advantage plus
TAX & BUSINESS SOLUTIONS

A Day In The Office

We are back again!

We have kicked off the new financial year with a big BANG and have enjoyed seeing all of our clients back in the office.

We are very excited to have Denise and Matt back from their BIG adventures in North Queensland and Europe. They have shared plenty of memories and tips, so if you are thinking of travelling the northern outback or climbing the steps at the Eiffel Tower, don't hesitate to give these two a call.

We are creeping up to the end of the first quarter for Business Activity Statements, so we will be ready and rearing to attend to all your BAS and taxation needs come October.

From the team at
Advantage Plus Tax

Government moves to get Single Touch Payroll right

Under Single Touch Payroll, employers' accounting software will automatically report payroll information to the ATO when employees are paid.

This will eliminate the need for employers to report employee-related Pay As You Go Withholding (PAYGW) in their activity statements throughout the year, and employee payment summaries at the end of the year.

However, the government has advised that it has become aware that a start date of July 2016 will not be achievable for many businesses.

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It also recognises the cash-flow implications for business of real time payments, and will therefore only be consulting further on real time reporting, with *voluntary* real time payments, as an option.

It has asked Treasury and the ATO to consult with business and the software industry on the scope and timing for the Single Touch Payroll initiative, with targeted pilots maybe starting from July 2016.

SuperStream date extended for medium to large employers

Although all large and medium-sized employers were meant to be ready for SuperStream by 30 June this year, the ATO has advised that, for those who are not ready, it will extend that date by four months until 31 October 2015.
SuperStream for small employers with 19 or fewer employees started from 1 July 2015.

ATO increases focus on rental property deductions

The ATO has advised that it will have an increased focus on rental property deductions this Tax Time.

It says that it will be paying closer attention to excessive deductions claimed for holiday homes in 2015, and will also be actively educating rental property owners about what they can and cannot claim.

For example, the ATO will be writing to rental property owners in popular holiday locations, reminding them to only claim the deductions they are entitled to, for the periods the property is rented out or is genuinely available for rent.

Holiday homes

The ATO said that it recently amended a taxpayer's return to disallow deductions claimed for a holiday home after discovering that:

- the taxpayer rented the home to family and friends during the year at less than market rate;
- except for a brochure which was only available at the taxpayers' business premises, there were no realistic efforts to let the property;
- the nightly rent advertised was much higher than that of surrounding properties; and
- the pattern of income did not match the advertised rate, or the requirement for a five-night minimum stay.

The ATO decided the property was mainly used by the taxpayer, and deductions were limited to the amount earned from family and friends.

ATO is using SMS messages to try and clear debt

The ATO has advised that it is using SMS and emails for promotional and information purposes.

They say that, if individual taxpayers receive an SMS or email claiming to be from the ATO, they can check the list of the ATO's current activities (on its website at *ATO* Online Services) to verify that it's genuine.

However, ATO messages will never ask taxpayers to reply by SMS and/or email to provide personal information, such as the taxpayer's tax file number or their personal bank account number or BSB.

ATO warns over-claiming is easier to detect than ever

In relation to 2014/15 individual income tax returns to be lodged this year, the ATO says it will be focusing on:

- unusually high work-related expense claims across all industries and occupations;
- expenses claimed that have already been reimbursed by employers; and
- claims for private expenses such as travel from home to work.

It said that the ATO's ability to identify and investigate claims that differ from the 'norm' is improving each year at a rapid rate.

Every return is scrutinised and it is becoming a lot easier to identify claims that are significantly higher than those claimed by people with similar occupations and employment income.

Depreciation for farmers brought forward

The May Budget provided that from 1 July 2016, Australian farmers would be able to claim a tax deduction on capital expenditure incurred on:

- water facilities;
- fodder storage assets; and
- fencing

Farmers would be able to fully deduct the cost of water facilities and fencing in the year they were purchased, and deduct the cost of fodder storage assets over three years.

The treasurer has now announced that this measure will be **brought forward** to acquisitions of these assets after **7:30pm 12 May 2015.**

Farms with turnover of less than $2 million are also eligible to immediately write-off all asset purchases up to $20,000.

ATO swoops on phoenix businesses

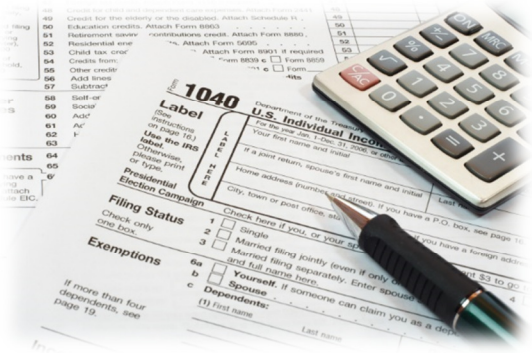
The ATO, supported by NSW and Federal Police, has made surprise visits to over a dozen sites across Sydney as part of an investigation into potentially fraudulent phoenix activity.

