Accountants & Business Advisors

News Bulletin

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TAX DEVELOPMENTS UPDATE

Hundreds of tax evaders caught by government taskforce

On 31 March 2017, the Minister for Revenue, Kelly O'Dwyer, provided an update on offshore tax evasion.

The Minister reported that more than 340 Australians with links to Swiss banking relationship managers, alleged to have actively promoted and facilitated tax evasion schemes, have been identified by the Serious Financial Crime Taskforce (SFCT) through a joint international investigation.

Australians identified in the data have failed to comply with their tax obligations or been involved in criminal activity. This follows overnight search warrants and arrests by authorities in the Netherlands, the United Kingdom, Germany and France.

The Minister said the information gathered throughout the course of international collaboration by the SFCT indicates that the Australians identified hold unnamed numbered accounts with a Swiss bank. The fact that these accounts are unnamed means that by their very nature they are likely to have been established to hide the identity of the owner, Ms O'Dwyer said.

As revenue authorities continue to gather and share intelligence in the coming weeks, they expect to move quickly to pinpoint those people who've deliberately promoted or willingly participated in these schemes.

According to the Government, the SFCT is equipped with the resources, data-matching capability and the international and domestic intelligence-sharing relationships to uncover even the most intricately-planned tax evasion schemes.

The Minister noted that since the SFCT was established more than 421 audits have been completed, and liabilities have been raised in excess of $190.89m.

Four people have received custodial sentences following prosecution and there are currently 25 criminal, civil and intelligence matters in progress.

ATO set to visit hundreds of Aussie businesses

The ATO plans to visit more than 400 small businesses operating in the cash and hidden economy across two capital cities in a continued crackdown on the black economy. The ATO revealed it is knuckling down in Perth and Canberra, planning to visit more than 400 businesses in the next month to ensure they are on top of their tax affairs.

Assistant Commissioner Tom Wheeler said the visits are part of an ongoing program of work, which is making its way around the country.

Mr Wheeler said they are focusing on businesses operating in the cash and hidden economy, such as restaurants and cafés, and hair and beauty businesses.

"These industries are on our radar because they have ready access to cash, and this is a major risk indicator," Mr Wheeler said.

As detailed in our December 2016 News Bulletin, the government also established a black economy task force which is due to provide an interim report to the government this month.

ATO TO DISCLOSURE OF TAX DEBTS TO CREDIT REPORTING AGENCIES

As from 1 July 2017, the Government proposes to have legislation in place to allow the ATO to disclose tax debt information to credit reporting agencies.

Importantly, tax debts of less than $10,000, of debts outstanding for less than 90 days, and debts subject to a payment arrangement, will be excluded from the reporting requirements.

However, clients should be aware that the new measure may have significant consequences as tax debt information reported by the ATO may remain on commercial credit files for five years, even if the debt is subsequently paid.

KEY PLANNING STRATEGIES FOR SUPER CHANGES

On I July, 2017, the biggest changes to the Superannuation rules will come into effect. It is therefore important to review your SMSF strategies now, while there is still a window of opportunity for changes before the new rules become operational.

A summary of the more significant superannuation changes can be found in our February 2017 Newsletter.

Some of the key areas that you may need to consider before 1 July, 2017, include:-

$1.6 Million Transfer Balance Cap (TBC)

This measure will limit the total amount of superannuation assets a fund member can transfer to the tax-free pension phase to $1.6 million from 1 July 2017.

Some key decisions will need to be made in connection to the above include:-

- Determine whether the pension is to be partly rolled back to accumulation phase or whether the excess over $1.6m is to be cashed out of the fund.
- Where a Fund member has multiple pensions, decide the order in which those pensions should be rolled back; and
- Decide whether any changes should be made to the reversionary arrangements for those pensions remaining in place

Opting Into CGT Relief On Unwinding Existing Pension Arrangements

Moving part of the retirement income stream back to accumulation prior to 1 July 2017, steps need to be taken so that the fund is eligible for the transitional CGT relief to reset the cost base of one or more of the fund's eligible impacted assets so that unrealised gains on existing pension assets will not be taxed on disposal following commencement of the new rules.

