



COLVILLE WILLIAMS & CO. PTY LTD

TAX NEWS

June 2019

Colville Williams & Co Pty Ltd ACN 007 250 231

Level 1, 99 Main Road,

Lower Plenty 3093

Ph 9432 0777

Please note: The comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the applicability of the information to their particular circumstances.

Appointment Times

The following times have been allocated for individual tax return preparation:

Fred	Monday	2 pm - 6 pm
Greg	Monday	1 pm - 5 pm
Paul	Tuesday Thursday	8 am - 11am 3 pm - 6 pm
Matt	Tuesday	2 pm - 5 pm
Weechan	Wednesday	2 pm - 5 pm
Dianne	Thursday	8 am - 11 am

Merilyn, Jackie and Ashlyn are available to make appointments or assist in any way.

Please do not make an appointment until you have all relevant information. Cancelling appointments in the busy period is unfair to others.

THIS YEAR WE ARE ADDING AN ADDITIONAL APPOINTMENT BRACKET ON WEDNESDAYS. YOUR APPOINTMENT WILL BE ALLOCATED TO WHICHEVER ACCOUNTANT IS AVAILABLE AT THAT TIME.

We request that you bring along your bank account details and email address to improve efficiency and speed up your refunds.

Please direct your email enquiries to our mailbox address: **mail@colville.com.au**

OFFICE HOURS

Our office hours are 8:30am to 5:00pm Monday to Friday.

Our fees for tax return preparation remain unchanged from last year.

CAR PARKING

The local council routinely enforce permitted parking times in front of the shops.

We encourage you to take note of parking restrictions and park accordingly. Anyone intending to park for more than half an hour should park in the rear car park.

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Business News

'Single Touch Payroll' - Here it is!

The Single Touch Reporting regime will apply to ALL employers from 1 July 2019. We have been working closely with clients to ensure they have suitable software in place to meet their reporting requirements. However, as with any new system it will take 3 – 6 months to bed it down so that it becomes second nature.

Our preferred software supplier, MYOB, has advised us that the information being transmitted each pay is the year to date gross pay and tax figures for each employee, and not the specific detail of individual pay runs (although the ATO would be able to calculate the differences from pay to pay as required).



Adjustments will need to be handled with extreme care as not all adjustments processed in an accounting system will result in updated YTD numbers being reported.

Not surprisingly, the data with regards to the earnings of individual employees will be shared with Centrelink to “reduce the incidence of overpayments of benefits” – a nice way of saying catch the cheats.

It is also worth noting that from 1 July 2019, Income Tax deductions will be denied in circumstances where PAYGW obligations have not been reported. Accordingly, being up to date with reporting of employee payments and lodging Instalment and Business Activity Statements will be critical to avoid unwanted ATO attention.

Further Broadening of the Taxable Payments Reporting Regime

The Taxable Payments Reporting regime will be extended once again, with reporting of payments to contractors required for businesses in the security, road freight and information technology industries set to be applied from 1 July 2019.

We have previously flagged the likelihood of the ongoing extension of these requirements, and these reports will provide data to feed into the sham contracting taskforce noted later on page 6.

The regime requires businesses to report to the ATO on all payments made to contractors.

Having the right software in place will be crucial to making this process as painless as possible for businesses.

Small Business Asset Write-Off Further Extended

The recent Federal Budget extended and enhanced the immediate deductibility of individual assets acquired by a small business.

The \$20,000 threshold has been increased to \$30,000 for small businesses (aggregated annual turnover under \$10m) and now also applies to medium sized businesses (aggregated annual turnover between \$10m and \$50m) for assets that are first used (or installed ready for use) from 2 April 2019 to 30 June 2020.

The purchase date is particularly critical for medium businesses as they did not previously have access to the \$20,000 instant asset write off.

The measure is dependant on being passed by Parliament in July, but we do not expect this will be an issue.

As noted previously, immediately writing off the asset in the current year merely brings forward future depreciation deductions. It helps cash flow in the current year, but hurts cash flow in future years and will create a disconnect between the tax deduction and the payment schedule where an asset is financed.

And finally, don't fall into the trap of purchasing an asset solely with a view to saving or deferring tax under these measures. Sending \$30,000 of your hard earned cash out the door on an asset you don't need, in order to save (at most) \$14,100, is not a great commercial decision!

Long Service Leave - Victoria

The Long Service Leave Act (Vic) 2018 came into law on 1 November 2018 and now provides for employees to obtain access to the Long Service Leave (LSL) once they have achieved seven years of continuous employment.