Recent figures show that phoenix activity costs the Australian economy up to $3.2 billion each year.

Honest businesses suffer the most, losing almost $2 billion in unpaid debts and that non-supply of purchased goods and services.

The ATO said that, if a member of the public has any knowledge or concerns about companies that may be exhibiting phoenix behaviour, they can report it online at *ato.gov.au/reportaconcern* or by calling 1800 060 062.

Data matching to be expanded on individual returns



The ATO has advised that last year, it cross-referenced information reported in tax returns against over 600 million transactions provided to it by third parties to identify omitted income and gains, or incorrectly-claimed offsets or entitlements to exemption from surcharges.

It also contacted nearly 400,000 taxpayers who had apparent discrepancies in the information they reported in their tax returns.

The ATO said that traditionally, it has focused on areas such as omitted interest and employment income, but this year it is expanding its data matching to encompass a greater range of areas, such as:

- capital gains tax (CGT) from the disposal of shares and property;
- employment-related foreign source income; and
- contractor income from payments made by government agencies.

Three more tax changes for small business

The government has introduced legislation for the following three small business measures that, if passed, will apply from 1 July 2015:

- A tax offset to individuals who run small businesses (with an aggregate annual turnover of less than $2 million), or who have a share of a small business' income included in their assessable income.

  The tax offset is available to individuals, partners, or beneficiaries of a trust that is a small business entity.

  The tax offset is 5% of the income tax payable on the portion of an individual's income that is small business income, capped at $1,000 per annum.

- An immediate deduction for some business start-up expenses, such as legal advice and registration fees, including government fees and charges as well as costs associated with raising capital.

- An exemption from FBT where small businesses provide an employee with more than one work-related portable electronic device, even where the devices have substantially identical functions.

Builders and contractors annual payment report

The ATO has reminded taxpayers that the builders' and contractors' taxable payments annual report was due to be lodged by 28 August.

Any clients in the building and construction industry who have made payments to contractors for building and construction services should contact our office.

Change to the way taxpayers claim work-related car expense deductions

Currently, taxpayers have an option to use one of four methods to determine their work-related car expense deductions.

The government is proposing to reduce the number of methods by removing the '12% of original value method' and the 'one-third of actual expenses method'.

These methods have been used by fewer than 2% of those who claim work-related car expenses.

The other two methods, the 'cents per kilometre method' and the 'logbook method' are being retained.

The 'cents per kilometre method' is also being changed by replacing the three current rates based on engine size with one rate set at 66 cents per kilometre, which applies to all motor, vehicles.

The government says that these changes will enable taxpayers who drive electric and hybrid vehicles to claim on a cents per kilometre basis, which is not currently an option for them.

The amendments apply to the 2015/16 income year and later income years.

81 year-old WA pensioner loses $110,000 in tax scam

An octogenarian caring for his sick wife has lost $110,000 in a tax scam.

WA Consumer Protection says the 81 year-old was duped by scammers pretending to be from the ATO.

The man was contacted by people claiming he owed money to the ATO and would be jailed if he did not pay immediately.

The scammers also told him his three children would lose their jobs.

Tax support service for drought affected communities

The government has announced a new service to help drought affected communities manage their tax affairs when times are tough, and has set up a dedicated hotline on 13 11 42.

The ATO will work with the Department of Agriculture to identify drought-affected taxpayers, and will provide personalised assistance and customised support plans for business owners and communities in these areas.

The ATO has also undertaken to get in contact with businesses in drought-affected communities to make sure they are aware of the options available to help them meet their obligations.

Employee share scheme changes

The ATO has announced that, from 1 July 2015, there are new rules for the tax treatment of employee share schemes (ESSs), as well as tax concessions for start-up companies.

The ESS changes allow employees to now own up to 10% of shares in their employer company (up from 5%).

Under the new rules, if shares are acquired in a start-up company at a discount of up to 15% (relative to market value), then the discount is exempt from CGT and income tax.

Any subsequent capital gain is therefore calculated on the market value when the share was acquired.

If clients need more information on these changes please contact our office.

Telstra 2014 share buy-back

Clients who participated in the October 2014 Telstra off-market share buy-back will need to take that into account when lodging their 2014/15 income tax return.

Taxpayers received a payment of $4.60 per share that they sold, which consisted of: a fully franked dividend of $2.27 per share; and a capital component of $2.33* per share.

Note(*): For CGT purposes, participants in the buy-back are deemed to have received $2.77 as the capital component of the buy-back price.

Please contact our office if you would like to discuss.