GLR Accountants
Tax & Business Specialists

'Efkon House'
20-24 Trenerry Street
PO Box 3875
Weston ACT 2611

Phone - (02) 6287 2655

Email – admin@glraccountants.com.au

Spring 2018

Hello everyone, in this busy tax period we are all working very hard to get your tax refunds to you as quickly as possible. So in the meantime, please have a read of our newsletter. If you have any questions or comments, we'd love to hear them.

-Best wishes to you all from the team at GLR.

Personal Income Tax Cuts from 1 July 2018

Parliament has passed the following income tax cuts to take effect from 1 July 2018.

The Government's changes have three steps:

1) The Government will introduce the **Low and Middle Income Tax Offset** (in addition to the Low Income Tax Offset)

From 1 July 2018, being non-refundable tax offset of up to **$530 per annum** (apparently over 10 million taxpayers will get at least some tax relief from this new offset in 2019 income year.) The offset will be available for the 2019, 2020, 2021 and 2022 income years and will be received as a lump sum on assessment after an individual lodges their tax return.

2) Lifting tax brackets as follows:

From 1 July **2018**, the top threshold of the 32.5% personal income tax bracket will increase from $87,000 to $90,000.

From 1 July **2022**, the 19% personal income tax bracket will increase from $37,000 to $41,000, and the top threshold of the 32.5% person income tax bracket will further increase from $90,000 to $120,000.

The low income tax offset will also be lifted to $645.

3) The 37% tax bracket will be removed entirely from 1 July **2024**, and the top threshold of the 32.5% personal income tax bracket will be increased from $120,000 to $200,000.

ATO guide to the 5 most common Tax Time mistakes

The ATO has profiled the five most common errors they see in tax returns:

1) Leaving out some of your income (e.g forgetting a temp or cash job, capital gains on cryptocurrency, or money earned from the sharing economy);

2) Claiming deductions for personal expenses (e.g home to work travel, normal clothes or personal phone calls);

3) Forgetting to keep receipts or records of expenses (around half of the adjustments the ATO make are because the taxpayer had no records, or they were poor quality);

4) Claiming for something you never paid for – often because people think everyone is entitled to a 'standard deduction'; and

5) Claiming personal expenses for rental properties. Either claiming deductions for times when people are using their property themselves, or claiming interest on loans used to buy personal assets like a car or boat.

No more Medical expense claims

NB. The medical expense offset **was abolished** from the 2015/16 financial year. As you are no longer able to claim your medical expenses **you do not** need to provide them to us to complete your 2018 tax return.

However, a limited number of expenses are still claimable, including nursing home fees, disability aids and attendant care until 2018/19.

Cents per Km Deductions Rate for Car Expenses from 1 July 2018

The Commissioner of Taxation has determined that the rate at which work-related car expense deductions may be calculated using the cents per kilometre method is now **68 cents** per kilometre for the income year commencing 1 July 2018 (up from 66 cents).

ATO Scrutinising Car Claims

The ATO has announced that it will be closely examining claims for work-related car expenses this tax time as part of a broader focus on work related expenses.

"We are particularly concerned about taxpayers claiming for things they are not entitled to, like private trips, trips they didn't make, and car expenses that their employer paid for or reimbursed."

This is no doubt because over 3.75 million people made a work-related car expense claim in 2016-2017 (totalling around $8.8 billion), and, each year around 87,000 people claim the maximum amount under cents-per-kilometre method.

The ATO's ability to identify claims that are unusual has improved due to enhancements in technology and data analytics: *"Our models are especially useful in identifying people claiming things like home to work travel or trips not required as part of your job…simply travelling from home to work is not enough to qualify, no matter how far you live from your workplace."*

The ATO says there are three golden rules for taxpayers to remember to get it right.

"*One – you have to have spent the money yourself and can't have been reimbursed, two – the claim must be directly related to earning your income, and three – you need a record to prove it.*

Further Expansion of the Taxable Payments Reporting System ('TPRS')

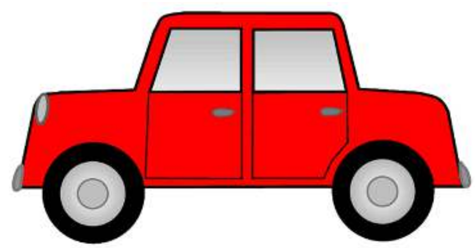
The TPRS was introduced for the first time in the 2013 income year with respect to businesses in the **Building and Construction industry**, requiring the reporting of total payments made to contractors for building and construction services each year.

The taxable payments annual report is due by 28 August each year.

Legislation is currently being considered by Parliament to extend the TPRS to the cleaning and courier industries from the 2019 income year.

Furthermore, draft legislation has now been released to further expand the TPRS to the following industries from the 2020 income year:

- Security providers and investigation services;
- Road freight transport; and
- Computer system design and related services.



Concessional Contributions Cap $25,000

The contributions claimed by an individual as a deduction will count towards their concessional contributions cap, which **since 1 July 2017 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. There is effectively only a minimal interest charge now.

Broadly speaking, contributions to super that are deductible to an employer or an individual, 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.