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Tax Update

July 2015

Government moves to get Single Touch Payroll right

Under Single Touch Payroll, employers' accounting software will automatically report payroll information to the ATO when employees are paid.

This will eliminate the need for employers to report employee-related Pay As You Go Withholding (PAYGW) in their activity statements throughout the year, and employee payment summaries at the end of the year.

However, the government has advised that it has become aware that a start date of July 2016 will not be achievable for many businesses.

It also recognises the cash-flow implications for business of real time payments, and will therefore only be consulting further on real time reporting, with *voluntary* real time payments, as an option.

It has asked Treasury and the ATO to consult with business and the software industry on the scope and timing for the Single Touch Payroll initiative, with targeted pilots maybe starting from July 2016.

SuperStream date extended for medium to large employers

Although all large and medium-sized employers were meant to be ready for SuperStream by 30 June this year, the ATO has advised that, for those who are not yet ready, it will extend that date by four months until 31 October 2015.

SuperStream for small employers with 19 or fewer employees started from 1 July 2015.

ATO increases focus on rental property deductions

The ATO has advised that it will have an increased focus on rental property deductions this Tax Time.

It says that it will be paying closer attention to excessive deductions claimed for holiday homes in 2015, and will also be actively educating rental property owners about what they can and cannot claim.

For example, the ATO will be writing to rental property owners in popular holiday locations, reminding them to only claim the deductions they are entitled to, for the periods the property is rented out or is genuinely available for rent.



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Holiday homes

The ATO said that it recently amended a taxpayer's return to disallow deductions claimed for a holiday home after discovering that:

- ❑ the taxpayer rented the home to family and friends during the year at less than market rate;
- ❑ except for a brochure which was only available at the taxpayers' business premises, there were no realistic efforts to let the property;
- ❑ the nightly rent advertised was much higher than that of surrounding properties; and
- ❑ the pattern of income did not match the advertised rate, or the requirement for a five-night minimum stay.

The ATO decided the property was mainly used by the taxpayer, and deductions were limited to the amount earned from family and friends.

ATO is using SMS messages to try and clear debt

The ATO has advised that it is using SMS and emails for promotional and information purposes.

They say that, if individual taxpayers receive an SMS or email claiming to be from the ATO, they can check the list of the ATO's current activities (on its website at *ATO Online Services*) to verify that it's genuine.

However, ATO messages will never ask taxpayers to reply by SMS and/or email to provide personal information, such as the taxpayer's tax file number or their personal bank account number or BSB.

ATO warns over-claiming is easier to detect than ever

In relation to 2014/15 individual income tax returns to be lodged this year, the ATO says it will be focusing on:

- unusually high work-related expense claims across all industries and occupations;
- expenses claimed that have already been reimbursed by employers; and
- claims for private expenses such as travel from home to work.

It said that the ATO's ability to identify and investigate claims that differ from the 'norm' is improving each year at a rapid rate.

Every return is scrutinised and it is becoming a lot easier to identify claims that are significantly higher than those claimed by people with similar occupations and employment income.



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Depreciation for farmers brought forward

The May Budget provided that from 1 July 2016, Australian farmers would be able to claim a tax deduction on capital expenditure incurred on:

- water facilities;
- fodder storage assets; and
- fencing.

Farmers would be able to fully deduct the cost of water facilities and fencing in the year they were purchased, and deduct the cost of fodder storage assets over three years.

The Treasurer has now announced that this measure will be **brought forward** to acquisitions of these assets after **7.30pm 12 May 2015**.

Farms with turnover of less than \$2 million are also eligible to immediately write-off all asset purchases up to \$20,000.

ATO swoops on phoenix businesses

The ATO, supported by NSW and Federal Police, has made surprise visits to over a dozen sites across Sydney as part of an investigation into potentially fraudulent phoenix activity.

Recent figures show that phoenix activity costs the Australian economy up to \$3.2 billion each year.

Honest businesses suffer the most, losing almost \$2 billion in unpaid debts and the non-supply of purchased goods and services.

The ATO said that, if a member of the public has any knowledge or concerns about companies that may be exhibiting phoenix behaviour, they can report it online at ato.gov.au/reportaconcern or by calling 1800 060 062.

Update on taxi travel/ride-sourcing

Editor: As we mentioned in the last edition, the ATO has confirmed that people who provide ride-sourcing services are providing 'taxi travel' under the GST law. The existing tax law therefore applies to them and so such drivers are required to register for GST regardless of their turnover.

Recognising that some taxpayers may need to take some corrective actions, the ATO is allowing drivers until 1 August 2015 to get an ABN and register for GST.



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GIC and SIC rates

The ATO has published the 2015 September quarter rates for the General Interest Charge (GIC) and the Shortfall Interest Charge (SIC):

| | |
|-----------------|-------------|
| GIC annual rate | 9.15% |
| GIC daily rate | 0.02506849% |
| SIC annual rate | 5.15% |
| SIC daily rate | 0.01410959% |

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.