

June 2018 Newsletter

Dear Client

Are you ready for WA's ban on lightweight plastic bags?

From 1 July 2018, the supply of lightweight plastic bags will be banned in Western Australia.

How will you get your shopping home?

- No worries, just buy heavy duty plastic bags
(Same, same, but different)
- Put everything into the shopping trolley
- Cardboard box / paper bags
- Cloth bags (as long as remember to take them out of the boot of car into shop)

What does the change mean for you and what steps will you take to adapt?

At **pHaccts** we too are thinking about the environment. This year our goal is to reduce the amount of paper we use.

We are now offering a secure encrypted **Client Portal** so that you can access your Income Tax Returns and Financial Statements 24/7 at your own convenience. You can even upload documents and data files to us. Plus there is an in-built authenticated digital signing function for you to sign your tax returns, thus eliminating the requirement to physically sign Returns and scan back.

Of course, we understand that some clients will still want a paper copy of their Income Tax Return, so please let us know if this is you.



STAFF GOSSIP

Pauline says the best wildflowers are around Esperance, Ravensthorpe area. The caravan is getting used!

Cherie has traded in her trusty red Toyota Aurion. She now has a Mitsubishi Outlander. Another SUV convert.

Christy has been to the Gold Coast on holidays with her husband and 2 young boys. She tells us the theme parks got a hammering.

Jody is not sure to rejoice or cry. Her eldest is off to high school in 2019.

Vicki a staunch West Coast Eagles supporter, has high hopes for September 2018.

SCAM EMAILS and cybercrime are becoming common as data and businesses move online.

Scammers and hackers have evolved with technology to produce more sophisticated ways to trick unsuspecting victims and take advantage.

What these scammers are doing is called phishing, which is a form of fraud in which the attacker tries to learn information such as login credentials or account information by posing as a legitimate, reputable entity or person in email or other communication channels.

If you think you have received a scam email, do not download or open any attachments you are unsure of in an email.

You can check out if it is a scam at [ScamWatch](#)
[Money smart](#) Or Contact our office

Working out your Tax Return should be stress-free

Before you come in to see us at tax-time, please download our Tax Return Checklist to ensure you bring everything we need to complete your return quickly and easily for you!

Pauline Howatson and her team, Cherie Anglesey, Christy Ju, Kathy Sparg, Sue Collins and Jody Newman look forward to assisting you with your financial and taxation requirements. So when you are ready, please contact our friendly administration team, Vicki & Michelle to make an appointment.

Pauline Howatson

Principal

pHaccts accountants

Income Tax Rates

Changes to current personal income tax rates for the 2018/19 year.

Residents

Taxable income \$	Tax payable \$
0–18,200	Nil
18,201–37,000	Nil + 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
Above 180,001	54,097 + 47% of excess over \$180,000 *

Medicare Levels

Single	\$21655
Single seniors and pensioners	\$34244
Couples with no children	\$36541
Family threshold for seniors and pensioners	\$47670
Additional amount of threshold for each dependent child or student	\$3356

Company Tax Cut – The company tax rate will be cut by a further 1% (from 28.5% to 27.5%) for companies who are Small Businesses.

Changes affecting the Higher Education Loan Program (“HELP”)

From **1 July 2018** the Government will revise the income thresholds for repayment of HELP debt, repayment rates and the indexation of repayment thresholds.

A new minimum threshold of \$42,000 will be established with a 1% repayment rate and a maximum threshold of \$119,882 with a 10% repayment rate.

By way of background, for 2017/18, the minimum threshold is \$55,874 and the minimum repayment rate was 4%. The maximum threshold for 2017/18 is \$103,766 with an 8% repayment rate.

TIP: If you have a student loan debt and are planning to move overseas for longer than six months, you need to provide the ATO with your overseas contact details within seven days of leaving Australia. You should also factor in potentially having to make repayments from 1 July 2017.



- Deductions for travel expenses for residential rental property no longer allowed.**

Property investors are reminded of the new deduction rules. Unless you are in the business of rental property investing, most residential rental property investors can no longer claim a deduction.

The new legislation was introduced from 1 July 2017 as part of the housing affordability measures introduced in the 2017/18 Federal Budget. These laws disallow the deduction of travel expenses related to residential rental properties and no longer recognise travel expenditure in the cost base of the property for CGT purposes.

Travel expenses that can no longer be claimed as a deduction include:

- preparing the property for new tenants (except for the first tenants)
- inspecting the property during or at the end of tenancy
- undertaking repairs, where those repairs are because of damage or wear and tear incurred while renting out the property
- maintaining the property, such as cleaning and gardening, while it is rented or genuinely available for rent
- collecting the rent
- visiting your agent to discuss your rental property

If you are an excluded class of entity or are carrying on a business for the purposes of gaining or producing assessable income, you are exempt from the new rules.

