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# Quarterly Update
## December 2018

## In this issue



# ATO Update

## Increase in Private Health Insurance Excesses

Legislation has been passed by Parliament to implement the Private Health Insurance ('PHI') reforms announced by the Government in October 2017.

The measures are designed to simplify PHI and make it more affordable for consumers by improving the value of PHI either in the form of lower premiums and/or improved cover for certain benefits.

Of particular interest from a tax perspective is the increase in the maximum voluntary excess levels for products providing individuals with an exemption from the Medicare Levy Surcharge.

The increased levels of voluntary excesses that insurers can apply are:

- $750 (up from $500) in any 12-month period for singles; or
- $1,500 (up from $1,000) in any 12-month period for couples/families.

These increases will apply from the 2019 income year, with private health insurers permitted to offer products with the new higher excesses from 1 April 2019.

## ATO Text Messages

The ATO has advised that it will send SMS text messages directly to taxpayers where incorrect bank account details were included in their tax returns and they were entitled to a refund.

The SMS will advise impacted taxpayers that:

- their refund cannot be processed due to incorrect bank account details; and
- they should phone the ATO on 13 28 61 to correct their details.

If impacted taxpayers contact the ATO with their correct details within seven days, any refund due will be issued electronically.

The authenticity of ATO correspondence can be verified by calling the ATO on 1800 008 540.

However, if you are ever unsure about any correspondence received, please contact our office.

## Office Christmas Closure

Our office will be closing at 5:30pm on Friday 21st of December 2018, and will re-open at 8:30am on Monday 7th of January 2019.

*We wish to thank all our clients and friends for your ongoing support and wish you a safe and enjoyable Festive Season.*

## Staff Update

To assist you with planning appointments we wish to advise of the following staff members work changes:

### Dallas Landwehr

Dallas will be away on leave for all of January 2019. He will be in the office a few hours per week during this period, and contactable via email.

### Cherese Mackley

Cherese will be away on a family holiday for two weeks celebrating her BIG birthday, commencing from Monday 14th January 2019. She will return to work on Tuesday 29th January.

## Government Grants

**Agriculture Energy Investment Plan**

This comprises two parts. The first is having a Government assessor review your energy use and prepare an assessment of recommendations/improvements. This assessment then informs the grants process for grants relevant to the recommendations.

Eligibility is limited to primary producers that spend more than $8,000 (incl GST) on on-farm energy. Energy sources include electricity, gas, LPG and diesel. Note that the diesel component is limited to fixed diesel powered equipment used on farm, eg. Bore pump, generator.
http://agriculture.vic.gov.au/agriculture/farm-management/agriculture-energy-investment-plan

**On-Farm Drought Infrastructure Support Grants**

Applications are still being taken. If you wish to take up this $5,000 matching grant we would be happy to assist. We just require a quote and rates notice. We suggest that you act quickly while funds are still available.
https://www.ruralfinance.com.au/uploads/grant_files/On-Farm-Drought-Infrastructure-Support-Grant-Guidelines.pdf

https://www.ruralfinance.com.au/uploads/grant_files/Applicati

## Employee Benefits This Christmas

Christmas is just round the corner and with it comes the Christmas party season. But if your business is forking out for a festive fling, is there also a tax hangover on the horizon?

1. **Is FBT payable?**
   If you throw a Christmas function for your staff ***off-site***, for example at a hotel, restaurant or function centre, the cost of providing the party would normally be treated as a fringe benefit, with Fringe Benefits Tax (FBT) payable by the employer. However, provided the cost per employee is less than $300, no FBT will be due. This is because of the so-called minor benefits exemption. This exemption also applies if spouses or partners come along to the party.

2. **Number of benefits:**
   The minor benefits exemption applies to each benefit provided. What that means in practice is that if you're feeling generous and spend $290 per head on the party and then give a gift to each employee valued at a further $290, then both expenses are free of FBT.

3. **Price per head:**
   If you spend more than $300 per head on the function, the whole lot will be subject to FBT, not just the excess.

4. **Party costs:**
   The costs (such as food and drink) of a Christmas party are exempt from FBT if they are provided on a working day on your business premises and consumed by current employees.

5. **Paying for transport:**
   If your business also covers the cost of taxi fares to and from the festivities, these costs will count as part of the $300 per head limit if the function is off-site, but will be exempt from FBT if the party is at your premises.

6. **Are Christmas gifts tax deductible?**
   Yes, even though gifts to employees are covered by the FBT exemption, they generally are tax deductible unless it relates to entertainment. A GST credit can be claimed, except for gift vouchers.

7. **Tax for employees:**
   None of this generally impacts on employees' tax position. They can eat, drink and be merry knowing that the tax consequences usually fall only on the employer.

## Expansion of STP to smaller employers

Single Touch Payroll ('STP') commenced on 1 July 2018 for employers who have 20 or more employees.

Legislation has now passed Parliament to expand STP to all other employers from 1 July 2019.

The ATO acknowledges there is a large number of very small employers who have less than five employees ('micro-employers') who do not currently use a payroll product and has indicated that they are not looking to force them to take up a product to do STP.

Efforts are being made to work with industry to look at some alternate reporting mechanisms.

It is being reported that software developers, and even some of the larger banks, have shown an interest in developing some kind of product that would enable micro-employers to provide the necessary data to comply with STP at a low cost.

Employers who are in an area that has internet issues or challenges are reminded that there are potential exemptions available under STP.

