NEWSFLASH

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BAN TACS National Accountants Group

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*Visit **Bantacs.com.au** About Us section to view office location details and information about BAN TACS practitioners.*

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Merry Christmas
Enjoy Some Tax Effective Holiday Reading!

Christmas Holidays

We all wish you all a great break over Christmas and the New Year. Here are the dates our offices will be closed over the break.

Adelaide Closing 5pm Thursday 21st December Reopening 9am Monday 15th January
Bribie Island Road Ningi Closing 5pm Friday 22nd December Reopening 8.30am Monday 8th January
Brisbane Closing Noon Friday 22nd December Reopening 9am Monday 8th January
Burwood Closing 4pm Friday 22nd December Reopening 9am Monday 15th January
Caboolture Closing 5pm Friday 22nd December Reopening 8.30am Monday 8th January
Crows Nest Closing 5pm Friday 22nd December Reopening 9am Monday 8th January
Central Coast NSW Closing 5pm Wednesday 20th December Reopening 9am Monday 8th January Available by email
Gold Coast By appointment during January
Mackay Closing Noon Wednesday 20th December Reopening 8.30am Wednesday 10th January
Melbourne – Ascot Vale Closing 5pm Wednesday 20th December Reopening 9am Monday 8th January
Sydney By appointment during January
Tenterfield Closing 5pm Wednesday 20th December Reopening 9am 8th January 2018
Toowoomba Closing 5pm Wednesday 20th December Reopening 9am Monday 8th January

In an emergency you can contact Julia on julia@bantacs.com.au

Newsflash Changes for 2018

Starting in 2018, the format of Newsflash will change to a double sided single sheet document with one main article plus important news alerts. A summary of the main article will be sent in the email notification.

Not that we are reducing the information we provide. Far from it! It seems there is an endless stream of important changes we need to keep you aware of. The new style of Newsflash will be sent more frequently. It is hoped that more frequent, smaller doses of information will make it easier for you to find the time to read. The summaries will give you a fair idea of whether or not the detailed article is relevant to you. We will still continue to provide our own content written with our clients in mind, free of hype, just the information you need to know to **BAN TACS**, in an easy to understand format.

Please take the time to check the Newsflash, as we rely on it to ensure you get timely information. Taxation is becoming far too complex for you to rely on a chat with your Accountant once a year. Share the love, feel free to share Newsflash with your friends.

Just to whet your appetite, **in January Newsflash will have the detail on how you can transfer a residential house that you are simply holding for residential rent, into your SMSF!** No scams here, it relies on an ATO ruling.

Exactly When Does the Reset and the 6 Year Rule Start?

Our regular readers would be well aware that they can rent their home out for 6 years and continue to cover it with their main residence exemption; and that when it is first rented out, the cost base is reset to market value.

But when does this time actually start? What if there is a bit of a delay in getting a tenant?

The cost base of your home is reset to market value at the date it is first used to produce income (section 118-192 ITAA 1997). First used to produce income is when you made it available to rent, not necessarily when the tenant signs up. It is when you start to advertise for tenants or list it with a real estate agent. If you are still living in the house when you list it then the point would not start until you actually move out. Being used for private purposes will take precedence. It is a question of whether you have reached the stage of being able to claim the holding costs such as interest and rates as a tax deduction. This happens once the property is available for rent; providing it is not used for private or tax exempt purposes.

The same principle applies for the six year rule. The clock starts from the time you list the property or advertise for a tenant, and you are no longer using it as your home. The interesting thing about the six year rule (section 118-145 ITAA 1997) is that you can continue to cover the property with your main residence exemption for an infinite period of time if it is a) not earning income, and b) you are not covering another property with your main residence exemption during that time. The times the property is sitting vacant where you are trying to find a tenant count towards the 6 years; but if you take it off the rental market it will not eat away at the six year period during that time. Even better still, if you move back into the property and live there as your home you can reset the six year clock again when you next rent it out.

The fine lines of this law should be of concern for readers who have parents in care, with the family home being rented out. As long as the family home is still covered with your parent's main residence exemption when they die, you qualify for CGT concessions such as two years in which to sell the property without triggering CGT and the cost base being reset to market value at the date of their death. Miss out by one day, and these are **completely lost**. There could be a CGT nightmare in the difference between making the property available for rent and having someone live there rent-free.

You can see how important it is to talk to your Accountant. The letter of the law is very specific.

Another Interest Tip for Investors

Following on from our tips on keeping your interest rate low in Newsflash 325, here is another idea. Apparently, the banks will allow you the lower owner-occupied interest rate on loans secured by your home even if the money was used to buy an investment. So, use as much of your own home as security for the rental property loan, that you can and argue for the lower owner occupier interest rate.

Securing the loan against your home will not affect the deductibility of the interest, as long as you can show that the borrowed money went straight to buying the rental or refinancing a loan that was to buy the rental property. The ATO test is all about what the borrowed money was used to buy, not where the loan is secured.