The ATO considers an excluded class of entity as:

- a corporate tax entity;
- a superannuation plan that is not a self-managed superannuation fund;
- a public unit trust;
- a managed investment trust; or
- a unit trust or a partnership, members of which are entities of a type listed above.

If you have any queries in regards to the changes to deductions please contact us.

EMPLOYEES

ATO scrutinizing WORK RELATED expenses

The ATO is cracking down on individuals who are over-claiming work-related expenses.

The Tax Office is reminding individuals that they can only claim a work-related deduction if:

- they have spent the money themselves and were not reimbursed
- it is directly related to earning their income
- there is a record to prove it.

In particular

- work-related expenses - for car expenses and travel expenses which involve carrying of bulky tools, etc.
- Laundry & Clothing expenses
- Home Office, mobile phone, Internet
- Conference costs

Tax Tip

Before claiming a deduction for any work-related expenses, individuals must consider if their employer would confirm the expenses were required to earn their income and that they were not reimbursed.

Receiving an allowance from an employer does not necessarily entitle you to a deduction

Remember

If you don't have a receipt don't always think that's the end, sometimes if you review bank statements or your credit card statements in certain circumstances that can have enough information to still claim a deduction

AUDIT INSURANCE

We have engaged **Audit Shield** an accountancy audit insurance provider to cover those clients wishing to take out insurance for professional fees charged in association with an ATO audit or review. Please contact us if you did not recently receive a letter regarding this, or if you wish to take this insurance

Who's in the ATO Firing line this year?

- Employees - Work related travel claims
- Laundry & clothing expenses
- Home Office; Mobile phones & Internet
- Conference costs
- Overnight Travel Allowance and Expenses
- Self Education Expenses
- Sub-Contractors - Work related travel claims
eg carrying work equipment and bulky/heavy items
- Rental Property Expense claims, especially Holiday Homes
- Online Sales such as E-Bay
- Uber drivers
- AirBnB hosts
- Development/selling "apps"
- High Income Earners
- Income from Overseas

For Tax Time 2018, the ATO will likely be in outreach mode, telling taxpayers that cryptocurrency activity has tax consequences, and warning of big penalties for non-disclosure.

At least initially, those engaged in crypto activities will attract a high ATO risk rating and direct follow-up contact is likely.

SUPERANNUATION

How much can I put into Superannuation?

For the 2017/18 year the concessional contributions cap is \$25,000 for all.

If you currently are an employee and have **salary sacrificing arrangements** with your employer you may like to review your contribution limits. **If you are self employed** you may be entitled to deductions for personal contributions.

Changes to how much you can contribute into Superannuation

The non-concessional (after-tax) contributions cap has been reduced to \$100,000pa with a bring forward cap of \$300,000.

Individuals whose income exceeds \$263,157, and have multiple employers, will be able to nominate that their wages from certain employers, are not subject to the superannuation guarantee (SG) from 1 July 2018.

the '10 per cent rule' and Personal contributions

From 1 July 2017 the requirement that you derive less than 10% of your income from employment sources has been abolished meaning all individuals are able to contribute up to \$25,000 in personal contributions and claim a deduction. Don't forget to allow for any employer Superannuation Guarantee that has been paid when working out how much you can top up to make the \$25,000 limit.

If you are aged 65 to 74 you will still need to meet the work test in order to be eligible to make a contribution and claim a tax deduction

If you intend to claim a tax deduction for personal superannuation paid to your Superannuation Fund, you must lodge a notice of intent to claim a tax deduction with your Superannuation Fund.

Note that if you "EFT" the payment, the ATO maintains the date of payment is the day it is received by the fund, not the day it left your bank account! So, do not leave your EFT and BPay payments until the last few days in June. Note also that payments from "clearing houses" also need to reach the super funds by 29 June – they have advised a cut off date of 23 June.

Do you have a SMSF ?

Most Common EOFY Mistakes

1. Failing to pay the minimum pension before 30 June.

In the case of a transition to retirement income stream, if you exceed your pension limit, any 'pension' withdrawals may constitute unauthorised lump sum payments

2. Not ensuring that contributions have been received into the SMSF's bank account by close of business on 30 June (i.e. failing to allow bank/clearinghouse processing time)

Remember: This year the 30th is a SATURDAY

3. Not rectifying any prior-year breaches of SISA (Superannuation Industry Supervision Act)

4. Making contributions in excess of your caps. Please be careful and properly track earlier contributions. Or have you adjusted your contributions for the reduced contribution cap that applies from 1 July 2017.

Please check your Superannuation before 30th June.

Remember

**We are just a phone call away
08 93791155**

Business

Single Touch Payroll is coming, are you ready?

EMPLOYER CHECKLIST TO HELP YOU GET READY

STEP 1:

Take a headcount of the current employees you have on 1 April, 2018.

