

### WELCOME

Welcome to our December 2019 edition of the StewartBrown newsletter. We hope to keep you informed of the important tax developments and issues affecting taxpayers and businesses in Australia today.

### STEWARTBROWN – CHRISTMAS CLOSURE

We advise that the StewartBrown offices will be closed during the holiday period as follows:

**Office closes from 5.30pm Thursday, 19 December 2019**

**Office reopens on Monday, 6 January 2020**

The Partners and staff of StewartBrown take this opportunity to wish all our clients and business associates a very merry Christmas and a joyful New Year.

### TAX ON CHRISTMAS PARTIES/GIFTS

Income tax, FBT and GST are all relevant considerations when these types of events and benefits are provided. We have written articles concerning these matters in previous newsletters so would refer you to them for more information. If you would like a copy please ask your StewartBrown Partner or Manager for one.

Entertainment and Fringe Benefits Tax is a particularly complex area, so if you have any queries about how certain expenses should be treated, please do not hesitate to contact your StewartBrown Partner or Manager.

### RENTING OUT PART OR ALL OF YOUR HOME (INCLUDING GRANNY FLATS) – TAXATION IMPLICATIONS

With more and more people renting out spare bedrooms for some extra cash and homeowners investing in granny flats in their back yards, we thought it would be a good idea to revisit some of the tax consequences of entering into these sorts of arrangements.



If you rent out part or all of your home, the rent money you receive is generally regarded as assessable income for taxation purposes. This means:

- (1) you must declare your rental income in your income tax return, and you can claim deductions for the associated expenses, such as part or all of the interest on your home loan
- (2) you will not be entitled to the full main residence exemption from capital gains tax (“CGT”), which means you’ll have to pay CGT on part of any capital gain made when you sell your home.
- (3) Goods and services tax (“GST”) doesn’t apply to residential rents, so you’re not liable for GST on the rent you charge, and can’t claim GST credits for associated costs.

### Income and expenses

If you rent out part or all of your home at normal commercial rates, the tax treatment of income and expenses is the same as for any residential rental property. This means you must include the rental income in your income tax return, and you can claim income tax deductions for associated expenses, such as the interest on your home loan.

If you are only renting part of your home, for example a single room, you can only claim expenses related to renting out that part of the house. This means you cannot claim the total amount of the expenses – you need to apportion the expenses.

As a general guide, you should apportion expenses on a floor-area basis, based on the area solely occupied by the renter (user) and add that to a reasonable amount based on their access to common areas.

You can only claim expenses for when the room was rented to a tenant. If you use the room in any other capacity, for example for storage or as an office when you do not have guests staying, then you cannot claim deductions for expenses when the room is not occupied.

If you rent out part or all of your home at less than normal commercial rates – for example, to a relative – this may limit the deductions you can claim.

Note that payments from a family member for board or lodging are considered to be domestic arrangements and are not rental income. In these situations, you also can’t claim income tax deductions.

### Capital gains tax (“CGT”)

Generally, you don’t pay CGT if you sell the home you live in (under the main residence exemption). However, if you’ve used any part of your home to produce income – for

example, by renting out part or all of it – you're generally not entitled to the full exemption and will need to calculate what part of the capital gain is exempt.

Should you need any assistance with these calculations or are considering investing in a granny flat please speak with your StewartBrown Partner or Manager before you commit so that you are fully aware of the taxation consequences of doing so. It is really important to keep all documentation relating to the purchase and subsequent costs and expenses you incur in owning the property in order to minimise any future capital gains tax payable.

**SUPERANNUATION GUARANTEE AMNESTY**

Prior to the last Federal election the Government introduced a Bill to Parliament proposing a one off 12 month amnesty in respect of underpaid superannuation guarantee payments. This draft bill lapsed with the closure of the previous Parliament but has now been reintroduced in the current sitting. Given no apparent objection from Opposition parties we would anticipate that this draft bill will pass although there has been no announcement at this stage.

In its former draft version the bill proposed a one off 12 month amnesty under which:

- The administration component of the SGC would not be payable
- No penalties would apply, and
- Catch up SGC payments would be tax deductible

The amnesty was to cover any SGC shortfall amounts previously under declared between 1 July 1992 up to 31 March 2018.

We await further announcements from the Federal Government concerning this concession.

**CYBER SECURITY - PASSWORDS**

It is estimated that cybercrime is costing the Australian economy up to \$1 billion annually.



When creating passwords avoid:

- Personal information (e.g. birthdays, street names)
- Series of characters (e.g. 123456, abcdef)
- Words that appear in the dictionary
- Writing them down. They should be stored in a secure location.

Ideally passwords should:

- Have 8 or more characters

- Be unique
- Contain numbers and symbols
- Have at least 1 capital letter
- Be changed regularly

We strongly recommend against using the same password for critical online accounts such as online banking, emails, Facebook, Instagram, Twitter, LinkedIn, Xero (personal and work). This will make it difficult for hackers to gain access to all your accounts if one is hacked.

If you're concerned about cyber security please contact your StewartBrown Partner or Manager in the first instance. We have a team of IT experts who can assist you with these matters if necessary.



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