Chartered Accountants

December 2019 Tax & Superannuation Newsletter

South Australian land tax changes

The Land Tax (Miscellaneous) Amendment Bill 2019 introduces changes to land tax aggregation rules and surcharges for certain trusts. It also reduces the top land tax rate from 3.7 per cent to 2.4 per cent from 1 July 2020.

Most types of trusts (excluding self-managed super funds “SMSFs”) are subject to a land tax surcharge of half of a percent and are not eligible for the land-tax free threshold of $391,000, unless they make a once only nomination for the land to be aggregated to a designated beneficiary’s individual land tax assessment. The designated beneficiary can only be updated on death, incapacity or marriage breakdown; so choose them carefully.

Companies will not be subject to both grouping as related corporations as well as the trust surcharge.

Some taxpayers will be dramatically affected by the land tax aggregation changes. For example, irrespective of what their loans are, a family that owns four properties worth $500,000 each in four separate trusts currently pays land tax of around $2k could see their land tax bill increase to over $30k per annum.

Tip: If land tax is of concern for your trust, consider who best to be a designated beneficiary or if there are any stamp duty and/or capital gains tax (“CGT”) concessions for a transfer.

Removing tax deductibility of non-compliant payments to employees or contractors

Any payments you make to a worker or contractor, where you were required but haven’t withheld or reported the PAYG amounts, are called non-compliant payments.

Payments affected include salary, wages, commissions, bonuses, allowances, directors’ fees, labour hire arrangements and contractors wholly or partly providing services but not advising of their ABN.

From 1 July 2019 you will be unable to claim a tax deduction for payments to employees or contractors if you were required to withhold an amount and you did not withhold or report the payments to the Tax Office.

However, you are excepted from these rules if you voluntarily advise the Tax Office before they have commenced an audit or other compliance activity.

CGT: Spouses with different main residences

Generally, spouses (whether married, de facto and including same sex) will have the same main residence, which we know is exempt from CGT.

However, in some circumstances (e.g. working in different locations) spouses may have two different residences at the same time.

In these situations, the spouses may either nominate (evidenced by how they complete their tax return):

1. the same dwelling as their main residence; or
2. different dwellings to be each spouse's main residence.

Under the second option, where a spouse's interest in their nominated dwelling is:

- 50% or less – they will be entitled to an exemption on that interest for the whole period of having two main residences; or
- greater than 50% - they will be entitled to only half of the gain being exempt.

Where spouses also own a pre-CGT residence, they might choose to nominate a post-CGT residence as their main residence, thereby obtaining CGT exemption for both properties.

The nomination is also available where using the "six-year absence rule", ie. the ability to continue to treat a property which had been the main residence of the taxpayer but is subsequently rented out as their main residence for a period of up to six years.

The "six-year absence rule" allows the property to continue to be exempt from CGT if sold within six years of first being rented out.

No work test for super contributions in first year of retirement

New retirees aged between 65 and 74 will now be able to make a once off voluntary contributions into their super account without needing to satisfy the "work test" (being gainfully employed for 40 hours or more within a 30-day period). To qualify, you must have had less than $300,000 in your super account at the end of the previous financial year.

Small business instant asset write-off

Until 30 June 2020, the $30,000 instant asset write-off provides small businesses with an asset write-off of up to $30,000 for assets costing less than the instant asset write-off threshold (excluding any GST claimed back) which are purchased and used in the year that the write-off is claimed.

Carry-forward concessional (before-tax) contributions now available

From 1 July 2019, super fund members can make catch-up concessional contributions into their super account using their unused concessional contributions cap amounts from previous years. To qualify, you must have a Total Super Balance of less than $500,000 on 30 June of the previous financial year and you must not have used all your $25,000 annual concessional contributions cap in the previous financial year.

Under the rules, you can carry-forward up to five years of unused concessional contributions caps for use in a later financial year, but the rolled forward amounts expire after five years.

