

# Practice Update

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AUGUST 2016

## Update on the government's superannuation program

*Editor: Now that the government has been re-elected, it seems they are committed to proceeding with their superannuation policy, including the controversial measure to impose a 'lifetime cap' of \$500,000 on the amount of non-concessional (i.e., undeducted) contributions that can be made into superannuation (calculated from all contributions made since 1 July 2007).*

The Treasurer Scott Morrison has also indicated that transitional relief provisions will be introduced in relation to the lifetime non-concessional contributions cap of \$500,000.

It is proposed that transitional provisions will allow for non-concessional contributions to be made under the rules and limits that existed prior to Budget Night where a superannuation fund has entered into a contract before 3 May 2016 to acquire an asset, and the contract settles after 3 May 2016.

Furthermore, there will be transitional relief for self-managed superannuation funds (SMSFs) that had a Limited Recourse Borrowing Arrangement in place before 3 May 2016, and additional non-concessional contributions are to be made up to 31 January 2017 (so that the borrowing will comply with the ATO's new guidelines).

*Editor: There have also been reports that the government may also allow 'carve-outs' for extraordinary 'life events' (e.g., divorce).*

*The government is apparently going to release draft legislation for their superannuation changes some time in August 2016.*

## Tax time is prime time for scams

The ATO is reminding Australians to be on the lookout for tax-related scams during tax time, as scammers are particularly active because of the large number of people lodging their tax returns.

Assistant Commissioner Graham Whyte said that, while most people were able to identify scams, it is important to remain alert during tax time.

For example, although the ATO makes thousands of outbound calls to taxpayers a week, there are some key differences between a legitimate call from the ATO and a call from a potential scammer:

*"We would never cold call you about a debt; we would never threaten jail or arrest, and our staff certainly wouldn't behave in an aggressive manner. If you're not sure, hang up and call us back on 1800 008 540".*

### ATO also warns against identity theft

The ATO is also reminding Australians to protect themselves against identity theft this tax time. Highly organised crime networks use a range of methods to steal personal information in order to commit refund fraud.

The ATO recommends following a few easy steps for taxpayers to protect themselves against identity theft:

- ◆ Put a padlock on their letterbox;
- ◆ Shred documents containing personal details (especially their tax file number (TFN)) before throwing them away;
- ◆ Use legitimate and up-to-date antivirus, firewall and anti-spyware software; and

- ◆ Make sure passwords are strong, using a combination of letters, numbers and symbols, don't share them with anyone, and ensure they are changed regularly.

The ATO also says that taxpayers should report the loss or theft of their TFN without delay, if they can't find their TFN, and/or think their TFN has been stolen or misused.

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## The 'sharing economy' in the ATO's sights

The ATO is concerned that those earning money from the 'sharing economy' may not realise they have to declare these amounts on their tax return.

In the sharing economy, buyers and sellers are connected through a facilitator who usually operates an app or website.

Assistant Commissioner Graham Whyte said:

*"If you earn money from doing odd jobs or providing a service like task sharing, transporting passengers through things like ride-sourcing, or renting out a room or house, you need to declare it because it counts as assessable income. If you are running a business through the sharing economy you also need to declare this income."*

*"It's a bit different if the goods you provide or the activity you complete through a sharing economy website or platform is done as a hobby or recreational activity. The amount you are paid may not be assessable income."*

*Editor: We can help you with this distinction.*

Mr Whyte said ATO technology was keeping up with the sharing economy, and, thanks to their data collection and data matching activities, the ATO would know if taxpayers have left out a significant amount of income.

In addition, some taxpayers may need to register for, and pay, GST (especially those earning an income from carrying on an enterprise of ride-sourcing services, regardless of how much money they earn).

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## Latest ATO benchmarks released

The ATO has released the latest benchmarks for small business based on the data from 2014 income tax returns and business activity statements, covering over 1.3 million small businesses.

Assistant Commissioner Matthew Bambrick said that, if a small business is inside the benchmark range for their industry and the ATO hasn't received any extra information that may cause concern, they can be confident that they probably won't hear from the ATO.

Mr Bambrick said the benchmarks were also a helpful guide for small businesses to see how they stack up against others in their industry.

*"For example, one business told us how their accountant used the tailored benchmarks to work out that their expense to turnover ratio was higher than other businesses with a similar turnover. Using this information the business adjusted some of their inputs and how they were pricing their products. These changes resulted in an overall improvement in their performance."*

While the benchmarks are a helpful guide for small business, Mr Bambrick said it was also one of a number of tools the ATO uses to ensure a level playing field.

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## Cents per km deduction rate for motor vehicle expenses

The ATO has determined that the rate at which work-related motor vehicle expense deductions may be calculated using the cents per kilometre method is **66 cents per kilometre** for the income year commencing 1 July 2016.

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## Overtime Meal Allowance Amounts

The reasonable amount for overtime meal allowance expenses for 2016/17, where an allowance is paid under an award, order, determination, industrial agreement or a Commonwealth, State or Territory law, is \$29.40 per meal.

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## Div.7A benchmark interest rate

The benchmark interest rate for 2016/17, for the purposes of the deemed dividend provisions of Div.7A, is 5.40% (down from 5.45% for 2015/16).

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## CGT: 2016/17 Improvement threshold

The CGT improvement threshold is \$145,401 for the 2016/17 income year, up from \$143,392 for 2015/16.

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.