**14th April, 2020 Fact Sheet**

**ATO Concessions when you give your tenants a rent concession**

<https://www.ato.gov.au/General/COVID-19/COVID-19-frequently-asked-questions/Individuals-frequently-asked-questions/?fbclid=IwAR2oEPH9g6yzZDjak3_SmLsjn1_h6pjL0jRFSd4MwzwhMH0Y6xXcIfLQWa0#Residentialrentalproperties>

Residential rental properties

Question: My tenants are not paying their full rent or have temporarily stopped paying rent because their income has been adversely affected. Can I still claim deductions on my rental property expenses?

Answer: Yes. If tenants are not meeting their payment obligations under the lease agreement due to COVID-19 and you continue to incur normal expenses on your property, then you will still be able to claim these expenses in your tax return.

Question: I'm considering reducing the rent for tenants to enable them to stay in the property. The tenants are not in default of their rent. Will my deduction for rental property expenses be reduced because of this?

Answer: No. If you decide to reduce the rental amount to enable your tenants to remain in the property (thereby maximising your rental return in a changed rental market), your deduction for rental property expenses will not be reduced.

**IT 2167 paragraph 17 – Family members paying board**

**Payment by family members of an amount for "board and lodging"**

17. Arrangements of this nature, whether the payment is said to be for board only or for lodging only or for both, are considered to be in the nature of domestic arrangements not giving rise to the derivation of assessable income by the recipient of the payments. It follows that the question of income tax deductions for losses and outgoings does not arise.

**Claiming Expenses for a Home Office**

<https://bantacs.com.au/Jblog/tax-deductions-when-working-from-home/#more-503>

ATO have just introduced an 80 cents per hour rate from 1st March to 30th June 2020. While it is higher than the old 52 cents rate it is not necessarily a bargain. If you choose the 80 cents per hour rate you cannot claim separately for depreciation on your computer, use of internet, stationery or home phone. They are all tied up in the 80 cents an hour. You still have the option of using the 52 cents rate.

**Drawing Down Superannuation Due to Hardship**

 Individuals experiencing hardship will also be permitted to draw $10,000 this financial year and $10,000 next financial year from their superannuation. Normally hardship payments are heavily taxed but these drawdowns will be tax free regardless of your age. To be eligible to access your superannuation you need to meet the following requirements:

* you are unemployed; or
* you are eligible to receive a job seeker payment, youth allowance for jobseekers, parenting payment (which includes the single and partnered payments), special benefit or farm household allowance; or
* on or after 1 January 2020: you were made redundant; or
* your working hours were reduced by 20% or more; or
* if you are a sole trader — your business was suspended or there was a reduction in your turnover of 20% or more

 Timing is important here, the above concessions start in mid April and stop in mid October. Further, you only get one pick at the cherry each financial year so if you only withdraw $5,000 in 2019/2020 you can still only withdraw $10,000 in 2020/2021 effectively your maximum threshold is $15,000 instead of $20,000.

 For working holiday makers other than people from New Zealand on a 444 visa, this may be the only way to get your hands on some cash. If you take your superannuation out after you leave Australia and return home, after mid October, it will be heavily taxed.

 Here is a link to the ATO ruling on how to go about it <https://www.ato.gov.au/Super/APRA-regulated-funds/In-detail/News/CRT-Alerts/2020/CRT-Alert-004/2020---COVID-19-economic-response-package---early-release-of-super/>

**Granny Flats**

1) If you are building the Granny Flat to rent out and it is in the back yard of your home then this is very similar to renting out rooms in your house which is covered by ATO ruling IT 2167 <https://www.ato.gov.au/law/view/document?DocID=ITR/IT2167/NAT/ATO/00001> If up until that point in time it has only been used as your home then section 118-192 ITAA 1997 will reset your cost base to market value at the date it first earns income. From that point onwards only the portion of the property that you use as your home will be protected from CGT by your main residence exemption.

2) If you are building the Granny Flat to house a family member then as long as both households interact frequently and it is not earning income both units could be considered one dwelling for capital gains tax purposes and both buildings will be covered by the main residence exemption. Reference TD 1999/69 <https://www.ato.gov.au/law/view/document?locid=txd/td199969/nat/ato>

3) Centrelink permits pensioners to sell their home and pay money to their child for a right to occupy part of the child’s home, without triggering the gifting provisions. But this is not a good outcome for the child. If they simply receive the money in return for granting their parent a right to occupy the property then the child is selling a legal right, not part of their home. The right is a separate asset from the home and will trigger CGT event D1 with only any legal costs to form the cost base and no 50% CGT discount because the right comes into existence at the time it is sold so 12 months cannot lapse. For this reason it maybe more practical for the parent to actually buy part of the property so the transaction can be covered by the main residence exemption.

4) If you build a Granny Flat on a property that you purchased before 20th September, 1985 then you have created an asset that is separate from the land and your house. The land and original building are still considered a pre CGT asset but the Granny Flat will be a post CGT asset and subject to CGT unless covered by your main residence exemption as discussed above.

5) If you think you will be caught with some CGT, when you eventually sell the property, then make the most of section 110-25(4) ITAA 1997. This section allows you to increase your cost base by the costs of holding the whole property, such as rates, insurance, interest, cleaning materials, lawn mower fuel, light globes, just keep lots of records. These expenses cannot have otherwise been claimed as a tax deduction (ie against the rent received) and cannot be used to create a capital loss. Now the way the CGT formula works is you work out the capital gain on the whole property first, then apportion it on the ratio of the percentage of the area covered by your main residence exemption and the percentage of the area not covered. This flat pro rata apportionment based only on a percentage does not take into account, when calculating the capital gain, whether the expenses relate to the side covered by your main residence exemption or not. Effectively allowing a portion of the costs associated with the exempt side to reduce the capital gain on the side that is exposed to CGT. Meanwhile the expenses relating to the side exposed to CGT have already been claimed as a tax deduction. The best tax tip is to keep good receipts.

**Airbnb**

<https://bantacs.com.au/Jblog/the-tax-and-record-keeping-consequences-of-holiday-rentals-such-as-airbnb/#more-190>

How To Get Your Questions Answered:

Visit an offices <http://www.bantacs.com.au/map/>

Skype Julia <http://www.bantacs.com.au/shop-2/consultation-with-julia-hartman/>

Askbantacs <http://www.bantacs.com.au/QandA/index.php>

Visit Us [www.bantacs.com.au](http://www.bantacs.com.au)

Call Us 1300022682

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