The five-year carry-forward period started on 1 July 2018, meaning 2019/2020 is the first year in which you can make catch-up contributions.

If you are aged 65 or over, the normal work test rules apply.

Tip: This could be very useful if realising a large capital gain in a particular year or confidently expecting lower income next year.

Warning to watch out for myGov and ATO tax scams

Unfortunately, there has been a surge in scammers sending bogus emails, text messages and fake myGov login pages trying to trick people into giving them money or personal details. The most common scam has been fake myGov emails impersonating the Tax Office.

Like internet banking requiring you to log in via the banks website or app, the myGov system will never send texts, emails or attachments with links or web addresses that ask for your login or personal details. Never click on links in emails or text messages claiming to be from myGov, banks, phone companies etc.

Unfortunately, myGov, ATO and other scams continue all year round and can be quite convincing.

Tip: More information is available at: www.staysmartonline.gov.au/.

If you're unsure about a tax-related message or phone call, you can phone the ATO's Scam Hotline on 1800 008 540 or our office.

Wills and Powers of Attorney

Just a reminder of the importance of all adults having a valid will (updated for changes of circumstances and intentions), powers of attorney and advanced care directives.

A general power of attorney and an enduring power of attorney both give a person or persons (jointly or severally) authority to deal with a person's financial affairs. However, while a general power of attorney is cancelled automatically if a person becomes legally incapacitated, an enduring power of attorney will still be effective.

Single Touch Payroll ('STP") extended to small employers

We have mentioned STP in several of our earlier newsletters, but **<u>if required and not done already, now is the time to get STP ready.</u>**

Small employers (those with 19 or less employees) needed to start STP reporting or have a deferral or exemption in place by 30 September 2019. The Tax Office recently sent us a report of our clients who are employers but are not yet STP ready, so we have initially requested an STP reporting deferral for those business until 31 December 2019.

Unfortunately, the Tax Office have not developed a program/app for STP and are instead relying on employers to obtain their own software/app or use their accountant or bookkeeper. Employers paying annual subscriptions (e.g. to Cash Flow Manager, Xero, Quickbooks and MYOB) will have STP available within their existing software. However, employers who use older software or collate wages information via spreadsheet or cash book will need to either:

- Update their software subscription to be STP enabled;
- Use a payroll specific software or app (<u>for employers with less than 5 employees we find the http://payroller.com.au software/app is easy to use and free</u>); or
- Ask a third party (accountant or payroll service provider) to lodge their STP data.

The following page has a summary of the STP requirements and concessions.

Tip: If required, get STP ready now.

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Small Employers and Single Touch Payroll (STP)
Summary of the STP lodgement requirements

Broadly, STP requires an employer to lodge payroll data for each employee in an electronic format to the Tax Office each pay run.

Employer type	**Employer criteria**	**STP lodgement frequency**	**STP to be lodged by**
Small employer with no deferral or exemption available	No more than 19 employees	Each pay run	Tax agent, BAS agent or self
Small employer with closely held payees (employees)	• Employees who are directly related to the employer (e.g. family members of a family business, directors/shareholders of a company and trust beneficiaries)	Exempt until 1 July 2020 but then Quarterly. <u>All unrelated employees require STP lodgement each pay run</u>	Tax agent, BAS agent or self
Micro employer	• 1 to 4 employees at the time of application; • have a non-computerised payroll; and • lodge their activity statements electronically through a registered Tax or BAS agent	Quarterly up to 30 June 2021 but then each pay run	Tax or BAS agent
Micro employer in agriculture, fishing or forestry industry	1 to 4 employees	Quarterly	Tax agent, BAS agent or self
Seasonal & intermittent employer	0 to 4 employees during the year plus up to 19 employees for a period of no more than 3 months	Quarterly	Tax agent, BAS agent or self

If you need us to lodge your STP data each quarter (available until 30 June 2021), please contact one of our administration team members.

Merry Christmas and a Happy New Year from Price Roberts & Co.

Please contact our office should you have any accounting/tax queries.