Integrity + Quality + Clarity

Newsletter March 2018

WELCOME

Welcome to our March 2018 edition of the StewartBrown newsletter. We hope to keep you informed of the important tax developments and issues affecting businesses in Australia today.

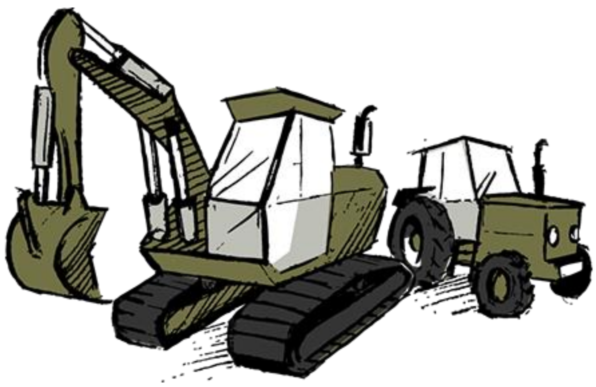
END OF $20k IMMEDIATE ASSET WRITE-OFF!!

A significant tax incentive aimed at encouraging small businesses to invest in new plant and equipment is closing this financial year. The $20,000 immediate asset write-off finishes on 30 June 2018. This measure has been in place for the past few financial years. Only small business entities are eligible for this concession.

To work out if you are eligible for the small business entity concessions, you first need to work out if you are a 'small business entity' in an income year. You must review your eligibility each year to check if you are able or required to use a particular concession.

From 1 July 2016, you are a small business entity if you are a sole trader, partnership, company or trust that:

- operates a business for all or part of the income year, and
- has an aggregated turnover less than $10 million (the turnover threshold).



Small business clients with a turnover of less than $10 million can write off assets costing less than $20,000 each in their tax return. All simplified depreciation rules will apply to assets when choosing this method.

To use simplified depreciation rules correctly you must:

- write off eligible assets costing less than $20,000 each
- pool most other depreciating assets that cost $20,000 or more
- write off the small business pool balance if it is less than $20,000 at the end of an income year
- only claim a deduction for the portion of the asset used for business or other taxable uses.

Speak with your StewartBrown Partner or Manager if unsure, particularly if you are considering capital purchases before the end of the financial year.

WORK RELATED EXPENSES

This year the ATO are paying close attention to what people are claiming as 'other' work-related expense deductions in their taxation returns. Before you include claims for work-related expenses, you need to ensure you can show:

- that you spent the money yourself and were not reimbursed
- the expense was directly related to earning your income
- you have a record to prove it.

If the expense is for work and private use, you can only claim a deduction for the work-related portion.

A common misconception is that you are automatically entitled to claim standard deductions. You need to be able to show how you worked out your claims, so remember to keep records when incurring expenses or be able to provide evidence on how you calculated your claim.

One easy way you can keep track of your deductions is by using the *myDeductions* tool in the ATO app. At the end of the financial year you can email your data from this App to us for inclusion in your tax return.

Earlier this month the Tax Commissioner confirmed that Australian Taxation Office staff had been asked by senior management to undertake random audits in relation to perceived over-claiming of work-related deductions. More than $22 billion was claimed in work-related expenses last financial year, and the ATO have said that the tax gap for work-related expenses could be as high or higher than the corporate tax gap of $2.5 billion.

COST OF TAX BREAKS SOARS ON PROFITS FROM SALE OF FAMILY HOMES

Government spending on tax breaks is set to hit a record $170 billion this year, largely as a result of an explosion in the value of concessions for the family home. Treasury's recent publication of its Tax Expenditures Statement puts the value of the exemption from capital gains tax ("CGT") for owner occupiers at $74 billion this financial year, up from $66.5 billion last financial year, which was itself $5 billion more than Treasury had forecast.

The CGT exemption releases owner occupiers from the obligation to pay CGT on profits made from the sale of their primary residence. Those profits have soared in recent years as prices have climbed, especially in Sydney and Melbourne. Investors pay CGT at half the income tax rate, a concession the Treasury costs at $10 billion, up from $4.4 billion four years ago. Other significant costs to the revenue identified in the report were:

- assistance to the aged-$64.3 billion
- assistance to the unemployed and the sick-$10 billion
- concessional tax treatment of super contributions-$16.9 billion.
- concessional treatment of super fund earnings-$19.25 billion.
- Exemption of fresh foods from goods and services tax-$7 billion per year.
- GST exemption for education services-$4.55 billion.
- Cost of the farm management deposit system-$560 million in 2017-18.

The figures come as the government attempts to find savings to fund personal income tax cuts in the May budget and reduce the deficit of $21.4 billion. It will be an interesting Federal Budget this coming May! As always, watch this space!

HEADING OVERSEAS FOR WORK?

Just a reminder that there are new repayment obligations for people with a HELP (and many other categories of student loan) debt who are living and working overseas. This applies to anyone who is an Australian citizen.
If your worldwide income is above the minimum repayment threshold (A$54,869 in 2016-2017 and A$55,874 in 2017-18), you will need to make repayments based on this income – the same as you would if you were in Australia.

The first step is to notify the ATO before you travel, or within 7 days of leaving Australia, if you intend to move overseas for 183 days or more in any 12 month period. 183 days equates to around six months. If you already live overseas, make sure you notify the ATO of your contact details as soon as possible if you haven't done so already.

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