BAN TACS
National Accountants Group

NEWSFLASH
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Issue No. 336 Date: 10th May, 2018

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Budget Summary

This edition of newsflash concentrates on the parts of the 2018 budget that are relevant to most of our readers. Keeping it succinct.

Small Businesses

The $20,000 immediate write off for plant and equipment has been extended for another year, until 30th June 2019 so no need to rush. Note the amount actually has to be at least 1 cent under $20,000 for each individual item and that figure is after deducting the GST if you are entitled to claim the GST back. The plant or equipment must be first used or installed ready for use by 30th June 2019. This concession does not include horticultural plants and inhouse software.

An interesting twist on cash payments. As the law currently stands if a business makes payment to someone without getting their ABN or TFN to set them up as an employee then the business has to withhold 47% of the payment and send it to the ATO. From 1st July 2019 if this hasn't been withheld then the payer/employer is not entitled to a tax deduction for the expenditure. Further, if an employer is behind in their paying the tax they have withheld from employees, to the ATO they will not be entitled to claim a tax deduction for wages! Let's hope this gets a little more sensible because all it seems to achieve is to push an already struggling business over the edge.

From 1st July 2019 businesses will not be allowed to receive cash payments in excess of $10,000. Amounts over $10,000 must be paid by electronic transfer or cheque. Further consultation is promised. It is concerning if you like to keep your money under the mattress and quite rightly don't trust banks. Hopefully they will come to their senses and decide the business only has to report the cash not refuse it.

For the year starting 1st July 2019 and following, if you are in the road freight, computer or security industries you will have to report all your payments to contractors to the ATO.

Individual Taxpayers

There is a little tinkering with the low income tax offset so it will apply to more taxpayers from 1st July 2018. Low income taxpayers will get an additional $200 tax credit and it works through to middle income taxpayers receiving $530. This is in addition to the existing $445 low income tax offset. Luckily, we have computers to calculate our tax because there is nothing straight forward about the calculations of this mere $10 a week concession. The way it works is:

- If your income is $37,000 a year or less you get a $200 non refundable tax credit.
- Over $37,000 you get a 3% tax offset until your income reaches $48,000 that is another $330 and you will get that offset even if your income reaches $90,000.
- Once you go over $90,000 the offset starts to reduce at the rate of 1.5% which means you will not get any tax offset if your income exceeds $125,333.

The 32.5% tax bracket will also move from an upper limit of $87,000 to $90,000 from 1st July, 2018.

There is also the promise, from 1st July 2022 of moving the upper limit of the 19% tax bracket from $37,000 to $41,000. At the same time moving the 32.5% tax bracket upper limit from $90,000 to $120,000. There will also be some minor and illogical tampering with the original low income tax offset in that year.

By 2024/25 the maximum tax rate will only apply to incomes above $200,000 with the maximum rate below that being 32.5%. All of which are so far in the future that it makes life worth living. Got to have something to look forward to.

Property Investors

If you are buying land on which to build an investment property you can claim expenses relating to holding that land, such as interest and rates as long as it was held as part of an ongoing process to build a rental property. But not so from 1st July 2019, you will not be allowed a tax deduction for these expenses until the construction is completed, occupancy certificate received and it is listed as available for rent.

Superannuation

The forecasted increase from 4 to 6 of the maximum number of members a SMSF can have, got through, effective from 1st July, 2019.

From 1st July, 2019 the work test will not apply to contributions to superannuation made by people 65-74 who have less than $300,000 in their superannuation fund. But this will only apply to the first year after they retire ie the first year they don’t meet the work test.

When an employee is on a high income the superannuation guarantee of 9.5% might take them over the $25,000 threshold. If they have one employer this is simple enough the employer doesn’t need to contribute any more but if they have multiple employers they will now be able to advise the employer they choose, not to make the superannuation guarantee contributions which can then be taken as wages instead.

Starting with the 2019/2020 financial year if a SMSF has a good track record for 3 years of unqualified audit reports and timely lodgements, they only need to have an audit performed every 3 years. As yet it is not clear whether the whole 3 years has to be audited in one go or just every third year. Only the latter is likely to reduce costs.

Fees charged by public superannuation funds on small account balances will be capped at 3%. This seems strange as it is about twice as much as normal superannuation fund fees.

Superannuation funds will no longer be allowed to charge exit fees.

Deceased Estates

From the bet you didn’t even notice that file is limiting the amount of income a child can receive from a testamentary trust at adult tax rates. Most passive income received by minors is taxed at the maximum tax rate. There are exceptions including money received from a testamentary trust (a trust that is created by a will) which is taxed at normal adult tax rates. Well apparently some unscrupulous wealthy individuals have been transferring other assets into testamentary trusts so that the income earned can be distributed to children. Anyway, time is up according to the budget papers. Only the earnings from assets actually inherited or the re investment of that inheritance can be distributed to minors and tax at the lower adult tax rates.