NEWSFLASH

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BAN TACS Accountants Pty Ltd

BAN TACS Accountants Pty Ltd is a CPA Practice

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For all accounting & tax support contact one of our offices or just go to Ask BAN TACS

Issue Number: 300 **Pages: 4** **Date: 15th August, 2015**

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Column By Noel Whittaker

Many Australians are in for a shock when they retire, as there may well be a significant gap between their expectations and reality. A rule of thumb is that your retirement capital should be around 15 times your expected expenditure. For example, if you feel you will spend $50,000 a year in retirement, you will need $700,000 in your portfolio.

This may seem a huge amount of money, but don't despair – the first step in solving a problem is to define it. For starters, our generous social security system will be there as a backup. A couple of pensionable age who retired now with $150,000 in financial assets should qualify for around $33,000 a year in age pension. If their expenditure goal in retirement was $50,000 a year, the additional amount needed drops to $17,000 a year when the age pension is taken into account. Using the 15 times rule, this means they need only $255,000 in super to get them through.

CASE STUDY. Bob is 50 and earns $90,000 a year, his partner does not work but could find a job if necessary. Their main assets are a home worth $700,000 which still has a mortgage of $150,000, and his work superannuation currently worth $200,000. If inflation is 3% per annum, they will need $82,500 a year when he is 65. Using the 15 times rule, he will need to accumulate superannuation of $1.24 million by then.

That sounds a vast sum, but we are talking 15 years into the future. If his income rises by 4% per annum, and his super earns 8% per annum, there should be $894,000 in super by the time he is 65. They will be $346,000 short of their target, and unlikely to qualify for any government assistance. The problem could be solved by Bob working longer, or encouraging his partner to get a part time job, or by simply voluntarily increasing his superannuation contributions by starting a salary sacrifice program. One option is to salary sacrifice $1168 a month. After deduction of the 15% contributions tax, this should provide the extra $346,000 needed if his fund earns 8%.

Noel Whittaker is the author of Making Money Made Simple and numerous other books on personal finance. His advice is general in nature and readers should seek their own professional advice before making any financial decisions. Email: noelwhit@gmail.com.

Claiming Drive In Drive Out Costs Or Just Taking Your Esky and PPE To Work

BAN TACS has quite a reputation for banning as much tax as possible through claiming motor vehicle travel costs. In particular home to work travel. Whether you drive to a mine site and stay there for 4 days or just drive to work each day this is well worth thinking about.

Now there are other reasons you can claim your motor vehicle as a tax deduction against your income. For example, running errands during the working day, travelling to an abnormal workplace, travel between two jobs or if your work is itinerant. For more details on this and the various methods of substantiation available have a read of our claiming a motor vehicle booklet
http://www.bantacs.com.au/booklets/Claiming_A_Motor_Vehicle_Booklet.pdf

This article looks at the tax deduction available for carrying bulky equipment from home to work and back again. To qualify as bulky, the equipment must weigh more than 18kgs or be awkward enough that you can't carry it to the car in one trip. It is also important that your employer does not provide you with a locker where you can safely store your equipment under lock and key where no one else has access.

Of course there is the requirement that you need the equipment to do your job but don't let this narrow your view to just tools. Consider even your lunch box and of course personal protective equipment. In fact it would be prudent to take a spare set of steel caps with you each day in case the pair you are wearing get wet. Then what about the stuff you need because of your job but don't necessarily use while on the job. For a miner this might be a doona, pillows, towels and extra food because there is something unsatisfactory about what is provided at the camp. For a suburban delivery truck driver it may be an esky or fridge to keep their lunch edible. Your esky or steel caps on their own might not reach the 18kg but combined with other stuff you need it may help you reach it.

Even the ATO advertise this deduction. Go to
https://www.ato.gov.au/printfriendly.aspx?url=/individuals/income-and-deductions/in-detail/deductions-for-specific-industries-and-occupations/truck-drivers---claiming-work-related-expenses/
scroll down the page to:

Claiming work-related car expenses

Transporting bulky tools and equipment

You can claim a deduction for the cost of transporting bulky tools and equipment between home and work if:

- you need to use them at work
- there is no secure area for storing them at your workplace.

Example 2

Amy does an intercity haul. She collects her loaded truck in the evening and travels overnight to another city which she reaches before her mandatory long break. She unhitches the trailer, takes the truck to a place where she can sleep in it, and then returns to collect the reloaded trailer for the return trip that night. Amy takes a portable fridge, two screwdrivers, food for the road, a sleeping bag, a blanket, a change of clothing, toiletry gear and a GPS with her. She keeps these items at home and transports them to and from her depot because there is no storage at the depot. The items she uses for work are considered bulky.

Amy is entitled to a deduction for her costs of travelling between her home and depot.