If you have **20 or more** employees on that date, you are considered a 'substantial employer' and will be required to report through STP enabled payroll software **from 1 July 2018**.

If you have **19 or less** employees, Single Touch Payroll reporting will be optional until 1 July 2019.

It should be noted that counting your employees is purely by headcount, not a count of your full time equivalent employees.

What is an employee for headcount purposes?

- Full-time employees
- Part-time employees
- Casual employees who are on your payroll on 1 April and worked any time during March
- Australian resident employees based overseas
- Any employee absent or on leave (paid or unpaid)
- Seasonal employees (staff who are engaged short term to meet a regular peak workload, eg. harvest workers)

Do not include:

- Any employees who ceased work before 1 April
- Casual employees who did not work in March
- Independent contractors
- Staff provided by a 3rd party labour hire organisation
- Company directors
- Office holders, eg. President, Vice President, Treasurer, Secretary, etc.
- Religious practitioners

If you are part of a company group, the total number of employees employed by all member companies of the wholly-owned group must be included.

STEP 2:

Review and possibly update your payroll solution.

A payroll solution is the accounting, business management or payroll software you use to pay your employees. If you are using a payroll software solution or service provider you will need to confirm with them that they will be STP enabled by the due date.

What if I don't have a payroll solution?

There are a number of options available if you don't have a payroll solution:

- You can speak to your tax agent to determine which payroll solution would best suit your business.
- You can use a registered tax agent or payroll service provider to report to the ATO on your behalf.
- You can check which payroll solutions are Single Touch Payroll enabled in the product catalogue on the Australian Business Software Industry Association (ABSIA) website and choose one of them.
- The major software and payroll services providers are either ready or committed to be ready for STP to be available and it is best to check with your provider and make sure your software is updated to be able to report by the due date.

Penalties, exemptions and deferrals

When you commence reporting through Single Touch Payroll the first 12 months will be a transition period.

During the first 12 months of reporting through Single Touch Payroll you will be exempt from any administrative penalties for failing to report on time, unless the ATO have already given you written notice advising that a failure to report on time in the future may attract a penalty.

The ATO may grant an exemption from Single Touch Payroll reporting if you are located in a rural area with no reliable internet connection or are classed as a substantial employer for a short period of the income year – for example, due to harvesting activities.

The ATO may defer the date required to commence Single Touch payroll reporting if your payroll solution will not be ready, you have entered into administration or liquidation, are impacted by a natural disaster or affected by a circumstance beyond your control.

If you are not ready to start reporting on time you will need to request a deferral beforehand. Please contact our office so that we can request this for you.

Instant Write off for Small Business Assets

The \$20,000 immediate write-off for small business will be extended by a further 12 months to 30 June 2019 (i.e., for businesses with aggregated annual turnover less than \$10 million).

Business software

Need help? **We can assist you with Xero, MYOB and Reckon.**

Small Business

If your business falls outside the ATO industry benchmarks be sure to have an explanation as to why this is so. Failure to be able to explain why your business is different to others in the same industry, may lead to an ATO audit.

Annual Reporting obligations

PAYG payment summaries

The annual PAYG Payment Summary Statement for the year ending 30 June 2018 needs to be lodged with the ATO on or before 14 August 2018.

- ❖ You need to provide all of your staff with their PAYG Payment Summary on or before 14 July 2018. This includes any staff that left your employment during the 2017-18 financial year. Don't forget to send the ATO your payment summary annual report

If we prepare your Payment Summaries for you, please provide us with the data file from your accounting software or ensure all payruns have been finalised in your online software.

If we are preparing your Payment Summary for you and you **only** employ family members in your business (closely held employees), an extension is allowed.

The ATO imposes penalties for the late lodgement of PAYG Payment Summary Statements.

Remember : If you use accounting software, you should contact your software provider for payroll updates.

Reportable Fringe Benefits on PAYG Payment Summaries

Where you have provided fringe benefits to your employees in excess of \$2,000, you need to report the FBT grossed-up amount on their PAYG Payment Summary. This Reportable Fringe Benefit (RFB) amount is labelled on the PAYG Payment Summary for this

Taxable Payments Annual Report for Contractors In the Building and Construction Industry

(Contractors can include subcontractors, consultants and independent contractors. They can be operating as sole traders (individuals), companies, partnerships or trusts)

The annual Taxable Payments Annual Report for the year ending 30 June 2018 needs to be lodged with the ATO on or before 28 August 2018.

If you require our assistance to help you meet your obligations please contact us to discuss.

Are you in the Cleaning or Courier Industry

The Government will extend the taxable payments reporting system ('TPRS') to contractors **from 1 July 2018.**

Amnesty granted to Employers with unpaid Superannuation Guarantee

Over the next 12 months, employers with a history of underpaying the superannuation guarantee will have a chance to "wipe the slate clean" and clear any pile of unpaid super without copping late payment penalties from the Government, according to legislation introduced in the Parliament.