Working Overseas for An Australian Company

In this electronic age, some people can work from anywhere in the world. It is the country that they are living and working in that has the right to tax them not the country of their employer. This is determined by a double tax agreement between Australia and the country of the employee's residence. These double tax agreements are individually negotiated, they are not the same with each country. Be careful to check out the double tax agreement that is relevant to you.

It is very important that your Australian employer does not withhold tax from your wages. This is because the work is not performed in Australia. As a general rule of thumb your country of residence will give you a tax credit for any tax that Australia has withheld. The problem arises if Australia withholds more than the eventual tax you are liable for in your home country. It is unlikely your home country will refund the difference, because Australia is the country that holds the cash. If your Australian employer withholds tax from your pay as a non-resident the minimum rate will be 32.5%. Don't go thinking it will all be sorted when you do your tax return. You need to make sure your employer understands they are not to withhold Australian tax from your wages because your employment is located in a foreign country (where the duties are performed) not Australia. Subsection 12-1(1) of schedule 1 TAA provides that an entity need not withhold an amount under section 12-35 (PAYG System) from a payment if the whole of the payment is exempt income of the recipient. As your income is exempt from tax in Australia it meets this definition of exempt income.

Thinking of Going Into Business?

Obviously, you are going to discuss this in detail with your Accountant, preferable a BAN TACS Accountant http://www.bantacs.com.au/aboutus/locations/ An absolute "must do" before you invest in a business opportunity, is to work out the cashflow you require. Many profitable businesses go broke because of lack of cash flow, and I have seen clients who have done a cash flow calculation before they start their business and abandoned the idea simply because there is no way they would be able to raise the cash necessary to see the start up process through to making enough money to cover costs.

National Australia Bank has created an area on their website with helpful spreadsheets, including budgets and cash flow calculators. https://www.nab.com.au/business/small-business/cashflow-planning-and-tax/cash-flow-forecast-template-monthly

Claiming Franking Credits Back for Low Income Earners

If your income is too low to pay tax, but you own shares and receive franked dividends, then you are entitled to a refund of your franking credits. Generally, this is about 43% of the amount of cash dividend you have received. Nothing to be sneezed at! Many taxpayers miss out because they are not required to lodge a tax return.

The ATO provide a form https://www.ato.gov.au/uploadedFiles/Content/MEI/downloads/Application-refund-of-franking-credits-Individuals-2017.pdf where you can claim the franking credits back, yourself for free. You can also go to your Mygov account and find out what franking credits have been reported to the ATO, by the companies you hold shares in.

If you have missed out in previous years, there is no limit to how far back you can go as long as you have not already lodged a tax return for those years. To access a claim form for previous years, take the link above and change the 2017 to the year you want.

Want Help?

If this all seems too difficult, BAN TACS Accountants Pty Ltd has a streamlined service that will claim your franking credits back for the companies that have reported to the ATO, as far back as 2007. If you have the paperwork for older years they can do them too. The ATO reports only go back to 2007.

The cost is $80 per year so you are ahead if you have received more than $187 in fully franked dividends. All you need to do is go to http://www.bantacs.com.au/shop-2/refund-franking-credits/ and complete a very basic form with just your personal details and you will be sent a list of the franking credits you are entitled to. If you are happy that it covers all your shareholdings it will be lodged with the ATO and you should have your money within 14 days. If you wish to claim franking credits that are not on the list there will be further charges but that will be discussed. If you don't like giving your details over the Net, you can print the form and post it.

Uniforms Count as Bulky Equipment

. We are very pleased to announce that our Mackay office has just passed its first audit for a taxpayer working in the mines who claimed her motor vehicle expenses for travelling between home and work. This was on the basis that she carried enough uniforms and personal protection gear to reach the 20kgs to make the vehicle necessary for the transportation of bulky equipment because there was nowhere safe store them at work.

Take a look at our remote workers page http://www.bantacs.com.au/topics/remote-workers/ for a nifty checklist showing the weights of many items you probably carry but don't think about when it comes to measuring whether you carry bulky equipment to work. It is a working spreadsheet, so simply put in the quantity of each item, it will give you an average weight and a total. If it comes up with 20kgs or more you should be claiming your motor vehicle expenses to travel to and from work.

If you have missed out in the past speak to a BAN TACS Accountant about amending your previous tax returns. We can use a detailed reasonable estimate based on your roster if you have not kept a log book.

As an audit can happen many years down the track, when you or your supervisor have left the company it would be ideal for you to get your supervisor to give you a letter, now, stating you need the items listed for work and that there is nowhere safe to store them, at work, while you are at home. Safe storage is your own private locker; not a room that others also have an access key.

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, as your question may have already been answered at someone else's expense.

One very generous askbantacser has allowed their question to be posted on the notice board. http://www.bantacs.com.au/QandA/index.php?xq=857 When GST applies if services are provided overseas.

Noel Whittaker's Column

This is now appearing on our Facebook pages every Monday https://www.facebook.com/BANTACSpropertypage/

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BAN TACS is passionate about making sure our clients take every tax advantage and avoid every tax trap. 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 appearing 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.