Claiming A Tax Deduction For Renovation Courses

The standard reply you may get from your Accountant would be, if it is not regarding repairs then it is about making capital improvements to a property so the cost is capital in nature, not deductible against the rent. This view may well have changed with YPFD and Commissioner of Taxation [2014] AATA 9 (10 January 2014), for the full transcript of the case go to http://www.austlii.edu.au/au/cases/cth/AATA/2014/9.html

This case was covered in Newsflash 282 http://www.bantacs.com.au/newsflash/Newsflash_282_1st-February-2014.pdf this article zeros in on one specific paragraph of the case:

41. At the hearing the Applicant stated that she was now only relying on deductions for three modules**.** I am mindful that those three, being module 5, ‘Advanced Renovations for Established Properties’, module 8, ‘Advanced Rental System - Create long term positive gearing through maximised rental’, and module 9, ‘Equity Lease Rental System - Create long term positive gearing through maximised rental’, dealt with the management of current properties. As I am satisfied that the Applicant was carrying on a business of letting rental properties in the relevant years, the cost of those modules can properly be deducted pursuant to section 8-1 of the Act. I remit the item for calculation by the Commissioner.

While only an AAT case, it still has authority over previous ATO rulings. It is important to consider that the taxpayer (YPFD) was considered to be in the business of owning rental properties because she owned 9 rental properties. A taxpayer who only owns a couple of rental properties would not be considered to be in business, merely an investor. The ATO could argue the words “As I am satisfied that the Applicant was carrying on a business of letting rental properties in the relevant years” eliminate small investors. But this line of thought would be hard stretched to argue that the course is a capital cost for smaller investors and an immediate deduction for bigger investors.

The case is a good precedent on renovation courses not being a capital cost. An expense would not be deductible if it is capital in nature or private. YPFD’s case appears to eliminate capital in nature. It is unlikely such a course would be a private expense, if you have rental properties

Investors learning how to renovate to increase rental income may now be immediately tax deductible for the course costs. This is providing you actually intend to renovate an investment property that you already own. If you don’t already have an investment property then it would be considered that you have incurred the expenses at a point too soon to be considered to be related to income producing activities.

If you need to sleep away from home overnight to attend a renovation course that is tax deductible then you will also be entitled to claim a tax deduction for your travel costs. Travel costs include, air fares, car, accommodation and meals.

If you are doing the course because you have bought a property that you intend to renovate and then sell, the cost of the course would still be considered a cost of earning income it is just that the income in question is the profit you make on the sale of the property. You see if you buy with the primary intention of making money from the sale of the property then you are not an investor at all, you are in the business of buying and selling properties. No problem claiming the course but the down side of this strategy is as you are not an investor you are not entitled to the 50% CGT discount or the main residence exemption even if you live there while renovating. There is more information on this in our How Not To Be A Developer Booklet
http://www.bantacs.com.au/booklets/How_Not_To_Be_A_Developer_Booklet.pdf

$5,000 Grant Available For Home Based Businesses In QLD

This grant becomes available on 24th August, 2015. It is specifically to help stay at home parents start or expand a business. The first stage is $2,500 to hire a professional consultant to develop a business plan for a home based business. Based on this plan another $2,500 could be provided to help with its implementation.

To apply you need to have at least one child under 12 in your care for at least 50% of the time. For more details go to:
https://www.business.qld.gov.au/business/support-tools-grants/grants/home-business-grants

Claiming A Motor Vehicle Booklet Updated

http://www.bantacs.com.au/booklets/Claiming_A_Motor_Vehicle_Booklet.pdf

Skype Julia

Skype has become a very effective way of consulting. Skype allows me to see the client's face so that I know they are following what I am saying. Most of the people who have used this service to date just want to talk about their overall strategy or get a straight answer to a difficult question. It is not intended to replace your current Accountant but it is an excellent method of getting specialist advice on property from investing to developing or just a second opinion. http://www.bantacs.com.au/shopping.php

Where is Julia?

Had to leave Mackay earlier than expected and will remain in SEQ for the next 6 months

Ask BAN TACS

For $69.95 at Ask BAN TACS you can have your questions regarding Capital Gains Tax, Rental Properties and Work Related Expenses answered by Julia. I will include ATO references to support our conclusion, answer are generally 300 to 700 words long depending on the complexity.

Winning Property Tax Strategies – The Book

Once again a brilliant combination of Noel Whittaker's easy reading style with Julia Hartman's mind numbing attention to detail. Lots and lots of new stuff plus updated basics for the first time reader so it is much bigger, 300 pages but still the same price. New chapters including young investors, SMSFs, renovators, granny flats, investment and budgeting strategies, fires and floods, mass marketing spruikers, commercial properties, subdividing and development. You can also purchase it online by going to www.bantacs.com.au/book_winning-property-tax-strategies.php The cost is still a low low $29.95 plus $5.95 postage – tax deductible of course!

Askbantacs Notice Board

One very generous askbantacser has allowed their question and answer to be posted on the notice board.
http://www.bantacs.com.au/QandA/index.php?xq=679 CGT calculation considering the 6 year rule and what if demolish and build duplex instead of selling.
http://www.bantacs.com.au/QandA/index.php?xq=682 A family in the building industry constructing units on land owned by their trust and wanting to sell one.

Disclaimer: Please note in many cases the legislation referred to above has only just passed through parliament. The full effect is not clear yet but it is already necessary to make you aware of the ramifications despite the limited commentary available. On the other side of the coin by the time you read this information it may be out of date. The information is presented in summary form and intended only to draw your attention to issues you should further discuss with your accountant. Please do not act on this information without further consultation. We disclaim any responsibility for actions taken on the above without further advice as to your particular circumstances.