Important points are as follows:

- Entitlement is calculated as 1/60th of the total period of employment (6.1 weeks per 7 years' service), less any amounts of Long Service Leave taken previously
- If an employee has variable hours, or has changed hours in the two years prior to taking LSL, their LSL entitlement will be calculated based on:
 - the average weekly hours worked in the past year
 - the average weekly rate of the past five years or

- the average weekly hours worked over the whole of their employment whichever works out most favourably for the employee.
- LSL is paid on 'Ordinary Time Earnings', which includes any salary packaged amounts and regularly attainable commissions, bonuses or loadings
- Continuity of service rules have also been updated so that:
 - Casual and seasonal employees will remain eligible to accrue LSL unless there is a 'break of employment' of more than twelve weeks between their engagements
 - Employees may take up to two years parental leave (paid or unpaid) without being considered a 'break in employment'
 - There will not be a 'break of employment' where an employee have been engaged on a regular and systematic basis and has a reasonable expectation of being re-engaged
- All forms of paid leave count towards continuous service, however unpaid leave exceeding 52 weeks will not count unless it is in the employee's contract, or agreed to by the employer
- LSL CANNOT be cashed out
- Employees CANNOT work with the employer whilst on LSL

The new LSL Act will not apply to certain employees who are covered by federal enterprise agreements or pre-reform awards, or where other legislative arrangements apply (e.g. Coinvest).

Strengthening ABN Rules

The Federal Government will strengthen the ABN system by imposing new compliance obligations for ABN holders from 1 July 2021.

ABN holders with an income tax obligation will be required to lodge their Income Tax Returns on time to retain their ABN, and from 1 July 2022 will be required to confirm the accuracy of their details on the Australian Business Registry annually.

Addressing Sham Contracting

The Government has announced additional funding for the Fair Work Ombudsman to address sham contracting.

Fairwork Australia defines sham contracting as follows:

A sham contracting arrangement is when an employer attempts to disguise an employment relationship as an independent contracting arrangement. This is usually done to avoid responsibility for employee entitlements.

New Government Tender Policies.

From 1 July 2019 any business tendering for Government projects valued over \$4m will need to provide a satisfactory Statement of Tax Record ('STR'). This measure is designed to provide an even playing field for businesses that comply with their tax obligations, and weed out those that haven't met those obligations.

A STR will be issued if the tenderer is:

- Up to date with registration requirements
- Has lodged at least 90% of their Income Tax Returns, Fringe Benefits Tax Returns, and Business Activity Statements due in the last 4 years (or their period of operation for newer businesses)
- Does not owe the ATO more than \$10,000 in outstanding debt

Clients currently working on Government contracts and/or considering tendering for Government contracts should ensure they are able to meet these requirements, or they could risk losing out on the ability to tender for work (or renew existing work).

Sunset Clauses on Off the Plan Sales

Victorian legislation was enacted in May 2019 so that vendors (i.e. property developers) no longer have an automatic right to rescind an off-the-plan contract of sale through the operation of a 'sunset clause'.



“ Unscrupulous developers were often using a sunset clause to cancel contracts in circumstances where the market value of a property has risen. ”

Sunset clauses enabled a vendor to cancel a contract in circumstances where there are delays in completing a contract beyond a date specified in the contract (the 'sunset' date).

However, unscrupulous developers were often using a sunset clause to cancel contracts in circumstances where the market value of a property has risen, leaving the buyer high and dry just as their long awaited purchase was to be realised. The developer would then either demand the purchaser pay a higher price for the property than had been previously contracted, or threaten to re-list the property on the market.

Under the changes buyers will now be required to provide their consent to the vendor utilising this clause – which will obviously not be given where the buyer is disadvantaged!

Individuals News

Changes to Rates and Thresholds

The following changes to income tax rates and thresholds were proposed in the 2019 Budget.

Whilst there is still some disagreement between the Government and Opposition on the long-dated tax scale changes, we expect that - once the political posturing is over - the cuts in the rates for the 2019 to 2021 financial years will be legislated in early July when Parliament next sits.

We recommend either holding off on having your 2019 income tax return prepared until mid-July, or alternatively being prepared to go back to the ATO and request an amended assessment.

- Income Tax rates as announced in the Budget for 2018/19 (and 2019/20) are as follows:

Taxable income	Tax on this income
0 – \$18,200	Nil
\$18,201 – \$37,000	19c for each \$1 over \$18,200
\$37,001 – \$90,000	\$3,572 plus 32.5c for each \$1 over \$37,000
\$90,001 – \$180,000	\$19,822 plus 37c for each \$1 over \$87,000
\$180,001 and over	\$54,232 plus 45c for each \$1 over \$180,000

- The Low Income Tax Offset ('LITO') of up to \$530 on incomes up to \$37,000 (and cutting out at Adjusted Taxable Income of \$66,667) will be removed
- Instead, a new Low and Middle Income Tax Offset ('LMITO') of up to \$1,080 on incomes up to \$90,000 and cutting out at Adjusted Taxable Income of \$126,000 will apply

This means that most taxpayers with adjusted taxable incomes up to \$126,000 can expect reasonably higher refunds (or reduced tax liabilities) this year as the LMITO is effectively retrospective, as it was not taken into account in the ATO's tax withholding tables.

myGov Mayhem

We are (still) dealing with clients advising that they have received ATO reminder notices from us for outstanding income tax or quarterly Pay as You Go Instalment debts, having received no initial notice of the liability.