In this regard, key decisions may include:-

- Determining whether a fund is eligible for the CGT relief, and
- taking the requisite action to take advantage of the concession, including obtaining market valuation of assets and lodging an election with the ATO.

Commuting Transitioning To Retirement Pension (TRIS) s to Accumulation.

From 1 July 2017, TRISs are specifically excluded from the definition of a "retirement phase" income stream. This effectively removes the tax exemption on earnings derived from assets supporting a TRIS and funds will be assessed on 100% of their net earnings.

If you have not attained your preservation age and retired, it may be beneficial to conduct a review to determine if the TRIS should be commuted back into accumulation phase.

Making Extra Concessional Contributions

You now have until 30 June 2017 to make extra concessional (pre-tax) super contributions under the current caps :-

- $30,000 for those who were under 49 years of age at 30 June 2016 and
- $35,000 for those who are older.

From 1 July 2017 everyone's cap will reduce to $25,000.

Non-Concessional (after tax) Contributions

IS YOUR SUPERANNUATION TRUST DEED UP-TO-DATE?

In light of the substantial recent Superannuation Changes, it's important for trustees to be assured their SMSF trust deed is up-to-date and compliant.

Just some of the SMSF trustee powers that are now essential in respect of the legislative powers are:

- powers to permit different types of pensions to be commuted for the purpose of reducing or avoiding exceeding the transfer balance cap;
- powers to make catch-up concessional contributions; and
- powers to roll over death benefits.

If you are unsure whether your SMSF trust deed is up-to-date, or whether it includes the relevant powers to deal with new superannuation law, please do not hesitate to contact us.

There is a window until 30 June 2017 to make use of the current, higher non-concessional (after tax) contributions cap of $180,000 a year, before it is reduced to $100,000. If eligible, SMSFs can also take advantage of the current bring forward rule and contribute $540,000 prior to 1 July 2017.

Once the new rules start, this bring forward cap reduces to $300,000.

Also, from 1 July 2017, you will be precluded from making further non-concessional contributions if your total superannuation balance exceeds $1.6 million (as indexed) on 30 June the previous financial year. The total super balance may also reduce the available cap under the bring forward rule.

Review insurance contributions

With concessional contributions caps cut from 1 July, it may no longer make sense to hold insurance within the fund.

Depending on the situation, it may be better to focus on contributions to build a long-term super balance, rather than paying premiums.

You may need expert advice regarding the best way to utilise the transitional CGT reliefs provided by the Federal Government.

We encourage you to contact our office to discuss planning strategies for your fund ahead of the changes referred to above.

END OF FINANCIAL YEAR TAX PLANNING STRATEGIES

As another financial year is coming to an end yet again, it is time to consider your options in relation to year end tax planning, and what you can do to legally reduce your taxes.

Common strategies that may be considered prior to 30 June 2017 include:

Deferral of Income & Capital Gains

Strategies that may be utilised to defer income, include:-

- Businesses that return income on a cash basis are assessed on income as it is received. A simple end of year tax planning strategy is to delay "receipt" of the income until after 30 June 2011. For example in the case of interest bearing investments, invest the funds so that interest is paid after year-end.
- Businesses that return income on a non-cash basis are generally assessed on income as it is derived or invoiced. Income may be deferred in some circumstances by delaying the "issuing of invoices" until after 30 June 2017. For example, deferring invoicing, or billing of work-in progress until after year-end, and deferring raising accounts for interim fees for incomplete work.
- Application of specific rules to determine when income is derived to your advantage. For example, Income received in advance may be treated as unearned income which is not taxable until the services are performed.
- If in a loss situation, consideration should be given to accelerating income prior to 30 June to recoup losses that may not be available in future years.
- Realising a capital gain after 30 June 2017 will defer tax on the gain by 12 months and can also be an effective strategy to access the 50% general discount which requires the asset to be held for at least 12 months. The date of the contract is the realisation date for capital gains tax purposes

