



Welcome to another Income Tax Year

30th June, 2018

Inside this issue:

Warning on Motor Vehicle Claims	1
Limiting Rental Chattels Depreciation	1
Travel to Rental Properties	1
Work Related Expense Claims	2
Medicare Levy Low Income Thresholds	2
Medicare Levy Increase Scrapped	2
Overtime Meal Deductions	2
Company Tax Rate Reduction	3
Small Business Income Tax Offset	3
Small Business Immediate W/off	3
Changes to HELP Debt repayment	3
Superannuation Changes	3
Tax Relief for Low & Middle Income Earners	4
Medical Expense Offset	4
Tax Tips	4
Personal Tax Rates	4
Interview Times	4

Please find a brief outline of the Income Tax changes that may affect you this year. We look forward to assisting you again to ensure that you receive the maximum benefits available under our complex taxation system.

Warning on Motor Vehicle Travel Claims

The ATO have advised that they will be paying particular attention to Car Travel Claims on the 2017/2018 income tax returns. Their ability to identify unusual claims or 'red flags' is improving every year due to enhancements in technology and extra data that is increasingly being made available to it.

The ATO is now using analytics to identify unusual claims being made by taxpayers by comparing them to their peers — those who are in similar occupations, earning similar amounts of income. The ATO advise the best way to avoid mistakes is to rely on three golden rules:

- only make a car claim if you paid for the expense yourself and you weren't reimbursed or reimbursement was available
- ensure it's directly related to earning income — in other words your employer required you to make those trips as part of your job and
- make sure you have a record to support your claim.

There are **two methods** to calculate your claim for work or business related car expenses:

- The **cents per kilometre method** can be used for a claim of up to 5000km genuine work related travel, this has a single rate of 66 cents regardless of the engine size.
- The **log book method** requires that you keep a log book for a continuous period of at least 12 weeks, including start and end odometer readings; as well as receipts for any expenses incurred in running and maintaining your vehicle. If you are using the log book method, you need to complete a new log book **every five years**, for each work related vehicle, or if your business travel has changed.

The ATO advise that over 800,000 taxpayers claimed exactly 5000 kms under the cents per km basis last year and that the ATO may actually check with your employer to ensure that you were required to use your own vehicle for work related purposes.

Limiting Depreciation on Rental Chattels

There will be no change to depreciation for existing residential rental properties purchased before 7.30pm 9 May 2017, however **second hand properties** purchased since then will no longer be

able to claim depreciation on existing plant and equipment in their rental property purchase. You will still be able to claim depreciation on additional plant and equipment purchases. **Newly built rental properties** will

still be able to make a full claim on their plant and equipment portion of their purchase. Building allowance will remain the same for all properties.

Travel to Rental Properties

As from **1 July 2017**, there will be **no** allowable travelling claims related to inspecting, maintaining or collecting rent for a residential rental property.

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for more information on our practice and various business and associated topics.

Work Related Expense Claims

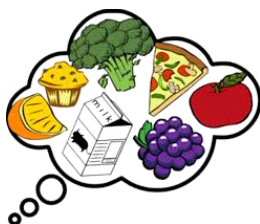


Zone Offset

If you do not usually **reside within a zone**, you are no longer eligible for the zone tax offset. This is most likely to affect certain types of workers such as fly-in-fly-out.



Do you travel directly from one job to another job on the same day? If so you may be able to claim the travel between the two. Ask us about this.



Home Office

A diary **must** be kept for a minimum of one month in each year to enable the calculation of home office usage. The use of home office must be a requirement by your employer to work at or from home, and the employer may be required to confirm this with the ATO. Usually the home office claim will be based on a rate per hour basis.

Home Computers

If you have a computer that is not solely used for business, you **must** maintain a diary for at least one month in each income year as evidence for the business usage.

Phone & Internet

You **must** keep a diary for a minimum of one month in each year to demonstrate the business usage of mobile/home phone and internet if your claim total exceeds \$50.

Evidence of Expenses

The rules require you to maintain records of your expenses claimed for a period of five years from the date of lodgment of your taxation return.

