

# NEWSFLASH

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BAN TACS  
Accountants  
Pty Ltd is a  
CPA Practice



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Welcome to the BAN TACS News Flash. Our aim is to provide short but succinct updates on all tax issues

## Primary Production Tax Concessions

Primary producers who have a turnover of less than \$2mil are of course entitled to the immediate tax write off for equipment individually costing \$20,000 or less. There are a few tax concessions specific to primary producers and not reliant on their turnover being under \$2mil. Expenditure on fencing and water facilities can offer an immediate write off. Fodder storage assets, such as silos and water conveyancing cost can be written off over 3 years, if they don't already qualify for the \$20,000 immediate write off. Other large ticket expenses you might pay for prior to 30<sup>th</sup> June include fertilizer and weed sprays.

Primary producers are also entitled to use farm management deposits to avoid having to declare income while it is held in that account. These deposits must remain in place for at least 12 months and of course are only useful if they have made a profit so require a bit of planning.

If you are in a drought area and are forced to sell your stock you may be entitled to amortise the profit on that sale over 5 years. There is also relief available for wool growers who have to sell two wool clips in an income year due to drought, fire or flood. The profit from the sale of the clip can be deferred to the next year.

Lyn Gower the practitioner at our Tenterfield and Stanthorpe offices has been with BAN TACS for over a decade and is a 3<sup>rd</sup> generation farmer.

## Backpackers' Tax

Backpackers can breathe a sigh of relief. The government had planned to tax them as non-residents while they work in Australia. This would mean from the 1<sup>st</sup> July, 2016 a minimum tax rate of 32.5% no matter how little they earned. This has been delayed until 1<sup>st</sup> January, 2017 so hopefully they will see the mess changing a tax rate mid financial year will create in tax returns and delay it for a full 12 months.

## Column By Noel Whittaker

Thanks to a raft of changes to superannuation announced in the recent budget, my inbox has been jammed with emails. Today, I'll answer the most common questions.

Question. If I have made more than \$500,000 of non-concessional contributions before the Budget, do I need to withdraw them.

Answer. No. But, you will not be able to make any further non-concessional contributions if the coalition wins the forthcoming election and the legislation is passed.

Question. What happens if I make a contribution after Budget night that takes me over the non-concessional cap?

Answer. Anybody who exceeds their cap by making contributions after Budget night will be notified by the ATO. They will then be asked to withdraw the amount contributed above the \$500,000 non-concessional cap, along with any associated earnings. If the individual withdraws the excess at this point, the earning on the excess amount will be taxed at their marginal tax rate but they will receive a 15 per cent tax offset for the tax charged in the fund. As I pointed out in a recent column there is really no downside in making contributions between now and the end of the financial year.

Question. I understand that while the limits on contributions have been reduced the unused caps can be carried forward. What would happen if I didn't work in the current financial year?

Answer. The caps on concessional contributions are currently \$30,000 a year for people under age 50 and \$35,000 a year for people aged 50 and over. These are going to reduce to \$25,000 a year but the reduction will not take effect until 1 July 2017 so you have 13 months to contribute using the higher caps. Only amounts of unused concessional contributions from 1 July 2017 will be able to be carried forward.

Question. Is there a limit on how the unused caps can be carried forward?

Answer. They will expire if not used within five years after they have accrued. I believe this is unreasonable given the government has stated that the purpose of allowing the caps to be carried forward is to give people who were out of the workforce a chance to catch up.

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: [noel@noelwhittaker.com.au](mailto:noel@noelwhittaker.com.au)

## Clearance Certificates A Must Have For All Property Buyers And Sellers

Starting from 1<sup>st</sup> July, 2016 Australian properties (this includes options and indirect ownership of Australian properties) selling for more than \$2mil will need a clearance certificate or the purchaser must withhold 10% of purchase price and send it to the ATO.

If the seller is a foreign resident then this new law will mean that 10% of the purchase price will be held by the ATO (paid by the purchaser) until the foreign resident lodges their tax return. A method of making sure non-residents meet their tax obligations.

Even if you are buying from someone you went to school with and you know is an Australian citizen you still need to get a clearance certificate from them. You see they could, at the time of selling be working overseas for a few years and just be back here on holidays to sell the property. An Australian citizen can still be a non-resident for tax purposes and this is the status that matters, not citizenship.

This will create a huge problem at settlement if the loans secured against the property are around the same as the selling price. There are exemptions to the withholding obligation if the seller is bankrupt. Further, the Seller will have to apply to the ATO to vary the amount to be withheld, this will be approved if the ATO accepts that there is going to be no capital gain or that the bank is about to take all of the sale proceeds.

Do not accept any extenuating circumstances, if the property is over \$2mil demand a clearance certificate.

Points you need to know:

- This applies to all Australian Real Estate Selling for more than \$2mil
- The 1<sup>st</sup> July, 2016 start date applies from the date you enter into the contract to buy, not settlement date.
- Clearance certificates are issued by the ATO, apply here  
[https://www.ato.gov.au/uploadedFiles/Content/LB\\_I/downloads/FRCGW%20-%20clearance%20certificate%20application.pdf](https://www.ato.gov.au/uploadedFiles/Content/LB_I/downloads/FRCGW%20-%20clearance%20certificate%20application.pdf)
- If the seller, no matter what their passport says, does not produce a clearance certificate the purchaser must withhold 10% of the purchase price and send it to the ATO. *If the purchaser does not withhold 10% of the purchase price they will still have to send 10% of the purchase price to the ATO out of their own pocket.*
- The Seller can claim back the 10% when they lodge their tax return.

