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INFINITE ACCOUNTING SOLUTIONS

# TAX UPDATE JUNE 2018

## GENERAL TAX TIPS


- ✓ Bring forward deductions into this financial year.
- ✓ Prepay interest on rental properties & other investments.
- ✓ Prepay 12 months Income Protection Insurance & any other expenses such as subscriptions.
- ✓ Salary Sacrifice to super or make personal deductible contributions.
- ✓ Consider Transition to Retirement Income Streams if you are over 55.
- ✓ Defer income into 2019 particularly if your income may be lower next year.
- ✓ If you're not already, look at investing tax effectively to create an asset for the future while saving tax now.
- ✓ Gearing into the share market is possible (not only real estate) and works well in relation to franking credits.
- ✓ Capital Gains - consider crystalising unrealised losses to offset current year capital gains / Defer Asset Sales until next financial year.

## 2018 TAX TIME CHANGES

From 1 July 2017, rental travel deductions are not permitted for travel related to residential rental properties, unless the taxpayer is in the business of property investing or is an excluded entity.

Depreciation of second-hand plant & equipment used for residential accommodation is also no longer permitted where it was acquired after 7.30pm on 9 May 2017 (this affects depreciation claims where an existing property is purchased, rather than a new property).

Personal super contributions are now deductible - this means employed people can claim a deduction for personal super contributions (up to contribution limits) – this is somewhat of a game changer!

Spouse super contribution offset – income threshold is now $37,000 (previously $10,800), phasing out by $40,000.

Foreign Resident capital gains withholding rate is 12.5% from 1 July 2017 and applies to taxable Australian property with a market value of $750,000 or more.

Foreign tax residents are now denied access to the CGT main residence exemption – with residency determined at time of sale. This applies from 9 May 2017, however for properties held at that date the exemption is still available until 30 June 2019. Big impact on ex pats!

Corporate tax rate – 27.5% rate applies for companies with a turnover up to $25million (that are carrying on a business). Franking credits are based on the companies' applicable tax rate.

Temporary budget repair levy of 2% has finished and does not apply in 2017-18.

$100,000 limit now applies for tax-free income from Defined Benefit Income streams and for 10% tax offset on untaxed elements.

*Small Business instant asset Write-off for up to $20,000 extended to 30 June 2018*

**Tax Logbook**

LogbookMe tax logbook has taken the hassle out of completing a compliant log book. Trips are logged automatically every time the vehicle is driven.

Logbook me

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## SUPER CHANGES FROM 1 JULY 2017

A $1.6 million cap now applies to the amount that can be transferred in super to retirement (pension) phase.

The annual concessional contributions cap was reduced to $25,000 (from $30,000 for those under 49 at the end of the previous financial year and $35,000 otherwise). Non-concessional contributions are capped at $100,000 p.a.

Earnings on Transition to Retirement Income Streams (TRIS) no longer attract a tax exemption.

The threshold at which high-income earners pay Division 293 tax on their concessionally taxed contributions to super was reduced from $300,000 to $250,000.

### PROPERTY TAX DEPRECIATION

If you have an investment property, it can potentially receive depreciation allowances, which are non-cash deductions against your assessable income. Houses, units and commercial properties all qualify. Despite recent budget changes, there are still substantial benefits from depreciation.

## HOLIDAY HOME RENTALS

- Deductions can only be claimed where the property is genuinely available for rent at market rents
- All rental income needs to be declared
- Where a holiday home is rented to family and friends at mates rates, deductions are limited to the rent received
- Evidence of the property being rented or genuinely available for rent is required

## ATO HIT LIST TARGETING SMALLER TAX AVOIDERS

The ATO has their 2018 "Hit List" and it is targeting small businesses & individuals. The Tax Commissioner, Chris Jordan, outlined a list of targets earlier this year:

- Standard claims for work expenses – taxpayers need to have actually spent the money before "standard" claims are made.
- Undeclared Income – Looking at cash based businesses not declaring income. They often also pay cash salaries and potentially fail to give their employees proper conditions and benefits
- Unexplained wealth or lifestyle – using external information such as private school education, overseas trips, Department of Immigration date and even social media monitoring ie. FaceBook
- Private expenses claimed incorrectly – Small businesses mingling private expenses with business expenses
- Unpaid super guarantee – this represents lost benefits for employees.
- Concentrations of cash-only businesses – ie. Geographic areas such as Sydney's Cabramatta or Haymarket targeted with visits – often this is in conjunction with the Fair Work Commission or the Department of Immigration
- Shares and capital gains – utilising data matching on share transactions, capital gains on shares are much more closely scrutinised.

If you have any questions or would like further clarification of any of the items contained within, please do not hesitate to contact us. Thank you for your continued support which is much appreciated. We welcome all referrals so if you know of anyone who may need our assistance, please do not hesitate to pass on our details.

*Regards David & the IAS team*


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