The evidence must have:

- Name of supplier
- Amount of expense
- Nature of expense
- Date expense incurred
- Date receipt made out

If you are not able to provide receipts etc when requested the Tax Office may disallow those claims and impose penalties.

Exceptions to the rule

- Work expenses that total \$300 or less
- Deductible laundry expenses up to \$150 (included in the above amount)
- Overtime meal allowances covered by an award (if reasonable and fully expended)
- Small expenses under \$10 each to a total of \$200 may be claimed providing the expenses are recorded in an expense diary.
- Expenses too hard to substantiate - if the Tax Office consider that it would have been unreasonable to obtain written evidence.

Examples of the diary details are available to be emailed to you if requested.

Medicare Levy Low Income Thresholds

The Medicare Levy low income thresholds have not changed for the 2017/2018 year. The Federal Budget announced that the 2018/2019 thresholds will increase for more personal benefit.

Medicare Levy Income Thresholds for Individuals 2017/2018		
	Full exemption	Partial exemption
Singles	\$21,980 or less (was \$21,655)	To be announced
Seniors & Pensioners	\$34,758 or less (was \$34,244)	To be announced

Medicare Levy Income Thresholds for Families 2017/2018		
	Full exemption	Partial exemption
Families (no children)	\$37,089 or less (was \$36,541)	To be announced
Seniors & Pensioners	\$48,435 or less (was \$47,670)	To be announced

For families, threshold is increased by the amount of **\$3,406** per dependant child.

Planned Medicare Levy Increase Scrapped

In the recent Budget the Government announced that it will **not** be proceeding with the previously announced increase in the Medicare Levy from 2% to 2.5%

Overtime Meal Allowance Deduction

Meal allowance expenses are deductible providing;

1. The meal allowance is shown in your payment summary (group certificate)
2. It is paid to you as a bona fide overtime meal allowance
3. It does not exceed the ATO reasonable amount (\$30.05): and
4. It has been fully expended by you on deductible expenses

The meal and the expenditure must have been actually incurred and a meal break taken.

Company Tax Rate Reduction

The company tax rate for small companies is **27.5%**. This tax rate will be available to small companies with an annual aggregated turnover of less than \$10 million

(increased from \$2 million). This turnover threshold will be progressively increased to ultimately have all companies eligible for the 27.5% tax rate by 2023/24.



Small Business Income Tax Offset

Unincorporated small businesses may be eligible to receive an 8% tax discount as

a non-refundable small business tax offset and is capped at \$1,000 per annum.

This is a reciprocal arrangement to balance with the company tax rate reductions.

When you sell your home you are generally exempt from CGT because of the main residence exemption, but be careful if you have rented it out at any time, it may be partially subject to CGT.

Small Business Immediate Write Off

Small businesses can immediately deduct the business portion of most assets if they cost **less than \$20,000** (excl. GST if reg'd for GST or incl. of GST if not reg'd). This deduction can be used for each asset that costs less than

\$20,000, whether new or second-hand. You can claim the deduction through your tax return in the year the asset was first used or installed and ready for use. This write off benefit has been extended for equipment purchased and

installed through until 30/06/2019. It effectively brings forward the depreciation claim, normally made over several years, to be claimed in full in the year of acquisition.



Changes to HELP Debt Repayment

The rates of repayment for the HELP/HECS debt for the 2017/2018 year will begin when your Repayment Income (RI) exceeds **\$55,874** with a 4% rate. This rate of repayment increases as your income increases up to a maximum of 8%.

The Government will revise the income thresholds for repayment of HELP debt repayment rates and the indexation of repayment thresholds from **1 July 2018**. A new minimum threshold of **\$45,000** will be established with a **1% repayment rate** and a maximum threshold of \$131,989 with a 10% repayment rate. The thresholds will increase each year in line with CPI changes.

If you are starting your own small business some of your start up costs may be immediately deductible such as fees for advice/ services and regulatory costs.

