

# Practice Update

August 2018

### Further company tax cuts deferred

The Government has decided not to put the *Treasury Laws Amendment (Enterprise Tax Plan No. 2) Bill 2017* to a vote in the Senate for the present point in time (it had already passed the House of Representatives without amendment).

The Bill aims to progressively extend the lower 27.5% corporate tax rate to all corporate tax entities by the 2023/24 financial year, and further reduce the corporate tax rate in stages so that, by the 2026/27 financial year, the corporate tax rate for all entities would be 25%.

The Opposition confirmed it would not repeal already legislated company tax cuts.

### ATO guide to the 5 most common Tax Time mistakes

The ATO has profiled the **five most common mistakes** they see, including taxpayers who are:

- ◆ leaving out some of their income (e.g., forgetting a temp or cash job, capital gains on cryptocurrency, or money earned from the sharing economy);
- ◆ claiming deductions for personal expenses (e.g., home to work travel, normal clothes or personal phone calls);
- ◆ forgetting to keep receipts or records of their expenses (around half of the adjustments the ATO makes are because the taxpayer had no records, or they were poor quality);
- ◆ claiming for something they never paid for – often because they think everyone is entitled to a 'standard deduction'; and
- ◆ claiming personal expenses for rental properties – either claiming deductions for times when they are using their property themselves, or claiming interest on loans used to buy personal assets like a car or boat.

ATO Assistant Commissioner Kath Anderson reiterated the three 'golden rules' for work-related expenses: *"You must have spent the money yourself and not have been reimbursed, it must be directly related to earning your income, and you must have a record to prove it."*

### Single Touch Payroll Update

*Editor: Single Touch Payroll (STP) officially commenced for larger employers on 1 July 2018, and the ATO has provided some further guidance for affected entities.*

The ATO is writing to employers who started reporting through STP *before* 1 July 2018, providing them with information about how their employees' payment summary for 2017/18 may change with STP, including the following:

- They are not required to provide their employees with payment summaries for the information they report through STP (although they may *choose* to provide payment summaries for the first year of STP reporting).
- 'Income statements' will replace payment summaries.
- Employees' income statements are available through pre-filing and myGov.
- The income statement has three categories: 'Tax ready', 'Not tax ready' and 'Year-to-date'. Only 'tax ready' income statements are complete and will be available through pre-filing.
- Income statements may not be tax ready until 14 August this year. Employers have until this date to finalise their STP data.

*Editor: The ATO has also recognised that some employers may not have been ready to start STP reporting from 1 July 2018, and these employers (or their tax agent) may be able to apply for a deferral.*

*For example, employers that live in an area where there is no internet connection, can apply for a deferral or even (in very limited circumstances) an exemption.*

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## **Cents per Km Deduction Rate for Car Expenses from 1 July 2018**

The Commissioner of Taxation has determined that the rate at which work-related car expense deductions may be calculated using the cents per kilometre method is 68 cents per kilometre for the income year commencing 1 July 2018 (up from 66 cents per kilometre).

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## **Suburban scammers pushing illegal early access to super**

The ATO has become aware of people in some suburban areas of major cities attempting to encourage others to illegally access their super early (generally for a fee) to help them to purchase a car, to pay debts, to take a holiday, or to provide money to family overseas in need.

The ATO advises that anyone approached by someone telling them that they can access their super early, or anyone hearing about it from family, friends or work colleagues:

- should not sign any documents nor provide them with any personal details;
- stop any involvement with the scheme, organisation or the person who approached them; and
- seek advice from a professional advisor or the ATO.

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.

## **Transacting with cryptocurrency**

*Editor: With interest in cryptocurrencies (such as Bitcoin) increasing, the ATO has issued guidance regarding various tax consequences of transactions involving cryptocurrencies.*

Any capital gains made on the disposal of a cryptocurrency (including using the cryptocurrency or converting it to Australian dollars) may be taxed, although certain capital gains or losses from disposing of a cryptocurrency that is a 'personal use asset' are disregarded.

Cryptocurrency may be a personal use asset if it is kept or used mainly to purchase items for personal use or consumption (but the longer the period of time that a cryptocurrency is held, the less likely it is that it will be a personal use asset).

*Note: If the cryptocurrency is held as an investment, the taxpayer will not be entitled to the personal use asset exemption but, if they hold the cryptocurrency as an investment for 12 months or more, they may be entitled to the CGT discount.*

If the disposal is part of a business the taxpayer carries on, the profits made on disposal will be assessable as ordinary income and not as a capital gain.

*Editor: The ATO has also provided guidance regarding the tax consequences of the loss or theft of cryptocurrency, as well as of 'chain splits'.*