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Business Advice | Accounting | Taxation, Compliance & Planning | SMSF Administration | Estate Planning

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ML Partners Pty Ltd is a CPA Practice

Practice Update

Please read this update
and contact this office
if you have any queries

APRIL - JUNE 2024

What's changing on 1 July 2024?

Here's a summary of the key changes coming into effect on 1 July 2024:

- Tax cuts reduce personal income tax rates and change the thresholds.
- Superannuation guarantee increases from 11% to 11.5% - check the impact on any salary package arrangements.
- Superannuation caps increase from $27,500 to $30,000 for concessional super contributions and from $110,000 to $120,000 for non-concessional contributions.
- Luxury car tax threshold increases to $91,387 for fuel-efficient vehicles and $80,567 for all others.
- Car limit for depreciation increases to $69,674.
- $300 energy relief credit for households comes into effect (credited automatically quarterly).

For business

- $325 energy relief credit for small business commences (for small businesses that meet the relevant State or Territory definition of a 'small customer').
- $20k instant asset write-off extended to 30 June 2025 (subject to the passage of legislation).

Don't lodge too early!

The ATO have warned taxpayers against rushing to lodge their tax returns in July. They advise that those who lodge early are twice as likely to make a mistake in their tax returns. Most information from employers, banks, government agencies and health funds are reported to the ATO and available for download in your tax return, however not all information is available early in the new financial year. For this reason, **ML Partners will not be taking appointments to prepare Individual Tax returns until September 2024.**

Or too late... For those clients who have not contacted us to complete their 2023 tax return yet, please do so as soon as possible.

End of financial year obligations for employers

The ATO reminds employers they need to keep on top of their payroll governance. This includes:

- using their tax and super software to record the amounts they pay;
- withholding the right amount of tax; and
- calculating superannuation guarantee ('SG') correctly.

As 30 June gets closer, employers should check their reporting obligations, along with any upcoming key dates, including for:

- PAYG withholding — From 1 July, the individual income tax rate thresholds and tax tables will change, which will impact their PAYG withholding for the 2025 tax year;
- SG rate change — From 1 July, the SG rate will increase to 11.5%. Employers must pay their SG contributions by 28 July in full, on time and to the right fund; and
- Single touch payroll ('STP') reporting — Employers should remember to make STP finalisation declarations by 14 July for all employees the employer has paid during the financial year, and also check their employees' year-to-date amounts are correct.

Support available for businesses experiencing difficulties

By paying their tax bill in full and on time, taxpayers can avoid paying the general interest charge ('GIC'), which is currently 11.34%, and which accrues daily for any overdue debts.

The ATO advises taxpayers that, if their business is dealing with financial difficulties, there are some options to help make their tax bill "less taxing".

Taxpayers who are struggling to pay in full or on time may be eligible to set up a payment plan. If they owe $200,000 or less, they may be able to do this themselves using *online services*. If they cannot do so, or they owe more than $200,000, they can contact the ATO to discuss their options.

Taxpayers can ask the ATO to remit their GIC. The ATO will then consider whether the tax bill was paid late because of circumstances that were:

- beyond the taxpayer's control, and what steps the taxpayer took to relieve the effects of those circumstances; or
- within the taxpayer's control, but led to results that the taxpayer could not foresee.

Minimum yearly repayments on Division 7A loans

To avoid an unfranked dividend under the Division 7A rules, loans from a private company to its shareholders or their associates must be **either** repaid in full **or** be covered by a 'Division 7A complying loan agreement' before the company's lodgment day.

Complying loan agreements require minimum yearly repayments ('MYRs') comprising of interest and principal to be made each year, starting from the income year after the loan is made.

Taxpayers must ensure they can meet the required MYRs on complying loans.

If they miss the MYR or do not pay enough in an income year, the shortfall may be treated as an unfranked dividend.

Note also that borrowing additional amounts from the same company, directly or indirectly, to make repayments on complying loans may result in the repayment not being taken into account in working out if the MYR has been made.

When making MYRs, borrowers need to:

- start repayments in the income year after the complying loan was made;
- use the correct benchmark interest rate (8.27% for the 2024 income year) to calculate the MYR for the current year; and
- make the required payments on the loan by the due date — the end of the income year (i.e., usually by 30 June).

ATO issues notice of crypto assets data-matching program

The ATO has advised that it will acquire account identification and transaction data from crypto designated service providers for the **2024 to 2026 income years**.