In almost every case it turns out that the client has innocently connected their ATO account to their myGov account.

Once a taxpayer has joined their ATO account to their myGov account, future ATO assessment notices and PAYG Instalment notices are sent directly to the client's myGov account and NOT to us as their tax agent.

However subsequent correspondence – reminder letters – are sent to our office by the ATO, and we promptly forward them on to clients.

myGov works in the same way as our Client Portal, with an email alerting the recipient that they have received a document. Accordingly, clients need to ensure that following the receipt of these myGov emails, they log on to their myGov account and view the notice (and take appropriate action).

If you DO NOT wish to have your ATO account linked to your myGov account you need to log on to myGov and CANCEL the link.

“ In almost every case it turns out that the client has innocently connected their ATO account to their myGov account. ”

Tax Office to Double Audits of 'Dodgy' Rental Deductions

Rental property owners are being warned to ensure their claims are correct this tax time, as the ATO has announced it will double the number of audits scrutinising rental deductions, with a specific focus on:

- Over-claimed interest
- Capital works claimed as repairs
- Incorrect apportionment of expenses for holiday homes let out to others
- and
- Omitted income from accommodation sharing

The Government recently allocated additional funds to the ATO to extend its program of audits and reviews of rental properties.

When it comes to dodgy claims, the ATO's detection methods are becoming more advanced.

While no penalties will apply for taxpayers who amend their returns due to genuine mistakes, deliberate attempts to over-claim can attract penalties of up to 75% of the claim.

Last year the ATO audited over 1,500 taxpayers with rental claims, and applied penalties totalling \$1.3 million, including the following:

- In one case, a taxpayer was penalised over \$12,000 for over-claiming deductions for their holiday home when it was not made genuinely available for rent, including being blocked out over seasonal holiday periods
- Another taxpayer had to pay back \$5,500 because they had not apportioned their rental interest deduction to account for redraws on their investment loan to pay for living expenses

Superannuation News

With the election returning the current Government there is very little happening on the superannuation front this coming year.

Contribution Limits

For the year ended 30 June 2019 onwards the superannuation contribution limits are as follows:

	Notes	Concessional Contributions Limit
All Taxpayers	(a)	\$ 25,000
		Non - Concessional Contributions Limit
Taxpayers with total superannuation balances of less than \$1.4m	(a)(b)	\$ 100,000 (or up to \$300,000 if the Bring Forward Rule activated)
Taxpayers with total superannuation balances of \$1.4m to less than \$1.5m	(a)(b)	100,000 (or up to \$200,000 if the Bring Forward Rule activated)
Taxpayers with total superannuation balances of \$1.5m to less than \$1.6m		100,000
Taxpayers with total superannuation balances of > \$1.6m		Nil

(a) Taxpayers must meet the work test to make contributions if aged over 65

(b) Taxpayers must be under 65 on the first day of the financial year to access Bring Forward Rule

Note that the 2019 financial year is the first financial year in which taxpayers with total superannuation balances of less than \$500,000 at the end of the prior financial year will be able to carry forward their unused concessional contributions cap space, and potentially make 'catchup' contributions in future financial years.

Taxpayers should also remember that a superannuation contribution is deemed to occur in the year that it is actually paid to a superannuation fund. Timing issues relating to year-end contributions could result in excess contributions.

Deductibility of Personal Contributions

As reported last year, individual taxpayers are now able to claim a tax deduction for personal superannuation contributions. Those on existing salary sacrifice arrangements should consider whether they are better off cancelling their existing arrangements.

Please ensure that, where personal contributions have been made for which you wish to claim a tax deduction, you have advised your super fund that the contributions are 'member concessional' concessional contributions. Your super fund will then issue the relevant confirmation letter, which will allow the tax deduction to occur.



Contributions Work Test Age Limit Extension

The Federal Budget included an announcement that the age limit for making super contributions without meeting the work test would be extended to age 67 from 1 July 2020 to better align with the age pension eligibility age which will reach age 67 from 1 July 2023.

Currently an individual aged 65 to 74 needs to work 40 hours in the 30 days leading up to the making of a contribution to meet the work test.

The SIS regulations were amended on 7 December 2018 to implement an announcement from last year's budget allowing a one year exemption from the work test for recent retirees with total super balances under \$300,000.

It is all a bit of a mish-mash, particularly given that the recent announcement has not been legislated, but there may be opportunities to use these changes to increase super assets, and gain access to the tax free status of pension account earnings.

