



Quarterly Update

Summer 2023



ATO Update

Super Guarantee (SG) Due Date For December 2023 Quarter

The due date for employers to make super guarantee contributions for their employees for the December 2023 quarter is 28th January 2024. There is no extension of time, unlike the quarterly BASs. Due to this date falling on a weekend, we recommend that superannuation is paid before 25th January 2024 to also avoid the Australia Day Public Holiday.

If the correct amount of SG is not paid on time, then the employer will be liable to pay the SG charge which includes a penalty and interest. On top of this, any superannuation paid late is also not tax deductible.

The current SG rate is 11% for the 2023/24 financial year.

Unused Concessional Contributions Cap

From 1 July 2018, individuals with a total superannuation balance of less than \$500,000 as at 30 June of the previous income year may be entitled to contribute more than the general concessional contributions cap. The general concessional contributions cap is \$27,500 for each of the 2021/22 to 2023/24 income years, and \$25,000 per income year for earlier years.

Taxpayers can make additional concessional contributions above this cap to utilise any unused cap amounts from prior years.

For example, an individual who did not make any concessional contributions in the 2023 income year (and whose total superannuation balance was less than \$500,000) is able to make up to \$55,000 of concessional contributions in the 2024 income year.

Unused concessional contributions are available on a rolling basis and can be carried forward for up to five years, after which they will expire. The 2024 income year is the first year in which unused caps from all five previous years are potentially available to carry forward.

For personal super contributions claimed on your tax, your super fund needs to be notified, and your super fund needs to provide an acknowledgment of this notice.

Office Christmas Closure

Our office will be closing at 5:30pm on Thursday 21st December 2023, and will re-open at 8:30am on Monday 8th January 2024.

We wish to thank all our clients and friends for your ongoing support and wish you a safe and enjoyable Festive Season.

Staff Update

To assist you with planning appointments we wish to advise of the following staff members work changes:

Dallas Landwehr

Dallas will be away on leave from the office Christmas break until 31st January 2024. He will be in the office a few hours per week for appointments during this period, and contactable via email.

Rod Taylor

Rod is extending his Christmas break and is returning to the office on Wednesday 10th January 2024.

Cherese Mackley

Cherese will be away on leave from Monday 15th to Wednesday 17th January 2024. She will return to the office on Thursday 18th January 2024.

Holiday Home Deductions

Taxpayers should remember that they can only claim deductions for holiday home expenses to the extent they are incurred for the purpose of gaining or producing rental income.

They need to consider the following in determining whether the deductions they wish to claim are valid rental deductions:

- How many days during the income year did they use or block out the property for their own use? (Taxpayers cannot claim deductions for the periods the property was used or blocked out by them).
- How and where did they advertise the property for rent, and is the rent in line with market values? (If they only used obscure means of advertising, or put unreasonable restrictions or conditions in the advertisement, they may not be entitled to claim deductions).
- Will any restrictions, or the general condition of the property, reduce interest from potential holiday makers? (If their property is not in a tenantable condition, they may not be entitled to claim deductions).
- Has the taxpayer or their family or friends used the property? (Taxpayers cannot claim for periods of private use or when the property is kept vacant for personal reasons).

Is any part of the property off limits to tenants? (When taxpayers claim deductions, they should ensure they calculate and apportion deductions in relation to the part of the property that is available for rent).

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Taxpayers Need To Get Their 'Rental Right'

The ATO reminds rental property owners and their tax agents to take care when lodging their tax returns this tax time. When preparing their tax returns, taxpayers should make sure all rental income is included, including income from short-term rental arrangements, renting part of a home, and other rental-related income.

Rental income must be reported in the year the tenant pays, rather than when the taxpayer's agent transfers it to them, and it must be reported as the gross amount received (i.e., before the property managers fees and other expenses they pay on the taxpayer's behalf are taken out).

There are three categories of rental expenses, as follows:

- Expenses where taxpayers cannot claim deductions, e.g., expenses arising from a taxpayer's personal use of their property and capital expenses;
- Expenses where taxpayers can claim an immediate deduction in the income year they incur the expense, e.g. interest on loans, council rates, general repairs and maintenance, and depreciating assets costing \$300 or less; and
- Expenses where taxpayers can claim deductions over a number of income years, e.g., 'capital works' deductions and borrowing expenses incurred when setting up a loan.

The ATO is particularly focused on interest expenses and ensuring rental property owners understand how to correctly apportion loan interest expenses where part of the loan was used for private purposes, or the loan was re-financed for some private purpose.

Taxpayers should ensure they have the records to demonstrate they incurred expenses for their rental property and the extent to which the expenses relate to producing rental income.

Contact the BCH office if you require assistance.



Be Cyber Wise,
Don’t Compromise

Throughout the 2022 income year, one cybercrime was reported every seven minutes. The ATO encourages taxpayers to implement the following four quick steps to protect themselves.

Step 1: Install updates for your devices and software

Regular updates ensure taxpayers have the latest security in place which can help prevent cyber criminals from hacking their devices. They should also make sure they are downloading authorised and legitimate programs.