## Travelling Seasonal Workers Update

There has been a lot of ATO audit activity of travelling workers tax returns, not just BAN TACS offices, and other Accounting firms have been contacting us asking what they should do. In the past decade two of our offices have been audited by the ATO regarding travelling workers claims and the ATO went away quite happy with our approach and the information we provided in the booklet

[www.bantacs.com.au/booklets/Claim\\_Your\\_Trip\\_Around\\_Australia.pdf](http://www.bantacs.com.au/booklets/Claim_Your_Trip_Around_Australia.pdf)

Now they appear to have had a change of heart, of course they can't just do this, they must have a basis of law.

Fortunately, a client has volunteered to have his circumstances tested at the Administrative Appeals Tribunal (AAT). The client has kept excellent records and his circumstances are a good general example that should cover most of the issues relevant to other travelling workers.

This week we have made submissions to have the matter independently reviewed by the AAT. The opinion offered by the review will not have the same weight as a proper case put before the AAT. It will not create a precedent we can enforce on the ATO but it is hoped we will obtain a quicker response than going all the way through the court case. Speed is important so we can have confidence in the way we prepare 2016 travelling worker's returns. Looking at the arguments presented by the ATO and preparing our response has given us confidence that the review will go in our favour. With a favourable review response we can then apply for private binding rulings for each of our clients, quoting the review, giving taxpayers certainty that way. To other Accountants out there that follow our booklet we will be happy to apply for a private ruling on behalf of your clients too as I am sure we can provide considerable economies of effort.

If the review is favourable we should have certainty by the end of July. If the review is not favourable we will have to proceed to the AAT in August. Please make sure you read newsflash so we can keep you up to date on our progress.

Here are the issues we feel will come under greater scrutiny from the ATO regarding travelling workers:

- 1) The home base – make sure you live there and really establish it as your home before you begin travelling. It is also important that you return to it. Frequency is not that clear but we would like to see this happen at least once a year. But also make sure you have at least two workplaces in a row, before returning home or holidaying.
- 2) It is an advantage to return to farms you have worked at previously, this enhances the appearance of a web of workplaces, a “circuit”.
- 3) Carrying tools will help align you with shearers, even if they are small.
- 4) Don't just quit your job when you want to move on. Move on because the work is seasonal and has finished at that location.

Of course you still need to meet all of the other requirement such as:

- 1) Keeping a travel diary, log book and receipts
- 2) Line up each job before you leave the previous one
- 3) Each employment location must be under 6 month's duration, the shorter the better
- 4) Make sure your accommodation is temporary, don't rent a house or flat.

For more information on claiming your trip around Australia as a tax deduction read our booklet

[http://www.bantacs.com.au/booklets/Claim\\_Your\\_Trip\\_Around\\_Australia.pdf](http://www.bantacs.com.au/booklets/Claim_Your_Trip_Around_Australia.pdf)

## Heads Up On Year End Superannuation Contributions

Just a reminder that our year end strategies booklet is on the web site <http://www.bantacs.com.au/booklets/Year%20End%20Tax%20Strategies%20Booklet%202016.pdf> pages 4 and 5 will give you all the nitty gritty detail you need to decide what superannuation contributions you should be considering from a tax prospective.

## Speedo Readings

Just in case, make a note of your speedo reading at 30<sup>th</sup> June, 2016. Never know when it might be useful.

## Facebook

For property Tax Tips, Wednesday Webinars, Noel Whittaker's column, Friday Forum, Soap Box Sunday, instant property News Updates and a bit of fun, like us on <https://www.facebook.com/BANTACSpropertypage/> It is an easy way of educating yourself in relation to property investing and developing.

Even if you are not that interested in property, please like us anyway ☺, we need to get 1,000 likes before google will pick up the posts in its searches.

## Webinars

The library section of our website now has a page for webinars, already lots of great ones up there, go to <http://www.bantacs.com.au/media-library/webinars/>

## Skype Julia

Skype has become a very effective way of face to face consulting. It is not intended to replace your current Accountant an great way to get specialist advice on property investing or developing or just a second opinion. <http://www.bantacs.com.au/shopping.php>

## 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.

## How to Make Sure Your Next Property Is a Good Investment

- Do you really know how much the property is going to cost you to hold?
- What name should the property be purchased in?
- Will this property fit your investment strategy and goals?
- What does the contract say about GST?
- How does the price compare with similar sales in the area?
- If it is negatively geared, how much capital growth is required before you breakeven?
- Do you know what records you need to keep and how?
- Are your financing arrangements maximising your tax deductions?
- What happens if interest rates rise?

.....and the list goes on!

To ensure you don't make a costly mistake with your next purchase, contact us today [http://bantacs.com.au/Bantacs\\_pipkit.php](http://bantacs.com.au/Bantacs_pipkit.php)

Note: If you are an experienced property investor we understand you might not need all of these services, please feel free to discuss exactly what you need with your local BAN TACS Accountant.

**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.

