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TAX Update

Please read this update and contact this office on 1300 35 22 35 if you have any queries

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What does tax look like under a Coalition government?

Now that the Abbott government is settling in, it is worthwhile to look at their promises and the commitments that they made in the run-up to the election.

Here's a rundown on some of the more important commitments, although many don't have effective dates:

- **Self education expenses:** There will be no $2,000 cap on self-education expense deductibility.
- **FBT and cars:** The statutory formula method for car fringe benefits will not be abolished.
- Company tax rate to be cut to 28.5% from 1 July 2015.
- No changes to the GST rate before the next election – although a proposed Tax Reform White Paper may cover possible GST reforms.
- Abolish the carbon tax.
- Abolish the mining resource rent tax (MRRT).
- Discontinue the tax loss carry-back measure (linked to the MRRT).
- Discontinue the small business instant asset write-off (currently $6,500).
- Remove accelerated depreciation for motor vehicles for small business (currently $5,000).
- Introduce a 1.5% levy on companies with taxable incomes above $5m to fund a Paid Parental Leave (PPL) Scheme – from 1 July 2015 – and give mothers six month's leave based on their wage (capped to an annual $150,000 salary) or the national minimum wage (whichever is the greater), plus super.
- The superannuation guarantee will increase from 9% to 12%, but will be delayed by 2 years, so that the 12% target is achieved in 2021 rather than 2019.

What the ATO is up to with its FBT Audits

Editor: The ATO says that it is using auditors from other compliance areas to check on employers providing benefits that may be liable to FBT.

- **Employers outside the FBT system** – the ATO has advised that where compliance work (an audit) is being undertaken primarily on other taxes, ATO staff have been told to look at FBT issues where information held by the ATO indicates an FBT risk.

  For example, an employer may have motor vehicles registered in the business name, but no FBT return has been lodged or any employee contributions disclosed.

  The ATO says that additional FBT training is being provided to compliance staff in these areas.

FBT: What happens when two employees use the same car?

Editor: "What happens when two employees, both using log books, use the same car and get different percentage uses?" Well, you basically take an average of the use between the two employees

Example

XYZ Pty Ltd supplied a car to employee A for the first four months of the 2013 FBT year. During this time, employee A maintained a valid logbook for a continuous 12 week period.

Employee A then left the company and the vehicle was transferred to employee B, another employee of XYZ Pty Ltd.

As employee B's job role was substantially different, she also maintained a valid logbook to cover her use of the vehicle for a continuous period of 12 weeks.

The employee breakdown and business use percentage as per the logbooks was as follows:

Employee	Business kms	Total kms	Business %
A	32,040	36,000	89%
B	3,480	6,000	58%

Based on the above, the business use percentage should be calculated on the total number of business kilometres travelled divided by the total kilometres travelled for the holding period:

i.e., 32,040 + 3,480 = 35,520 divided by 42,000

resulting in a business use percentage of 84.57% (assuming this reflects the full FBT year). The following year would use the 58% provided by employee B's logbook.

GIC and SIC rates for 2013 December quarter

The ATO has released the 2013 December quarter rates for the General Interest Charge (GIC) and the Shortfall Interest Charge (SIC) as follows:

GIC annual rate	9.6%
GIC daily rate	0.02630137%
SIC annual rate	5.6%
SIC daily rate	0.01534246%

Tax not always fair? What a surprise!

Editor: The following three cases are good examples of why you should always get tax advice up-front before entering into financial transactions.

Case 1 is the sad tale of a taxpayer who sold a property, didn't receive the full proceeds of the sale but still had to pay the taxman the GST, as if they had received the full amount.

In this case, when the purchaser couldn't come up with the full amount at settlement, the taxpayer entered into a vendor's finance agreement. Under that agreement, the vendor effectively 'loaned' the balance of the purchase price to the purchaser.

As a result, the taxpayer had to pay GST on the full amount.

In the end, the purchaser couldn't pay the full amount they owed to the vendor. Nonetheless, GST was still payable on the full contract price.

Case 2 involved a taxpayer who deposited $430,000 into his super fund. When the GFC hit, he panicked and withdrew half. Six months later he reconsidered, and redeposited another $100,000.

Now, you're only allowed to deposit $450,000 in your own contributions in a three year period (if you're under 65). But he thought that, on a net contribution basis, he was OK given that he had withdrawn about $200K.

Unfortunately, the rules are simple. Don't contribute more than $450,000.

He did and was slugged excess contributions tax on the extra $80,000 that went into the fund.

Case 3 involved a council worker who claimed that he was also a share trader, not merely a share investor – probably to be able to claim losses on sales of shares.

Even though the taxpayer had turnovers of $934,575 and $385,938 in the years concerned, the AAT member presiding over the case said that while it was more than a hobby, it was not a business.

The taxpayer even maintained an office specifically for the purpose of conducting his share trades and for accounting and tax calculations.

Editor: Quite clearly, this was a "line ball" decision that unfortunately went against the taxpayer. Good advice would have cautioned him to prepare business plans and conduct himself in a more "business-like" way.

Cases 1 and 2 could equally have gone the taxpayers' way with the right advice.