

# Practice Update

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and contact this office  
if you have any queries

AUGUST 2015

## Data matching to be expanded on individual returns

The ATO has advised that last year, it cross-referenced information reported in tax returns against over 600 million transactions provided to it by third parties to identify omitted income and gains, or incorrectly-claimed offsets or entitlements to exemption from surcharges.

It also contacted nearly 400,000 taxpayers who had apparent discrepancies in the information they reported in their tax returns.

The ATO said that traditionally, it has focused on areas such as omitted interest and employment income, but this year it is expanding its data matching to encompass a greater range of areas, such as:

- capital gains tax (CGT) from the disposal of shares and property;
- employment-related foreign source income; and
- contractor income from payments made by government agencies.

## Three more tax changes for small business

The government has introduced legislation for the following three small business measures that, if passed, will apply from 1 July 2015:

- A tax offset to individuals who run small businesses (with an aggregate annual turnover of less than \$2 million), or who have

a share of a small business' income included in their assessable income.

The tax offset is available to individuals, partners, or beneficiaries of a trust that is a small business entity.

The tax offset is 5% of the income tax payable on the portion of an individual's income that is small business income, capped at \$1,000 per annum.

- An immediate deduction for some business start-up expenses, such as legal advice and registration fees, including government fees and charges as well as costs associated with raising capital.
- An exemption from FBT where small businesses provide an employee with more than one work-related portable electronic device, even where the devices have substantially identical functions.

## Reasonable Overtime Meal Allowance Amounts – 2015/16

The reasonable amount for overtime meal allowance expenses for 2015/16, where an allowance is paid under an award, order, determination, industrial agreement or a Commonwealth, State or Territory law, is as follows:

Description	Reasonable Amount \$
Per Meal	28.80

## **Builders and contractors annual payment report**

The ATO has reminded taxpayers that the builders' and contractors' taxable payments annual report is due to be lodged by 28 August.

*Editor: Any clients in the building and construction industry who have made payments to contractors for building and construction services should contact our office.*

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## **Change to the way taxpayers claim work-related car expense deductions**

Currently, taxpayers have an option to use one of four methods to determine their work-related car expense deductions.

The government is proposing to reduce the number of methods by removing the '12% of original value method' and the 'one-third of actual expenses method'.

These methods have been used by fewer than 2% of those who claim work-related car expenses.

The other two methods, the 'cents per kilometre method' and the 'logbook method' are being retained.

The 'cents per kilometre method' is also being changed by replacing the three current rates based on engine size with one rate set at 66 cents per kilometre, which applies to all motor vehicles.

The government says that these changes will enable taxpayers who drive electric and hybrid vehicles to claim on a cents per kilometre basis, which is not currently an option for them.

The amendments apply to the 2015/16 income year and later income years.

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## **81 year-old WA pensioner loses \$110,000 in tax scam**

An octogenarian caring for his sick wife has lost \$110,000 in a tax scam.

WA Consumer Protection says the 81 year-old was duped by scammers pretending to be from the ATO.

The man was contacted by people claiming he owed money to the ATO and would be jailed if he did not pay immediately.

The scammers also told him his three children would lose their jobs.

## **Tax support service for drought affected communities**

The government has announced a new service to help drought affected communities manage their tax affairs when times are tough, and has set up a dedicated hotline on 13 11 42.

The ATO will work with the Department of Agriculture to identify drought-affected taxpayers, and will provide personalised assistance and customised support plans for business owners and communities in these areas.

The ATO has also undertaken to get in contact with businesses in drought-affected communities to make sure they are aware of the options available to help them meet their obligations.

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## **Employee share scheme changes**

The ATO has announced that, from 1 July 2015, there are new rules for the tax treatment of employee share schemes (ESSs), as well as tax concessions for start-up companies.

The ESS changes allow employees to now own up to 10% of shares in their employer company (up from 5%).

Under the new rules, if shares are acquired in a start-up company at a discount of up to 15% (relative to market value), then the discount is exempt from CGT and income tax.

Any subsequent capital gain is therefore calculated on the market value when the share was acquired.

*Editor: If clients need more information on these changes please contact our office.*

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## **Telstra 2014 share buy-back**

Clients who participated in the October 2014 Telstra off-market share buy-back will need to take that into account when lodging their 2014/15 income tax return.

Taxpayers received a payment of \$4.60 per share that they sold, which consisted of: a fully franked dividend of \$2.27 per share; and a capital component of \$2.33\* per share.

*Note (\*): For CGT purposes, participants in the buy-back are deemed to have received \$2.77 as the capital component of the buy-back price.*

*Editor: Please contact our office if you would like to discuss.*

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.