WLP Accountants Pty Ltd

WLP CHARTERED ACCOUNTANTS

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TAX MATTERS

April 2019

Don't dream your life, live your dream.

Inside this issue:

Business or private? Know where to claim GST

Goods and services tax (GST) is applied to most goods and services sold in Australia, taxed at a rate of 10%.

If you run a business, you are likely to have GST obligations, such as claiming credit for any GST included in the price of goods and services that have been purchased for your business. However, many businesses have expenses that are used privately as well as for business purposes. This means that a business must divide the GST on these costs between private and business use.

The ATO allows an annual adjustment for these expenses when it comes to determining exactly how much something is used for business or private purposes. Common types of purchases that can be made for both business and private use include:

- Home office costs/home power use.
- Home telephone and internet costs.
- Motor vehicle purchases and running costs.
- Computers and other electronic devices.

When a business pays for goods or services that can be used in business but also privately, the expenses must be apportioned to ensure that only the business part of the said expense is claimed.

As this process can be extremely tricky, the ATO allows certain businesses to simplify the accounting for GST between the business and private use by making an annual apportionment election under Division 131 of A New Tax System (Goods and Services Tax) Act 1999. This means that a business can claim the full amount of GST on the payment, that includes both the business and private use components during the financial year, on the relevant business activity statements (BAS).

At the end of the financial year when the business' income tax return is being finalised adjustments can be made to account for the reduction in the GST amount for private use that can be claimed back. The adjustment will either increase the amount of GST that businesses are liable to pay or reduce the GST refund for the tax period the adjustment is made in.

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How property investors can get more back

Many property investors can access a wide range of tax deductions for their rental property and items subject to depreciation.

Property investors may not be aware of the number of items that can be tax-deductible, such as accounting, bookkeeping and tax expenses relating to the property. Here are some tips to help you maximise on your claims:

Use a quantity surveyor:

Registered quantity surveyors can establish the value of purchased items and building construction costs by preparing depreciation schedules to maximise an investor's claim.

Items as diverse as kitchen equipment, bathroom fittings outdoor furniture, air conditioning and swimming pools are all legitimate claims. A quantity surveyor will ensure valuations of the items in the building are at market value, avoiding the need to explain any valuations that are higher than expected to the ATO. The cost of using a quantity surveyor is also tax deductible.

Distribute expenses:

It is common for investors to bundle a mix of properties under one single loan, i.e. the family home and a rental property may be funded by the same mortgage and expenses apportioned accordingly. However, having separate loans can increase deductions as the non-deductible debt can be paid down or even better linked to an offset account, with the deductible loan having full interest paid and claimed.

Immediate write-offs:

An immediate write-off applies to items worth less than $300 and can be claimed in the current income year. Items such as garden gnomes, kitchen cutlery, ironing boards and irons are easily forgotten and can all be written off in the first year.

Depreciation:

Construction costs can generally be - depreciated at 2.5% each year over 40 years for residential properties built after July 1985. This entitlement passes from one owner to the next whenever the property is sold. A quantity surveyor can provide an estimate if information is not available.

Many high-value household items are now deducted using the "diminishing value method", which means the most depreciation happens in the first few years. For example, ducted heating worth $4941 would have a first year deduction of $493, rising to $2022 over the first five years.

Adding items such as solar lights, garbage bins, garden

Say goodbye to AUSKey

The ATO is developing new online services systems as AUSKey will be retired next year. Replacing AUSKey will be myGovID and Relationship Authorisation Manager (RAM).

MyGovID will be a way to prove who you are online as an individual. This system will work by establishing your identity once online and then using your myGovID credentials to access government services you need online.

The myGovID will feature facial recognition, ability to scan identity documents and options to add or remove multiple devices.

Relationship Authorisation Manager (RAM) will manage authorisations across government services for businesses and their staff. RAM gives you the ability to add multiple businesses, access the business portal on behalf of multiple businesses, modify authorisations, customise and delegate the level of business authorisation for employees and nominate who can act on behalf of your practice.

AUSkey can still be used to access online ATO services while myGovID and RAM are being developed.

Single Touch Payroll—STP

Single Touch Payroll is set to commence for all employers from 1 July 2019.

STP works by sending tax and super information from your payroll or accounting software to the ATO as you run your payroll:

- you will run your payroll, pay your employees as normal, and give them a pay slip—your pay cycle does not need to change (you can continue to pay your employees weekly, fortnightly or monthly) and remit PAYG Withholding quarterly or monthly as usual.
- your STP-enabled payroll software will send the ATO a report which includes the information they need from you, such as salaries and wages, pay as you go (PAYG) withholding and super information

You will be reporting super liability information through STP for the first time. Super funds will also be reporting to the ATO. They will let the tax office know when you make the payment to your employees' chosen or default fund.