The ATO is currently consulting with focus groups to look at flexible options to transition micro-employers to STP over the next couple of years.

The ATO does not realistically expect that everyone will start STP from 1 July 2019 and has indicated that it will be flexible with the commencement date, including the provision of deferrals to help stagger the uptake.

## Expansion of the Taxable Payments Reporting System

The Taxable Payments Reporting System ('TPRS') has been expanded to the cleaning and courier services industries from 1 July 2018.

If you are a business with an ABN that provides courier or cleaning services and make payments to contractors for cleaning or courier services provided on behalf of your business, you must lodge a Taxable Payments Annual Report ('TPAR') each financial year.

The first TPAR for payments made to contractors from 1 July 2018 to 30 June 2019 will be due by 28 August 2019.

Where cleaning or courier services are only part of the services provided by your business, you will need to work out what percentage of the payments you receive are for cleaning and courier services each income year to determine if a TPAR is required to be lodged.

Specifically, if the total payments the business receives for cleaning or courier services are:

- 10% or more of their GST turnover – a TPAR must be lodged.
- Less than 10% of their GST turnover – a TPAR is not required to be lodged, but the business can choose to lodge one.

## Private Use of Utes

The Tax Office have released guidelines relating to the private use of utes. If you are eligible to use the guidelines, then you can access the Fringe Benefits Tax (FBT) exemptions. However if you are not eligible to utilise these guidelines, then you cannot access the exemption and normal FBT rules will apply.

The guidelines only apply if:

- Your business provides an eligible vehicle to a current employee;
- Eligible vehicles are utes that are principally designed to carry loads and not passengers;
- Vehicle is provided to an employee to perform their work duties;
- GST-inclusive cost of the vehicle was less than the luxury car tax threshold at the time of purchase. The threshold is $66,331 for 2018/19, but less for prior years. Therefore be aware of this if you buy a higher spec model and/or add options);
- Vehicle was not part of an official salary package agreement;
- The business has a policy that limits private use of the vehicle;
- Travel between home and work has a private diversion of no more than two kilometres per trip, eg. dropping the kids off at school on the way to work;
- Wholly private trips (other than home to work above) do not exceed:
    - 1,000 kilometres in total in an FBT year (April to following March); and
    - 200 kilometres for a return trip.

## External Collection Agencies to Enforce ATO Lodgements

The Tax Office already uses external collection agencies for collecting tax debt payments.

Now they will also start using third parties to contact taxpayers that have any overdue **lodgement** obligations, eg. income tax returns, and BAS lodgements.

Please note that if you have a **myGov** account, that it is especially important to regularly check your myGov account for any reminders from the Tax Office before the matter is referred to the external agency.

Unfortunately copies of any correspondence sent to your myGov account by the ATO are not forwarded to BCH.

## Fodder Storage Assets

As part of the next phase of its **drought assistance policy** (which includes various other measures), the Government announced that farmers will be able to **immediately deduct** the cost of **fodder storage assets**.

Previously, these types of assets (such as silos and hay sheds used to store grain and other animal feed storage) were required to be depreciated over three years.

This measure is designed to make it easier for farmers to invest in more infrastructure to stockpile fodder during the drought.

This measure is available for fodder storage assets first used, or installed ready for use, **from 19 August 2018** (being the date of the announcement), and complements the $20,000 instant write-off already available to small business entities.

Please note that if your fodder storage asset is used for grain and animal feed that is mainly for resale, then this policy does not apply.

## Scammers Impersonating Tax Agents/Accountants

The ATO has received increasing reports of a new take on the 'fake tax debt' scam, whereby scammers are now impersonating registered tax agents to lend legitimacy to their phone call.

The fraudsters do this by coercing the victim into revealing their agent's name and then initiating a three-way phone conversation between the scammer, the victim, and another scammer impersonating the victim's registered tax agent or someone from the agent's practice.

As the phone conversations with the scammers appeared legitimate and the victims trusted the advice of the scammer 'tax agent', victims have been falling for this new approach.

In a recent example, a victim withdrew thousands of dollars in cash and deposited it into a Bitcoin ATM, fearing that police had a warrant out for their arrest.

The ATO is reminding taxpayers that they will never:

- Demand immediate payments;
- Threaten them with arrest; or
- Request payment by unusual means, such as iTunes vouchers, store gift cards or Bitcoin cryptocurrency.

Taxpayers are advised that if they are suspicious about a phone call from someone claiming to be the ATO, then they should disconnect and call the ATO or their tax agent to confirm the status of their tax affairs and verify the call.

## Company Loans To Shareholders Under Review

The Government has released a consultation paper outlining proposed reforms to 'simplify' the loan agreements that are generally required when a shareholder (or their associate) borrows funds (or receives a payment) from a related company.

Broadly, where a private company makes a payment or loans funds to a shareholder and/or their associate, the amount will be treated as a taxable unfranked dividend paid to the recipient.

To avoid this, many shareholders enter into complying 'Division 7A loan agreements' (basically agreeing to repay the relevant amount within 7 years, or 25 years if the loan is secured).

With this in mind, Treasury is currently looking at (amongst other things):

- Simplifying the Division 7A loan rules by converting to a new 10-year model; and
- Clarifying that distributions from a trust to a 'bucket' company that remain 'unpaid present entitlements' come within the scope of Division 7A.

The proposed amendments are intended to apply from 1 July 2019. Further information will be made available by the Government early in the 2019 calendar year.



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