The "once off" amnesty doesn't let the underpaying employers completely off the hook - they still must pay the high rate of nominal interest on the underpaid SG.

For those who don't heed the amnesty window, the Government is promising to hit back with higher penalties, to the tune of 50% on top of the SG charge they owe.

The amnesty will run until 24 May 2019

Do you engage Contractors or Employees

Currently payers are required to obtain an ABN from a contractor, or withhold tax if no ABN is provided.

From 1st July 2019 the government will amend the tax law to deny a tax deduction where a withholding obligation exists but no tax was withheld.

Trading names are being retired

The Australian Business Register (ABR) is working with Australian Securities & Investments Commission (ASIC) in preparation for the retirement of trading names.

To continue trading under a specific name, you need to register it as a business name.

After a business name is successfully registered it will appear on ASIC's business names register and the ABN Lookup.

From November, all trading names will be removed from ABN Lookup.

Only registered business names will continue to be listed, so check you have registered your trading name as a business name with ASIC by then.

Help for your small business clients

Do you operate a small business? These tools and products may assist.

ATO app

Small businesses can use the ATO app to access tax and superannuation tools and calculators.



The ATO app can be downloaded through Google play™, Apple App Store and Windows Phone Store

Are you intending to claim a deduction for your motor vehicle?

Do you need to keep a motor vehicle log book?

Or does your employer provide you with a vehicle and you need a log book for FBT?

There are several useful apps available to help you keep track of your vehicle use.

Have you set up your myGov account **yet?**

<https://my.gov.au>

myGov is a one stop online government service log on for.

- Medicare
- Australian Taxation Office
- Centrelink
- Australian JobSearch
- Personally Controlled eHealth Record
- Child Support
- Department of Veterans' Affairs
- National Disability Insurance Scheme

GST

ATO to crack down and conduct more GST “Reviews”/”Audits” over the next 2 years.

GST on property developments

From 1 July 2018, the way GST is collected on sales of newly constructed residential properties or new subdivisions will change. Rather than GST being collected when the vendor lodges their activity statement, the purchaser is required to pay

a GST amount to the ATO, generally on or before settlement. The vendor must notify the purchaser in writing that the GST needs to be paid to the Commissioner and advise the amount that must be paid.

In most situations, the amount will be 1/11th of the contract price. Where the margin scheme is used, it is 7% of the contract price. Where the transaction is between associates, it is 10% of the GST-exclusive market value.

Notification rules will also apply to vendors who are selling residential dwellings or land, even if the transaction does not trigger a GST liability.

GST on low value imported goods

From 1 July 2018, GST applies to overseas sales of goods supplied to Australian consumers with a value under \$1,000.

Australian businesses that purchase low value goods from overseas should check to make sure that overseas suppliers are not imposing GST on supplies of these goods unnecessarily.

The new rules are intended to apply to situations that are not captured by the existing GST importation rules because the goods are worth \$1,000 or less. The rules are designed to only apply when goods are delivered to Australian consumers who are either not registered for GST in Australia or where the goods do not relate to an enterprise or business being carried on in Australia. If your business imports goods into Australia and is registered for GST, the tax should not apply to low value goods you import

Families

The new Child Care Subsidy will require families to update their information for relevant assessment by the Department of Human Services.

The Child Care Benefit and Child Care Rebate will be replaced with a single means-tested subsidy, the Child Care Subsidy, from 2 July 2018.

The Child Care Subsidy is paid directly to child care services to reduce the out-of-pocket costs for families.

The amount of subsidy clients may be eligible for will depend on:

- family income;
- an activity test;
- the type of child care service used; and
- the age of the child.

You can estimate how much Child Care Subsidy you may be eligible for by using the Payment and Service Finder on the Department of Human Services' website – humanservices.gov.au/paymentfinder

If you currently receive the Child Care Benefit or Child Care Rebate for approved care, you will have received a letter from the Department in April asking you to complete a Child Care Subsidy assessment.

This will help the Department check if you are eligible for the new Child Care Subsidy and work out how much your subsidy will be.

To complete their assessment, you will need to sign into your Centrelink online account through [myGov](#) and select the **complete your Child Care Subsidy assessment** task.

You will then need to work through the steps by providing the Department with new information and confirming your details in the prefilled sections.

Information required includes:

- an estimate of your family income for 2018-2019;
- your activity level;
- the school status of your child; and
- confirmation of your child's enrolment details.

We encourage you to complete the assessment as soon as possible to avoid paying child care fees in full from 2 July 2018.

More information about the Child Care Subsidy is available at humanservices.gov.au/childcaresubsidy