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CERTIFIED PRACTISING ACCOUNTANTS

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Practice Update

Please read this update and contact this office if you have any queries

May 2019

Federal Election called!

The Federal Election has been called for Saturday 18 May 2019, and the Governor-General has 'prorogued' the Parliament from 11 April 2019 until 18 May 2019, and dissolved the House of Representatives.

The election will also be for half the Senate.

As a result, all outstanding Bills have also lapsed (so any measures not yet passed will need to be reintroduced in new Bills after the election if they are to become law).

2019/20 Budget Update

The Government handed down the 2019/20 Federal Budget on Tuesday 2 April 2019.

Some of the important proposals include:

- ❑ Increasing and expanding access to the instant asset write-off from 7:30 pm (AEDT) on 2 April 2019 (i.e., 'Budget night') until 30 June 2020, as follows:
  - Increasing the instant asset write-off threshold from $25,000 to **$30,000**.
  - Making the instant asset write-off available to medium sized businesses (with aggregated annual turnover of $10 million or more, but less than $50 million).

Editor: The legislation to make the above changes to the instant asset write-off has already been passed and received Royal Assent.

- ❑ Allowing individuals aged 65 and 66 years to:
  - make voluntary superannuation contributions (both concessional and non-concessional) without meeting the work test from 1 July 2020; and
  - make up to three years of non-concessional contributions under the bring-forward rule (without satisfying the work test).
- ❑ Increasing the upper threshold of the 19% personal income tax bracket to $45,000 from 1 July 2022, and reducing the 32.5% marginal tax rate to 30% from 1 July 2024 (in addition to changes already legislated).
- ❑ Increasing the Low and Middle Income Tax Offset ('LAMITO'), with effect from the 2019 income year, to provide tax relief of up to $1,080 per annum, as well as an increased base amount of $255 per annum.

New industries entering the taxable payments reporting system

The ATO has reminded businesses that provide road freight, information technology ('IT'), security, investigation, or surveillance services that they need to lodge a *Taxable payments annual report* ('TPAR') each year to tell the ATO about the payments they make to contractors who use an Australian business number ('ABN') (even if these services are only part of their business activities).

Such clients' first TPAR will be due by 28 August 2020 for payments made from 1 July 2019 to 30 June 2020.

Editor: We can help with the lodgment of this report, but affected clients will need to keep records of the payments made to contractors. The required information, including the contractor's ABN, name, address, and total amounts paid during the financial year (including GST) will normally be contained in the invoices received from the contractors.

Scammers impersonate ATO phone numbers

The ATO is warning that scammers have adopted 'Robocall' technology to target taxpayers across the country.

Assistant Commissioner Gavin Siebert said: *"Scammers are sending pre-recorded messages in record numbers and are manipulating caller identification so that your phone displays a legitimate ATO phone number despite coming from an overseas scammer".*

"If the scammers do make contact, they will request payment of a tax debt – usually through unusual methods like bitcoin, gift cards and vouchers. Legitimate ways to pay your tax debt are listed on our website. The scammers will threaten you with immediate arrest, attempt to keep you on the line until payment is made and may become rude or aggressive."

The technique of displaying misleading phone numbers is known as "spoofing" and is commonly used by scammers in an attempt to make their interactions with taxpayers appear legitimate.

FBT issues on the ATO's radar

The ATO has updated its list of *'What attracts our attention'*, with six items that specifically relate to fringe benefits tax ('FBT'), as follows:

- Failing to report motor vehicle fringe benefits, incorrectly applying exemptions for vehicles or incorrectly claiming reductions for these benefits.
- Incorrectly calculating car parking fringe benefits due to:
  - significantly discounting market valuations;
  - using non-commercial parking rates; or
  - parking rates not being supported by adequate evidence.
- Mismatches between the amount reported as an employee contribution on an FBT return compared to the income amounts on an employer's tax return.
- Claiming entertainment expenses as a deduction but not correctly reporting them as a fringe benefit, or incorrectly classifying entertainment expenses as sponsorship or advertising.
- Not reporting fringe benefits on business assets that are provided for the personal enjoyment of employees or associates.
- Not lodging FBT returns (or lodging them late) to delay or avoid payment of tax.

FBT: Record-keeping exemption threshold

The exemption threshold for the FBT year commencing 1 April 2019 is $8,714 (up from the amount of $8,552 that applied in the previous year).

FBT: Benchmark interest rate

The benchmark interest rate for the FBT year commencing on 1 April 2019 is 5.37% per annum (up from the rate of 5.20% that applied for the previous FBT year).

This rate is used to calculate the taxable value of:

- a fringe benefit provided by way of a loan; and
- a car fringe benefit where an employer chooses to value the benefit using the operating cost method.

Example

On 1 April 2019 an employer lends an employee $50,000 for five years at an interest rate of 5% p.a. with interest charged and paid six-monthly, and no principal being repaid until the end of the loan.

The actual interest payable by the employee for the current year is $2,500 (i.e., $50,000 x 5%).

However, the notional interest, with a 5.37% benchmark rate, is $2,685, so the taxable value is $185 (i.e., $2,685 – $2,500).

Please Note: Many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the information's applicability to their particular circumstances.