Superannuation

- The annual **concessional** superannuation cap for the 2017/2018 year onwards is \$25,000 per annum. This amount includes employer superannuation guarantee contributions (9.5%) as well as contributions to your fund that you declare to be tax-deductible.
- The annual **non-concessional** contributions cap is now **\$100,000 per annum** and the 3-year bring forward rule is limited to **\$300,000**. These are contributions made from your own funds that are not tax deductible.
- Employees may make **personal contributions** to superannuation to claim as a tax deduction, keeping in mind not to exceed the \$25,000 super cap (which includes the employer contributions). In these circumstances a 'notice of intention' to claim the taxation deduction for the contribution must be lodged with the superannuation fund and a response received accordingly.
- **Super co-contributions** help eligible people boost their retirement savings. If you are a low or middle-income earner and make personal (after-tax) contributions to your super fund, the government also makes a contribution (called a co-contribution) up to a maximum amount of \$500. The amount of government co-contribution you receive depends on your income and how much you contribute. There are two co-contribution income thresholds:
 - a lower threshold (\$36,813 for 2017–18)
 - a higher threshold (\$51,813 for 2017–18).
- If your total income is equal to or less than the lower threshold and you make **personal contributions** of \$1,000 to your super account, you will receive the maximum co-contribution of \$500.
- If your total income is between the two thresholds, your maximum entitlement will reduce progressively as your income rises. You will not receive any co-contribution if your income is equal to or greater than the higher threshold.



ATO Audits are happening. Please make sure you have all necessary documents to verify your claims, otherwise they may be denied and penalties and interest may apply.



Late lodgment of Income Tax Returns may incur penalties.

Tax Relief for Low and Middle Income Earners

The recent Federal Budget announced a seven-year personal income tax plan aimed to provide a **non-refundable tax offset** to low and middle income earners of up to \$530 per annum. If eligible the offset will be received as a lump sum amount additional to their assessment after lodging your 2018/2019 year income tax return.

- Taxpayers with taxable incomes of \$37,000 or less will receive benefit of up to \$200
- Taxpayers with taxable income of between \$37,000 and \$48,000 will receive benefit of up to \$530
- Taxpayers with taxable income of between \$48,000 and \$90,000 the \$530 offset applies and
- Tax payers with taxable incomes from \$90,001 to \$125,333 the offset at the rate of 1.5 cents in the dollar.

Medical Expense Offset

The net medical expenses tax offset is **restricted** to net eligible expenses for **disability aids, attendant care or aged care**.

Tax Tips

- **Keep all your receipts** whether they are for business, work related or self education expenses. Bring them in when you do your tax and we can assess whether they can be used or not.
- **Maximise your motor vehicle claims** by keeping accurate records of work related or business travel. Remember, you need to complete a new log book **every five years** or if your business travel has changed. You also need to keep a **record of the odometer** at the beginning and end of each financial year.
- **CGT Assets:** If you are selling an asset such as real-estate or shares make sure you own the asset for at least twelve months from the **contract of sale date**, in order to be eligible for the fifty percent discount.



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Personal Income Tax Rates 2018/2019

Taxable income	Tax payable
0 – 18,200	Nil
18,201 – 37,000	19% of excess over 18,200
37,001 – 90,000	3,572 + 32.5% of excess over 37,000
90,001 – 180,000	20,797 + 37% of excess over 90,000
180,001 +	54,097+ 45% of excess over 180,000

Note. 1. These rates do not include the medicare levy of 2%.
2. The Temporary Budget Repair Levy ceased applying from 01/07/2017.

INTERVIEW TIMES

Monday to Friday: 10:00am to 4:30pm

Saturdays 9:00am to 11:30am (7th July - 18th August)

Taxation and Business Advisors

Shane Beale FCPA FNTAA - Roslyn Brown CPA BBus

Kimberley Hocking BAcc

Payment of Accounts

Payment on date of preparation, or prior to income tax return lodgement

DISCLAIMER

Taxation Laws are constantly changing and this newsletter takes the form of generalised comments only. Clients are requested to seek specific advice from our staff before acting on any of the above comments.

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