F Trotta & Co
Practice Update
June 2018

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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.

Superannuation guarantee amnesty introduced

The Government has introduced legislation to complement the superannuation guarantee ('SG') integrity package already before Parliament by introducing a **one-off, twelve month amnesty** for historical underpayment of SG.

The Bill incentivises employers to come forward and "do the right thing by their employees" by paying any unpaid superannuation in full, as well as the high rate of nominal interest (but without the penalties for late payment that are normally paid to the Government by such employers).

Employers that do not take advantage of the amnesty will face higher penalties when they are subsequently caught – in general, a minimum 50% on top of the SG Charge they owe.

In addition, throughout the amnesty period the ATO will still continue its usual enforcement activity against employers for those historical obligations they don't own up to voluntarily.

The amnesty will run for twelve months from 24 May 2018.

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.

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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.

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.

The downsizing measure

SMSF members who are 65 or over and exchange a contract for sale of their main residence on or after 1 July 2018 may be eligible to make a downsizer contribution of up to $300,000 into their super.

This downsizer contribution won't count towards their contributions caps or total super balance test in the year it's made.

However, it will count towards the transfer balance cap and be taken into account for determining eligibility for the age pension.

SMSFs must ensure the member's contribution has satisfied all relevant conditions and completed the downsizer contribution form before accepting a downsizing contribution.

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.

Lodgment/Payment Reminders

May 2018 Instalment Activity Statement	**Lodgment & payment**	**21st June 2018**
April to June 18 BAS	**Lodgment & payment**	**28th July 2018 Unless extension granted**

2017 – 2018 Year End Checklists for Business and Individuals are now available.

If you would like a copy please email our office info@trotta.com.au, or click on the link below to go to our website.

Checklists can be found under the Newsletters tab.

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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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