director

Welcome to the September 2017 edition of In the Loop and the beginning of some warmer spring weather at last!

In this issue, we look at the ATO which is cracking down on people who are over-claiming work-related expenses, as well as people who have rental properties and those whose tax deduction levels are outside the norm for their industry or occupation class.

Indeed, one of the most commonly misunderstood aspects of Australia's tax system is the relationship between deductions, marginal tax rates and tax refunds.

Often people think that if they spend a dollar on tax deductible expenses or assets, it will save them a dollar in tax. This is wrong.

What is often forgotten is the role of marginal tax rates, which vary for individuals based on their income, with low-income earners taxed at a lower rate than higher income earners. For example, depending on your income, you may get zero cents per dollar benefit, or you may get up to 45 cents in the dollar benefit depending on the relevant income tax bracket you sit in.

It is worth understanding marginal tax rates and how deductions work come tax time, which SPCA would be happy to discuss with you.

To that end, and with the tax return season well and truly upon us, I also urge all clients to ensure that you have kept appropriate documents from the last financial year, including relevant receipts, logbooks and invoices.

In closing, I hope you and your families enjoy the beautiful spring sunshine ahead, and I thank you once again for your ongoing support of SPCA. As usual, we look forward to continuing to work with you to help you achieve your financial goals.

Kind Regards

Swai Phie

IN THIS ISSUE

Claiming work-related expenses

The ATO is paying attention to people who are over-claiming work-related expenses. To avoid this, you need to satisfy the following rules:

- you must have spent the money and were not reimbursed;
- it must be directly related to earning your income, and not of a private nature;
- you must have a record to prove it.

To Do! Speak to SPCA about any claims you wish to make in your tax return. SPCA will be able to assist you to ensure you get them right.

Housing tax deductions: disallowing travel deductions and limiting depreciation deductions

The Government has released exposure draft legislation and explanatory material for the housing affordability and tax integrity measures it announced in the 2017-18 Budget.

The Government introduced these measures as it has concerns around the abuse of deductions in relation to rental properties that do not represent a legitimate commercial need. It states travel deductions for individual investors with residential investment properties, including travel costs associated with inspecting and maintaining properties, will no longer be deductible.

This change will not prevent investors from claiming a deduction for the expense of engaging third parties such as real estate agents to provide property management services for investment properties.

It appears that significant abuse of the tax system has been witnessed in relation to property investors and advisers claiming excess deductions.

The Government believes this change will improve the integrity of the tax system by limiting plant and equipment depreciation deductions to outlays actually incurred by individual investors in residential real estate properties.

To Do! If you own a rental property, talk to SPCA to find out whether these changes will affect you.

ATO warning on holiday rental properties

The ATO has issued a media release reminding taxpayers that it is paying close attention to rental properties located in popular holiday destinations around Australia.

When claiming deductions for your holiday home make sure it is genuinely available for rent by answering these four questions:

1. How do you advertise your rental property?
2. What location and condition is your rental property in?
3. Do you have reasonable conditions for renting the property and charge the market rental rate?
4. Do you accept interested tenants, unless you have a good reason not to?

GST on low value imported goods – summary of reforms

The Government has passed the *Treasury Laws Amendment (GST Low Value goods) Act 2017* which will extend GST to low value imports of physical goods imported by consumers from 1 July 2018.

Businesses that meet the registration threshold of A$75,000 will need to take action now to review their business systems to ensure that they are able to comply.

The existing processes to collect GST on imports above $1,000 at the border are unchanged.

In summary, the reforms:

- make supplies of goods valued at A$1,000 or less at the time of supply connected with Australia if the goods are purchased by consumers and are brought into Australia with the assistance of the supplier;
- treat the operator of an electronic distribution platform (EDP) as the supplier of low value goods if the goods are purchased through the platform by consumers and brought into Australia with the assistance of either the supplier or the operator;
- treat re-deliverers as the suppliers of low value goods if the goods are delivered outside of Australia as part of the supply, and the re-deliverer assists with their delivery into Australia as part of a shopping or mailbox service that it provides under an arrangement with the consumer;
- allow non-resident suppliers of low value goods that are connected with Australia to elect to access the simplified registration and reporting system; and
- prevent double taxation.

More information on the new GST on low value imported goods can be found on the ATO website.

Superannuation changes to be aware of

1. Change to personal super contributions deductions

In 2016-17, an individual (mainly those who are self-employed) can claim a deduction for personal super contributions where they meet certain conditions. One of these conditions is that less than 10% of their income is from salary and wages. This is known as the 10% maximum earnings condition.

From 1 July 2017, the 10% work test for claiming a deduction for personal super contributions will be removed. This means most people under 75 years old will be able to claim a tax deduction for personal super contributions (including those aged 65 to 74 who meet the work test).

2. Changes to concessional contributions – constitutionally protected and unfunded defined benefit funds

From 1 July 2017, there are changes to the definition of concessional contributions for constitutionally protected funds (CPFs) and unfunded defined benefit funds. These contributions will count towards your concessional contributions cap.

The ATO has released information on its website on the following topics:

- What are CPFs and unfunded defined benefit funds?
- What are the changes?
- New rules for accumulation interests
- New rules for defined benefit interests
- Excess concessional contributions

3. Removal of election to treat super income streams as lump sums

From 1 July 2017, the Government will remove the ability to treat super income stream benefits as super lump sums for tax purposes.

This change means that if you are receiving a super income stream, and normally would have made this election, you will no longer have access to the super lump sum low rate cap for payments from your income stream. Therefore, the amount of tax you have to pay on your super income stream may change.

4. Transfer balance account – credits and debits

From 1 July 2017, the Government introduced a new transfer balance cap for retirement phase accounts. Your transfer balance account tracks the amounts you transfer into or out of retirement phase and allows you to see whether you have exceeded your transfer balance cap.