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## Autumn 2018

### LODGING TAX RETURNS

Please bring in your information **ASAP** if you have not lodged your 2017 and prior tax returns.  
**MOST RETURNS ARE DUE 15 MAY 2018**

#### Extension of the \$20,000 SBE Immediate Deduction Threshold

A reminder that in the 2017/18 Budget, the Government extended the ability of **Small Business Entity (SBE) taxpayers** to claim an outright deduction for depreciating assets costing less than **\$20,000 until 30 June 2018**.

The threshold is currently scheduled to revert back to \$1,000 as of **1 July 2018**. Therefore it is now timely to consider purchasing plant & equipment or vehicles that cost less than \$20,000 before the 30 June cut off.

To qualify for an immediate deduction for depreciating assets purchased by an SBE taxpayer costing less than \$20,000, the asset needs to be **first used or installed ready for use, and paid for on or before 30 June 2018**.

The 'aggregated turnover' threshold to satisfy the requirements to be an **SBE taxpayer** has increased from **\$2 million to \$10 million**, as of 1 July 2016.

Please contact us for more detailed advice if you need to confirm your eligibility for claiming this deduction in the current financial year.



#### ATO's focus on work-related expenses

As mentioned in our previous newsletters, this year the ATO is paying close attention to what people are claiming as work-related expense deductions. So it's important when claiming these expenses that you have records to show:

- you spent the money yourself and were not reimbursed;
- the expense was directly related to earning your income; and
- you have a record to prove it.

If the expense is for work *and* private use, you can only claim a deduction for the work-related portion.

**Importantly, taxpayers are not automatically entitled to claim standard deductions**, but need to be able to show how they worked out their claims.

The ATO have stated *"Every tax return is scrutinised using increasingly sophisticated tools and data analytics developed by the ATO. This means we can identify and review income tax returns that may omit information or contain unreasonable deductions"*.

The ATO also set out some case studies, which provide an insight into the ATO's methods, including:

- A taxpayer who claimed deductions for car expenses, but the ATO found they had recorded kilometres in their log book on days where there was *no record of the car travelling on the toll roads*, and further inquiries identified that the taxpayer was out of the country. The claims were disallowed.

## Common Non-Deductible Claims

Some of the more common **non-deductible** claims are:

### Grooming Costs:

Although an employee may be required to maintain a certain standard of appearance for their job, costs such as hairdressing, cosmetics, suits and drycleaning are still generally not allowed. Not even Defence Force personnel get a deduction for grooming, even though military regulations demand it. TV presenters may be the rare exception. (NB: grooming is different to uniform or protective clothing deductions).

### Driver's Licence:

Vehicle expenses such as repairs, interest on a loan and servicing may be claimable, but the cost of a driver's licence is not an allowable deduction as it is considered a private expense – even if it is a condition of employment. Neither are passports.

### Volunteer Work:

No deductions are available to cover expenditure made while volunteering for a charity or other not-for-profit organisation. Not even car travel. Reason being they are not "incurred in producing taxable income."

## Super Concessional contributions cap now \$25,000

The contributions claimed by an individual as a **tax deduction** will count towards their concessional contributions cap, which **for the year commencing 1 July 2017 (current year) is \$25,000, regardless of age**. If the cap is exceeded, you will have to pay extra personal tax, that adjusts you back to the tax situation as if you took it as wages in the first place. If you have been heavily salary sacrificing into super, you may want to ensure that you do not exceed the cap by 30 June.

Broadly speaking, contributions to super that are deductible to an individual, or an employer such as super guarantee & salary sacrifice contributions, count towards an individual's 'concessional contributions cap'. Some **Public Sector employees under CSS or PSS old funds** have a special calculation for their employer contributions. To work yours out, you will need to use the calculator tool on the CSC website.

## Catch-up Concessional Super Contributions - update

Individuals with superannuation balances less than \$500,000 will be allowed to make additional concessional (tax deductible) contributions where they have not fully utilised the cap in prior years. Unused amounts will start accruing on a rolling basis for five years, with the first year for unused amounts to accrue commencing on **1 July 2018**. This means that if you do not contribute up to the full concessional contributions amount (currently \$25,000) in the 2018/19 financial year, you can catch that up with **extra contributions in the 2019/20 year**. Therefore this measure does not affect the current financial year in any way, but may help with future years super contributions planning.

## Pensioner's Franked Dividends refunds

There has been a lot of interest in the recent Labor announcement about disallowing access to dividend franking credits for tax refunds. Labor have already updated their policy to allow the credits to be refunded for pensioners & some SMSF's. We will be monitoring the policy & any other likely changes in this area, from either side of Parliament, and will advise accordingly. But if you have any concerns, please contact us.



## Upcoming deadlines

Over the coming months, right up to 30 June, we have a series of lodgement deadlines for tax returns, FBT returns & BAS. Be assured we are working as hard as we can to meet these deadlines as required, along with providing our ongoing advice on your tax & business services needs. As always, we thank you for your support as clients so that we can provide our best of service to you.

**Sincerely, the team at GLR**