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Christmas Is Coming

If you are looking to organise your office Christmas party, consider the FBT ramifications. The short story is, you would be better off tax-wise to pay a Christmas bonus and let your staff organise their own Christmas party.

If the party costs more than \$300 per head the cost will be subject to FBT, less than \$300 and it is an exempt fringe benefit. Note it is per head not per employee so you get the \$300 threshold for the employee and another \$300 threshold for their spouse, etc. Further, you get another \$300 threshold if you also give them a Christmas gift.

Fringe benefit tax is calculated as if the employee was in the maximum tax bracket, 47%. The next catch is as Christmas parties are entertainment. They are not tax deductible unless they are subject to FBT. Further, entertainment does not qualify for a GST input credit so you can only get the GST back on the cost of the party if FBT applies ie more than \$300 per head. Note the \$300 is the GST inclusive amount. Confusing?

Under \$300 per head – FBT does not apply but you cannot claim a tax deduction or GST input credit for any of the expense

Over \$300 per head – The amount is grossed up then FBT applies at 47% but the cost and the FBT is tax deductible to the employer, further you can claim the GST back on the party cost.

If you pay your employee a cash Christmas bonus they will have to pay normal income tax on it but unless their income is over \$180,000 the tax rate will be less than 47%. If they are over \$180,000 the tax is the same as FBT so there is no tax disadvantage of paying a bonus. Further, you as the employer will be entitled to a full tax deduction for the amount of the bonus. And no, you don't have to pay the superannuation guarantee on the Christmas Gift bonus because it is not ordinary time earnings.

Alternatively, you could have a little get-together at the workplace with only employees during the working day and not have to suffer FBT and still get a tax deduction. Ho Ho Ho from the ATO!

References – TR97/17, FBTAA 136(1) and 58P

Transition to Retirement Pensions

I was shocked to find out that in years gone by some superannuation funds have just sent out form letters suggesting that workers who have reached preservation age opt into a transition to retirement pension. The letter had all the disclaimers and apparently some people have just sent it back saying fine thank you very much I will have some of that. Further, they have not sought financial planning advice because of the high cost over regulation of this area has created.

Once upon a time a transition to retirement pension meant that the earnings on your superannuation were not taxed but this is no longer the case. All you are now left with is being forced to withdraw a minimum of 4% from your superannuation and being taxed on that at your marginal rate less a 15% rebate. It would be very unusual for a transition to retirement pension to be the right plan for you.

Please do not enter into these arrangements without reliable professional advice. If you are already in a transition to retirement pension arrangement and you are under 60 years of age, please get advice immediately as to whether you should continue. Even if a financial planner did put you into a transition to retirement pension, if you haven't seen them in the last two years **please see them right away**.

Hot Topics for Rental Property Investors

Interest Rates - With the banks charging a higher rate of interest on interest only loans and low interest rates mean that a simple difference of 1% makes up 25% of the repayment amount, it is probably better to go for a principle and interest loan even on your investment property, even if you have non-deductible debt because the repayments over 30 years will be very similar but the debt will be paid off. See what your bank is offering, and crunch the numbers.

Claiming Interest During Construction - I have heard too many times in the last couple of weeks that you cannot claim a tax deduction for interest rates and insurance when a property is not earning income, for example being constructed, renovated or repaired. You certainly can, providing you are not living there at the time and it is your intention to rent the property out once it is finished.

The catch is you must be making continuing efforts towards the property becoming income producing though TR 2000/17 at paragraph 28 does allow some reasonableness.

"We have concluded that the concept of 'continuing efforts' should not be taken to require constant on-site development activity. However, if a venture becomes truly dormant and the holding of the asset is passive, relevant interest will not be deductible even if there is an intention to revive that venture some time in the future."

Vacancy Rates – Margaret Lomas has a good logical theory that first vacancy rates in an area start to drop; then rents increase, then investors buy into the area, and prices move upwards. It might take a couple of years but it is one of the many factors you should take into account when buying an investment property. We have access to the vacancy rates for all the post codes in Australia. This is one of the many reasons why you should contact us before you buy.

Holiday Rentals – The proposed laws to deny tax deductions on previously used plant and equipment in residential properties will apply to deny all plant and equipment tax deductions to people who holiday in their holiday rental property.

According to the explanatory memorandum if you use the unit yourself then you destroy any future deductions for the plant and equipment. It states that once you stay in the apartment for longer than 1 night to undertake maintenance or maybe just one weekend then you have then used the plant and equipment for a purpose other than producing income and it will be considered "previously used".

A week's stay in your holiday apartment could cost you a couple of thousand dollars a year in tax deductions for depreciation. Consider doing a deal with your neighbour to stay at each other's properties; but you would still have to pay some rent.