Diversion of Income

Strategies for Diverting income to another taxpayer with a lower marginal tax rate may include:-

- Diverting income by transferring income producing assets, or using discretionary distributions.
- Selecting an appropriate tax planning "vehicle", e.g a family trust, a family partnership, a loss trust, a loss company

Timing of Expenses

Expenses are generally deductible once they have been "incurred".

The fact that expenses are 'incurred" at the earlier of when an amount has either been paid or incurred (i.e. have a presently existing liability), may provide a

COURT RULES ON GST REGISTRATION FOR UBERX DRIVERS

The Federal Court has held that in carrying on the enterprise of providing uberX services to passengers, uberX drivers supply "taxi travel" as defined for the purposes of GST.

Under the GST Act, Taxis must register for GST purposes regardless of their turnover.

number of strategies to maximise deductions. These may include:

- bringing forward expenditure which would otherwise be spent after 30 June. By bringing forward your tax deductions into the current financial year, you reduce your taxable income and thus your tax.
- Claim expenses in the current year for expenses for which the business is "definitely committed" to in the current year but which are payable at a future time. For example, Directors Fees, Staff Bonuses or Commissions that the business is "definitely committed" to at 30 June 2017 but not payable until a later date.

Bad Debts

All book debts should be reviewed and debts that are bad (not merely doubtful) written off **before** year end. (whole or partial).

In Ruling TR 92/18, the Tax Office accepts that a debt is written off for tax purposes if: –

- The Directors have decided **before year end** as a matter of commercial judgement, that the loan is bad in that it is unlikely to be recovered
- The decision is recorded in writing: and
- There is a physical writing off in the books of account in the next year

It is no longer necessary (before writing-off) to have taken all steps to recover the debt by the end of the year.

Businesses can also claim back the GST paid on debts that have been written off as bad, or where not written off as bad, the debt has been outstanding for 12 months or more.

Trading Stock

Individual items of stock can be valued at either cost, market selling value or replacement value to minimise total value.

- Stock must be 'on-hand' before a deduction may be claimed.
- Identify stock that can be attributed to a reduced value, due to obsolescence or special circumstances
- Stock of no value should be scrapped before year-end.
- Identify consumable stores in trading stock that may qualify for immediate write off.

As a general rule a lower closing value for stock will lower taxable income.

Car Expenses

- If claiming actual expenses, check that the log book is current and that the log book details are correct.
- Ensure year end odometer readings are taken.
- Ensure all relevant receipts have been kept

Small Business Entity (SBE) Tax Concessions

The "small business entity" (SBE) tax rules provide access to a range of concessions that small businesses can apply without the need to make a formal election in the tax return, including:-.

- **Immediate deductions for prepaid expenses** –

You can claim an immediate deduction for prepaid expenses where the payment covers a period of 12 months or less that ends in the next income year.

- **Simpler depreciation rules**

  - instant asset write-off - If you are a small business, you can immediately deduct the business portion of most assets that cost less than $20,000 each.

    This deduction can be used for each asset that costs less than $20,000, whether new or second-hand.
  - pool most other depreciating assets that cost $20,000 or more in a small business asset pool and claim
    - a 15% deduction in the first year (regardless of when you purchased or acquired them during the year)
    - a 30% deduction each year after the first year
  - write-off the balance of your small business pool at the end of an income year if the balance – before applying any other depreciation deduction – is less than $20,000.

Superannuation

Superannuation can assist you in managing your tax liabilities. Making a deductible contribution to a complying superannuation fund, as well as giving you a tax deduction it also provides you with a tax-effective environment in which to hold investments. This makes super one of the best ways to maximise wealth for retirement.

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