ATO systems will match the STP information to the employer and employee records.

Your employees will be able to see their year-to-date tax and super information in ATO online services, which can only be accessed through myGov. Their data is updated every time you report (each pay day for most employers). Without STP reporting, employee data is only reported at the end of the financial year.

If you make mistakes in your STP report, you can correct it in your following report.

At the end of the financial year, you'll need to finalise your STP data.

You will no longer have to give your employees a payment summary for the information you've reported and finalised through STP and you don't need to provide an annual Payment Summary at the end of the financial year.

Once you finalise your data, your employees or their registered agent will be able to lodge their income tax return using the STP information available.

If you want to learn more about the practical application of STP, join us for our seminar hosted by MYOB on Tuesday 21 Mary 2019 at 1pm at WLP Accountants Taree Office.

Please contact us if you will be attending.

WARNING: ATO Super Guarantee Ruling (SGR 2009/2) Ordinary time earnings—annual leave loading.

The ATO has restated its view that annual leave loading will be considered ordinary time earnings (OTE) and therefore be subject to super guarantee contributions unless it can be demonstrated that the loading is payable under the award for a notional loss of opportunity to work overtime. The loading is always to be included as salary and wages. Beware that a lot of payroll software doesn't include the 17.5% leave loading as OTE for purpose of calculating 9.5% super remittance.

Changes to PAYG withholding obligations

New penalties for business' Pay As You Go (PAYG) withholding and reporting obligations will commence 1 July 2019.

You will only be able to claim deductions for payments made to employees and certain contractors where you have met the PAYG withholding rules for each payment.

Payments that are impacted include salary, wages, commissions, bonuses or allowances to an employee, payment under a labour-hire arrangement or payments for a supply of service.

Specifically the new laws will prevent an employer from claiming a deduction for payments to employees if they:

- Fail to withhold an amount from the payment as required under PAYG withholding rules.
- Fail to report a withholding amount to the ATO.

This measure highlights a key reason why governance across all employment tax is important. If you make a mistake by failing to withhold an amount or to report it and you voluntarily disclose this to the ATO before an audit or other compliance activity in regards to your tax affairs, your business will not lose its deduction. Taking early action to ensure your business is compliant to these updated PAYG withholding laws will make a difference to whether you remain eligible for deductions

When you can claim travel allowance and expenses

Knowing what you can claim from travel allowances and expenses can be difficult as in some cases, tax deductions from an allowance are to be withheld unless specified otherwise.

The reasonable amount of travel expenses is updated yearly and is based on job type and salary. On the occasion that you are required to travel overnight for work, you may be eligible to receive a travel allowance from your employer for accommodation, food, drink or incidental expenses.

Where exceptions apply, your employer won't withhold tax and will include the allowance on your payslip. These exceptions are:

- You are expected to spend all of the travel allowance you have been paid.
- The amount and nature of the travel allowance is kept separately in accounting records.
- The travel allowance is not for overseas accommodation.
- The amount of travel allowance paid is less than, or equal to the reasonable travel allowance rate.

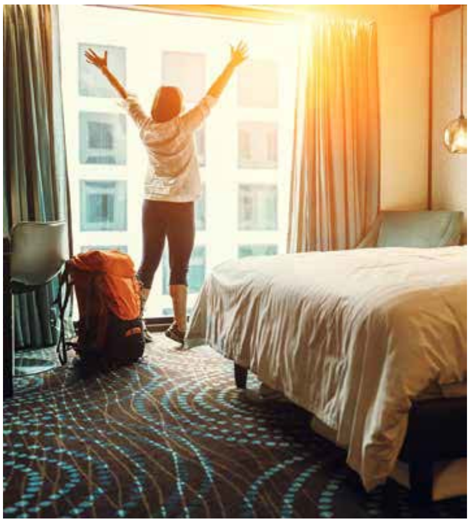
It is important to keep detailed records of your travel expenses, length of trips and if it was overseas or domestic travel. If you claim anything from these trips in the future, you will need to provide the appropriate documentation covering all expenses, not just excess amounts. Vehicle, food, accommodation and incidental expenses need to be documented on a case by case basis:

With a travel allowance;

- Written evidence needs to be supplied for overseas accommodation.
- A travel diary needs to be supplied on overseas trips of 6 nights or more in a row.

Without a travel allowance;

- Written evidence needs to be supplied on all domestic and overseas travel.
- A travel diary needs to be supplied on domestic and overseas trips of 6 nights or more in a row.



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