Step 2: Implement multi-factor authentication

Multi-factor authentication ('MFA') is a security measure that requires at least two proofs of identity to grant access. Businesses as well as individuals should implement MFA wherever possible. MFA options can include a physical token, authenticator app, email or SMS.

Step 3: Regularly back up your files

Backing up copies of files to an external device or the 'cloud' means taxpayers can restore their files if something goes wrong.

It is a precautionary measure that can help avoid costly data recovery.

Step 4: Change your passwords to passphrases

By using passphrases, taxpayers can boost the security of their accounts and make it harder for cyber criminals to access their information.

Passphrases use four or more random words and can include symbols, capitals and numbers. A password manager can help generate or store passphrases.

Stop, Think
and Protect

As technology advances, scams are getting harder to identify and Australians continue to receive legitimate-looking scam emails, SMS and even social media messages daily.

We encourage you to remind your clients to always Stop, Think and Protect when receiving a suspicious looking message:

- **Stop** for a moment before actioning any requests;
- **Think** about whether the contact could be fake by asking yourself “who’s really there?”;
- **Protect** personal information by verifying who is on the end of the conversation, and reporting suspicious contact to the ATO by emailing: reportscams@ato.gov.au

Christmas Parties and Gifts

Year-end (and other) Staff Parties

With the well-earned December/January holiday season on the way, many employers will be planning to reward staff with a celebratory party or event. However, there are important issues to consider, including the possible Fringe Benefits Tax (FBT) and income tax implications of providing 'entertainment' (including Christmas parties) to staff and clients.

FBT and 'Entertainment'

Under the FBT Act, employers must choose how they calculate their FBT meal entertainment liability, and most use the 'actual method'.

Using the Actual Method

Under the actual method, entertainment costs are normally split up between employees (and their family) and non-employees (e.g., clients).

Such expenditure on employees is deductible and liable to FBT. Expenditure on non-employees is not liable to FBT and not tax deductible.

However, be aware that even if the function is held on the employer's premises – food and drink provided to employees is not exempt from FBT.

Minor Benefit Exemption

The minor benefit exemption provides an exemption from FBT for most benefits of 'less than \$300' that are provided to employees and their associates (e.g., family) on an infrequent and irregular basis. The ATO accepts that different benefits provided at, or about, the same time (such as a Christmas party and a gift) are not added together when applying this \$300 threshold. However, entertainment expenditure that is FBT-exempt is also not deductible.

Beware: 'Less than' \$300 means no more than \$299.99! A \$300 gift to an employee will be caught for FBT, whereas a \$299 gift may be exempt.

Example: Christmas Party

An employer holds a Christmas party for its employees and their spouses – 40 attendees in all. The cost of food and drink per person is \$250 and no other benefits are provided. If the actual method is used, for all employees and their spouses – no FBT is payable (i.e., if the minor benefit exemption is available), however, the party expenditure is not tax deductible.

Christmas Gifts

Gifts That Are Not Considered To Be Entertainment

These generally include a Christmas hamper, a bottle of whisky or wine, gift vouchers, a bottle of perfume, flowers or a pen set, etc.

Briefly, the general FBT and income tax consequences for these gifts are as follows:

- Gifts to employees and their family members – are liable to FBT (except where the 'less than \$300' minor benefit exemption applies) and tax deductible; and
- Gifts to clients, suppliers, etc. – no FBT, and tax deductible

Actual Method Used For Meal Entertainment

Under the actual method no FBT is payable, because the cost of each separate benefit (being the expenditure on the Christmas party and the gift respectively) is less than \$300 (i.e., the benefits are not aggregated).

No deduction is allowed for the food and drink expenditure, but the cost of each gift is tax deductible.

Tax Issues For Business
Support Payments

Taxpayers who have received a government support grant or payment recently to help their business recover from COVID-19 or a natural disaster should check if they need to include the payment in their assessable income.

Grants are generally treated as assessable income, and taxpayers may be able to claim deductions if they use these payments to:

- Purchase replacement trading stock or new assets;
- Repair their business premises and fit out; or
- Pay for other business expenses.

However, some grants are declared non-assessable, non-exempt ('NANE') income. This means taxpayers don't need to include them in their tax return if they meet certain eligibility requirements.

NANE grants include but are not limited to:

- COVID-19 business support payments;
- Natural disaster grants; and
- Water infrastructure payments.

Taxpayers can only claim deductions for expenses associated with NANE grants if they relate directly to earning their assessable income, including wages, dividends, interest and rent.

Taxpayers cannot claim expenses related to obtaining the grant, such as accountant's fees.

Small Business
Energy Incentive

The Small Business Energy Incentive is designed to support small business electrification and more efficient energy use, and will apply to eligible expenditure incurred between 1 July 2023 and 30 June 2024 (once the relevant legislation is passed).

This boost provides small or medium businesses with a bonus 20% deduction for the cost of:

- Eligible depreciating assets; and/or
- Eligible improvements incurred in relation to existing depreciating assets,

that support electrification or more efficient use of energy.

The incentive will be limited to \$100,000 of total expenditure, with a maximum bonus deduction of \$20,000 per business.



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