This data will include the following:

- client identification details (names, addresses, dates of birth, phone numbers, social media accounts and email addresses); and
- transaction details (bank account details, wallet addresses, transaction dates, transaction times, transaction types, deposits, withdrawals, transaction quantities and coin types).

The ATO estimates that records relating to approximately **700,000 to 1,200,000 individuals and entities** will be obtained each financial year.

The data will be acquired and matched to ATO systems to identify and treat clients who failed to report a disposal of crypto assets in their income tax return.

Government warns of 'malicious' myGov scammers

The Government has urged Australians to be vigilant regarding scammers who target ATO log-in details to commit tax fraud.

The ATO has received a large number of reports of scammers using fake myGov sites to steal myGov sign-in details, which can be used to commit tax and refund fraud in other people's names.

These criminals will often use text message or email to lure people into clicking a link using phrases such as 'You are due to receive an ATO Direct refund' or 'You have a new message in your myGov inbox - click here to view'.

The Government says the ATO or myGov will never send an email or text message with a link to sign in to myGov.

Last year, the ATO introduced new fraud controls to help protect Australians from online identity theft. This included using myGovID to strengthen security during the sign-in processes on myGov accounts, making it more difficult for criminals to gain access.

What to know about disaster relief payments

Taxpayers should be aware that some natural disaster relief payments are not taxable.

Businesses that have received a government support payment because of a natural disaster (such as a major weather event) should check if they need to include this as assessable income in their tax return before they lodge (although they may not need to pay tax on the payment).

Provided that they meet the criteria, taxpayers can treat some support payments as 'non-assessable, non-exempt income', which means they do not need to include them in their tax return.

Taxpayers can refer to the ATO's website (or check with us) for more information in this regard, including in relation to the criteria that needs to be satisfied.

Illegal early access to super

Faced with tough times, some people may be thinking about accessing their super early.

Taxpayers may have been approached by someone (a 'promoter') claiming that members of super funds can withdraw their super or use an SMSF to pay off debts, buy a car, or pay for a holiday.

The ATO warns taxpayers that this is illegal. Super funds should remind members that super is for retirement. Members need to meet very strict conditions to access their super early, and accessing their super outside of these strict conditions is illegal.

Illegal early access to super can have a significant impact on members' retirement savings, result in additional tax, penalties and interest, and lead to members being disqualified from ever being able to be an SMSF trustee again. When a trustee is disqualified, their name is published and this can affect their personal and professional reputation.

If a promoter gets a member to provide them with enough personal information, they may also steal their identity and use it to access their super for themselves.

NFPs need to get ready for new return

From 1 July 2024, non-charitable not-for-profits ('NFPs') with an active Australian Business Number ('ABN') will be required to lodge a new annual NFP self-review return with the ATO to confirm their income tax exemption status.

his will include sporting, community and cultural clubs, among other organisations.

Non-charitable NFPs that have an active ABN can get ready now by:

- conducting an early review of their eligibility by using the *'ATO's guide'* on the ATO's website;
- checking all their details are up to date, including authorised associates, contacts and their addresses;
- reviewing their purpose and governing documents to understand the type of NFP they are; and
- setting up myGovID and linking it to the organisation's ABN using 'Relationship Authorisation Manager'.

When it comes time to lodge, NFPs can use *Online services for business* which lets organisations manage their reporting at a time that is convenient for them. If an NFP has engaged a registered tax agent, their agent can also lodge on their behalf through *Online services for agents*.

The first return is for the 2023/24 tax year and NFPs will need to prepare and submit their annual self-review between July and October 2024.

As an interim arrangement for the 2023/24 transitional year, eligible NFPs unable to lodge online will be able to submit their NFP self-review return using an interactive voice response phone service.

ATO's three focus areas this tax time

The ATO will be taking a close look this 'tax time' at the following common errors made by taxpayers:

Work related expenses: Taxpayers using the 'revised fixed rate method' of calculating a working from home deduction must have comprehensive records to substantiate their claims, including records that show the actual number of hours they worked from home, and the additional running costs they incurred to claim a deduction.

Rental properties: Performing general repairs and maintenance on a rental property can be claimed as an immediate deduction. However, expenses which are capital in nature (such as initial repairs on a newly purchased property) are not deductible as repairs or maintenance.

Failing to include all income in tax return: The ATO warns taxpayers against rushing to lodge their tax return on 1 July. If they have received income from multiple sources, they need to wait until this is pre-filled in their tax return before lodging.

