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### FIND OUT MORE

<http://bantacs.com.au/aboutus/>

Yes, we are back again so soon! Part of our plan to help our clients keep abreast of the tax issues that affect them. Newsflash is now smaller but more frequent. This edition is of particular importance to anyone with housing debt and, in updates from the ATO, we look at employees who receive a travel or overtime meal allowance.

#### Now Is Time To Refinance, Here Is What You Need To Consider

Interest rates are low, really low, if you have a principle and interest loan secured by your home. In fact Westpac are offering competitive interest rates and even rebates to cover the costs of transferring and setting up the new loan. Now more than ever is the time to think about refinancing.

To make the most of it change your loans to principle and interest and securing as much as possible with your owner occupied home. Here are the points you need to consider when refinancing.

Interest is tax deductible when the money borrowed is used to buy an income producing asset or is used to refinance a loan that was to buy an income producing asset. It does not matter where the loan is secured.

Don't break the nexus between the purchase of the income producing asset and the borrowings. The nexus will be broken if you mix the borrowings with your personal funds or if the money takes a detour. Further you cannot claim a tax deduction for the interest on borrowings to reimburse yourself for the costs you have already paid that are associated with an income producing asset. There is much more detail in our claimable loans booklet

[http://www.bantacs.com.au/booklets/Claimable\\_Loans\\_Booklet.pdf](http://www.bantacs.com.au/booklets/Claimable_Loans_Booklet.pdf)

With the banks charging a higher rate of interest on interest only loans and with such low interest rates, a simple difference of 1% in the interest rate can make up 20% of the repayment amount. If you can reduce the interest you are paying by 1% that leaves 20% of your current repayment to cover the principl. It may be 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 to the interest only amount but the debt will be paid off. See what your bank is offering, and crunch the numbers.

Apparently, the banks will allow you the lower owner-occupied interest rate on loans secured by your home even if the money is used to buy an investment. Use as much of your own home as you can as security for the rental property loan and argue for the lower owner occupier interest rate.

#### What is New from the ATO

The ATO has released its 2017-2018 ruling on what it considers to be reasonable allowances for travel related expenses and overtime meals, TD 2017/19

<http://law.ato.gov.au/atolaw/view.htm?docid=%22TXD%2FTD201719%2FNAT%2FATO%2F00001%22>

Employers should be looking at this ruling for the figures that will allow them to pay their employees the largest tax effective allowance, providing of course that the employee actually spends it.

Employees should also be looking at this ruling to make sure they do everything necessary to qualify to keep the travel allowance they receive tax free.

The basic rule is if you claim the amount listed in the ruling or less, then providing you have spent, on travel and meal costs, all of the amount you are claiming, then you don't have to keep receipts. The catch 22 is that while you don't have to keep receipts, you do have to prove you expended the full amount. The obvious solution is to just keep receipts anyway. If you can't manage that all the time then at least keep a representative sample or the menus from the places you eat. Sometimes these menus can be downloaded off the web, you can tick off what you had.

The ATO is looking to count each meal. For example, if you get home in time for dinner or leave home after breakfast then you won't be allowed to claim the allowance for those particular meals. It is not enough to just count the days you were away. On the up side you may be away for only one night but consume 4 meals in that time. You get to offset all 4 meals and an incidental amount for both days either side of the night you slept away, reference paragraphs 15 and 16.

If you don't receive an allowance from your employer, keeping receipts will allow you to claim those expenses as a tax deduction against your wages income as long as you are required to sleep away from home for work purposes.

It is important to note that concession to not have to keep receipts for every expense only applies if it is necessary for you to sleep away from home for work purposes and your employer pays you a bone fide travel allowance.

In the case of an overtime meal allowance it must be paid under an award when you work for 10 hours or more.

A couple of tricks. With the overtime meal allowance you can pick up the meal on the way home, it does not have to be consumed on the job. Also if your employer pays you less than the reasonable amount for travel or overtime as listed in the ruling you can still claim up to the reasonable amount without receipts providing of course that is what you have spent.

Here are some examples of the amounts, for food, drink and incidentals, that the ruling considers reasonable for the 2017-2018 financial year:

Over time meal allowance \$30.05                      Employee truck driver daily rate \$99.60

All other employee's on an income of less than \$119,650, the day rate for travel to CBDs within Australia is \$128.70. More detail is available in the ruling.

In an audit situation the ATO will require you to get supporting documentation from your employer along the lines of a statement that you were not reimbursed for the expenses you received an allowance for and you did undertake the travel as part of your job. This could prove difficult if you have since left the employer on bad terms so it is wise to, every 30<sup>th</sup> June when you get your PAYG summary to ask your employer for a letter to that effect.

## **This Week's Webinar**

Conventional wisdom appears to have gone out the window, of late, for property investors. Covers refinancing and how to cope with the new laws regarding travel to your rental property and building depreciation. <https://www.youtube.com/watch?v=U7te58GA-RQ>

## **Askbantacs New Fresh and Simpler – Hopefully also less hackable!**

We have custom built our own program specific to your needs so less complicated than the off the shelf package we had previously. Our free notice board is still there but we no longer store questions that are marked private, they are just emailed to you. If you need an old question simply email us the name and date you asked. <http://www.bantacs.com.au/QandA/index.php>

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