Insurance Options for Low Balance Young Members

A reminder that members of Industry superannuation funds under the age of 25 with balances under \$6,000, who have not made a contribution for over 13 months, will be required to 'opt in' to continue to pay the weekly premiums from their Member Account Balance to receive the various life and disability options provided by these funds.

Some of these members will have no use for the insurance and will welcome not being stung for these deductions, but some will want to continue to have the insurance cover(s) and will need to take steps to keep them active.

The start date for this measure was 1 July 2019.

Social News: Colville Williams & Co

A busy year was had by many of the Colville team:

Most notably **Adrian Monarca**, after 11 years with CW decided to move on and spread his wings. Adrian began his career with us as a graduate, then completing his CPA. Adrian's willingness to learn and assist client earned him the role of Business Services Manager and handled many of Greg Carpenter's higher end clients. We miss stirring him about Carlton's poor form, however wish him all the very best.

Ruby Henderson has moved on to an accounting firm that deals with music clients and the handling of their events.

Matthew Key – Chartered accountant, began with us in November 2018 as a Business Services Manager. Matt and his wife Sonia have relocated from Echuca to Melbourne to both further their careers.

We welcomed **Nicholas Atme** to CW in January 2019. Nick graduated at RMIT in 2018. He has been working primarily in the SMSF but will move to business services in the new financial year. He plays soccer on the weekends in the goalkeeper position.

Jackie Murphy and **Ashlyn Samphier** joined **Merilyn** in the admin team last July. It's a busy time to have two new staff members join but the handover went very smoothly and we appreciate the patience of our client's during that time. Both **Jackie** and **Ashlyn** are great assets and offer different skills which has broadened and strengthened the admin team.

Travel wise, **Elena** has just returned from Uzbekistan and Russia visiting her parents and sister.

Paul and **Lisa** took the kids to the USA in April, visiting LA, Disneyland, Las Vegas, San Francisco, San Diego and Hawaii.

Jackie is currently in Ireland, where her mother and sister reside.

Ashlyn had a week in the Philippines visiting the island of Coron.

Merilyn had a lovely week in Port Douglas, QLD.

Can't make it in to see us?

Consider emailing to **mail@colville.com.au**. or use the Colville portal.

We can usually prepare simple returns within the week at no extra cost. Don't forget to include your contact phone numbers or email addresses so we can verify any items with you.

Bring your current bank account details (BSB and Account Number)

Tax Time Checklist

PERSONAL INFORMATION

- ☐ Bank account details for refunds
- ☐ Home email address

EMPLOYMENT AND PENSION INCOME

- ☐ PAYGW payment summaries
- ☐ PAYGW Termination payment advices
- ☐ Centrelink Pension certificates
- ☐ Centrelink Unemployment certificates
- ☐ Account Based Pension Payment Summaries (if aged 55 - 60)

DEDUCTIONS

Diarised Items:

- ☐ Odometer reading @ 30/06/19 (optional)
- ☐ Travel - Business kms
- ☐ Car expenses - petrol
- ☐ Travel - overseas, interstate
- ☐ Minor expenses less than \$10 each (max \$200)
- ☐ Home office hours

Receipted Items:

- ☐ Car expenses - Rego, insurance, repairs & petrol
- ☐ Uniforms / footwear / dry cleaning
- ☐ Union fees
- ☐ Membership & Subscriptions
- ☐ Tools of trade
- ☐ Computer, printer, internet
- ☐ Income protection insurance
- ☐ Donations

GENERAL ITEMS

Medical and Superannuation

- ☐ Superannuation contributions - Self & spouse
- ☐ Private Health Insurance Tax Statement

Spouse & Children Details

- ☐ Taxable income
- ☐ Names & dates of birth
- ☐ Family tax benefits status (Centrelink)

INVESTMENTS

- ☐ Interest Income on interest bearing accounts
- ☐ Internet banking accounts
- ☐ Cash management trust accounts

- ☐ Term deposits
(Please provide the a/c no. & interest earned for each a/c. We recommend that you get the details in writing from your bank)
- ☐ Dividend income (advices preferred)
- ☐ Share purchase and sale details
(Please provide a copy of all dividend, purchase and sale advice slips)
- ☐ Margin Lending loan statements (full year)
- ☐ Managed fund annual tax statements

RENTAL PROPERTIES

- ☐ Estate agent annual statements
(Please request these from your agent, otherwise bring in the monthly payment summaries)
- ☐ Rates notices - council and water
- ☐ Insurances
- ☐ Body corporate fees
- ☐ Land tax
- ☐ Repairs and maintenance (invoices)
- ☐ Loan statements (full year)
- ☐ Purchase and / or sale details
(Please provide a copy of all estate agent, solicitor and bank documentation relating to the original purchase and the sale if applicable).