Deductions When Travelling for Work

If you are travelling for work purposes, then the cost of your travel whether it be by car, plane or train etc, is tax deductible. If that travel requires you to sleep away from home overnight then the cost of your meals and accommodation are also tax deductible.

If your employer pays these costs it is of course tax deductible to them; but if you pay these costs, it is tax deductible to you regardless of whether you are paid an allowance or not. The only advantage in being paid an allowance is that you receive that money and you may be entitled to claim some of your expenses without keeping receipts. Nevertheless, try to keep receipts just in case, and keep a travel diary if you are away from home for more than 5 nights.

There are **5 absolute must-haves**, before you can be considered travelling for work:

- 1) You must have a home where you normally live
- 2) The location you are travelling to must not be your normal work location
- 3) You must be away from home for less than 3 months
- 4) Your temporary work location must be 100kms or more from your home to necessitate the need to stay overnight
- 5) You must undertake work at your destination, this can include training and seminars

Note that if you do not qualify for a travel tax deduction, your employer may be able to cover the costs as a living away from home allowance which is tax free to you. From your employer's viewpoint, they can claim it as a tax deduction and not have to pay FBT. However, you can only be at that location for 12 months, and must continue to have a home you can return to at any time; that is, not renting it out to a third-party while you are away.

Protecting Vulnerable Workers Bill 2017

Penalties have recently been increased for contraventions of workplace laws. One of the most important points in this Fair Work Amendment bill, is that you are now required to keep adequate records and issue payslips. For employers already doing the right thing, this is common sense. For those business owners ignoring correct payroll practices, they can no longer hide behind sloppy record keeping. The onus of proof that you have done the right thing by your employees, rests with you.

The Fair Work Ombudsman now has far stronger powers to demand records and require questions to be answered. What I find amazing is that the Fair Work Ombudsman did not previously have the power to demand that their questions be answered!

Budgeting and Debt Management

Financial Counsellors provide a free service that is funded by the State and Federal governments. If you are over-committed and financially stressed, they can help you.



"Can I help? You bet your bottom dollar I can."

Financial counsellors are non-judgmental, qualified professionals who provide information, support and advocacy to people in financial difficulty. Best of all their services are free.

You can find a financial counsellor through the National debt hardship line 1800 007 007, or visit the website <http://www.ndh.org.au/>

Askbantacs - Free Notice Board

For \$79.95 at [Ask BAN TACS](#) you can have your questions regarding Capital Gains Tax, Rental Properties and Work Related Expenses answered by Julia. They will include ATO references to support the conclusion, answers are generally 300 to 700 words long depending on the complexity.

First check the Notice Board, your question may have already been answered at someone else's expense.

A very generous askbantacser has allowed both his questions to be posted on the notice board. They discuss in detail the position with clearance certificates for non-residents for tax purposes who sell a home in Australia worth more than \$750,000. They are certainly not entitled to a clearance certificate, but in his particular circumstances he can have the tax withheld varied from 12.5% down to zero.

<http://www.bantacs.com.au/QandA/index.php?q=846> <http://www.bantacs.com.au/QandA/index.php?q=851>

Another generous askbantacser asks whether GST applies to interest charged by a body corporate through a levy <http://www.bantacs.com.au/QandA/index.php?q=850>

We Still Need More Accountants!

Our Mackay office is seeking an enthusiastic Graduate/Undergraduate Accountant.

For full details please go to:

<https://www.seek.com.au/job/34615756?type=standard&userqueryid=86de07ebf0253f271c0135d563457995-4029038>

We Are Very Serious About Facebook

Sure, there are times when we have a bit of fun and even the serious stuff has great funny pictures a lot of the time. There was even a rap Soap Box Sunday a couple of weeks ago. If Malcolm MC and DJ Shorten can rap why can't we?

We have found Facebook to be an excellent way to keep our clients up to date on the important issues that come up from time to time. In between, we use it to educate our clients in small bite-size bits on how to minimise their tax. Newsflash will of course give you the detail you need to know but Facebook allows us to update you easily as soon as it happens in a more enjoyable fashion, without overwhelming you with detail. **BAN TACS** is passionate about making sure our clients take every tax advantage and avoid those tax traps. There is no Accounting firm that provides as much free, relevant information as we do. We love doing it and it shows. Please make sure you make the most of this by following us on Facebook. To keep the posts that appear on your timeline as relevant as possible we have two pages we post to. **BAN TACS Accountants Pty. Ltd.** <https://www.facebook.com/bantacs/> is the page for everything that is not property related and **BAN TACS Property Accountants for Investors and Developers** <https://www.facebook.com/BANTACSpropertypage/> has all the property related information. So, if you are not interested in property you can just like the first page but if you are into property make sure you like and follow both.

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/shop-2/consultation-with-julia-hartman/>

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.