How to claim working from home expenses

Taxpayers who have been working from home this financial year, and who consequently incurred work-related expenses, have two ways to calculate their work from home deduction:

- the actual cost method; or
- the fixed rate method.

Using the fixed rate method, taxpayers can claim a rate of **67 cents** per hour worked at home.

This amount covers additional running expenses, including electricity and gas, phone and internet usage, stationery, and computer consumables. A deduction for these costs cannot be claimed elsewhere in their tax return, although taxpayers can separately claim any depreciating assets, such as office furniture or technology.

Taxpayers need to have the right records, and the record-keeping requirements differ for the fixed rate method and the actual cost method.

Taxpayer who lived and worked overseas found to be tax resident

The Administrative Appeals Tribunal ('AAT') recently held that a taxpayer was a tax resident of Australia, even though he was mostly living and working overseas during the relevant period.

The taxpayer was born in Vietnam and obtained Australian citizenship in 1978. He was living and working in Dubai, United Arab Emirates from 2015 until 2020.

The taxpayer spent less than two months in Australia for each of the 2017 to 2020 income years visiting his family.

The AAT nevertheless held that he was a tax resident of Australia for each of the 2016 to 2020 income years, as he *"maintained an intention to return to Australia and an attitude that Australia remained his home".*

The AAT noted in this regard that the taxpayer:

- left his wife and three daughters in the family home in Australia while he worked in Dubai, continued to fully support his family financially, and chose to spend each of his leave periods with his family in Australia;
- maintained his vehicle registrations and Australian drivers licence so he could use the vehicles upon his return to Australia;
- intended to retire in Australia;
- failed to demonstrate any connection with Dubai outside of his employment; and
- maintained his private health insurance.

Earning income for personal effort

Taxpayers should remember that, if over half their income is from a contract for their personal effort or skills, then their income is classified as personal services income ('PSI').

Taxpayers can receive PSI in almost any industry, trade or profession, e.g., as a financial professional, IT consultant, construction worker or medical practitioner.

Taxpayers who earn PSI while running a business (e.g., as a contractor) need to work out if they were a personal services business ('PSB') in the year that they received the PSI, as this will affect the deductions they can claim.

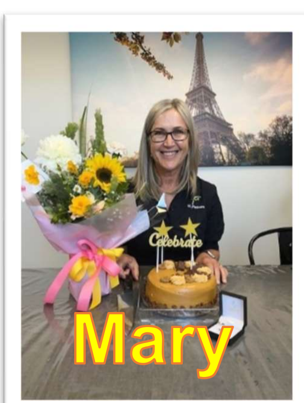
Taxpayers can self-assess as being a PSB if they:

- meet the 'results test' for at least 75% of their PSI, or
- meet one of the other PSB tests (i.e., the unrelated clients test, the employment test, or the business premises test), **and** less than 80% of their PSI is from the same entity and its associates.

Taxpayers who self-assess as a PSB still need to report their PSI in their income tax return and keep certain records.

Staff News

Congratulations to Mary Fry who joined the ML 10 year club in May, Simon Davies who has now given his all to ML clients for 20 years and last but certainly not least, to Alaina Dale who started with the firm 25 years ago! We are certainly lucky to count each of you as our co-workers and friends and very proud of the level of service and commitment to your clients that you all display. Here is to another 10/20/25!



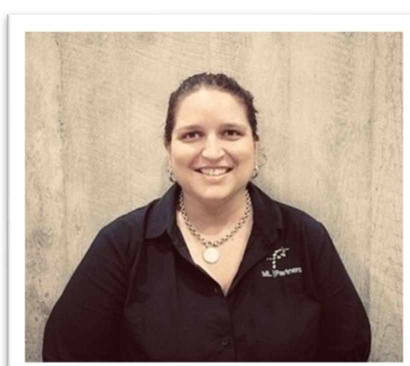
10 years!

20 Years!!

25 Years!!!

Welcome to Emma

Welcome also to our newest staff member Emma Griggs who has recently started as part of the admin team in Ayr. Emma will be one of the first points of contact our clients have will ML in her role as receptionist and has certainly hit the ground running. Hope you are still here in 25 years too Emma!



And Farewell to Lyn!

Lyn Luck celebrates or last day at ML today as is very much looking forward to her retirement. Thanks for your commitment to serving our clients & supporting the ML team so well. Our very best wishes for the next chapter of your life!

Quote of the Month:

"If I cannot do great things, I can do small things in a great way." — Martin Luther King, Jr.