Client Information Bulletin

BLAZE ACUMEN
CHARTERED ACCOUNTANTS

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CONTENTS:

1 • 5 tax time changes that may affect you
3 • Common lodgement mistakes and how to avoid them
• Claiming deductions? Top 10 myths busted
4 • Lodgement deadline
5 • Rental property deductions – the do's and don'ts!
6 • What's new for small business?
7 • What business income do I need to declare?
8 • What concessions can small business tap into this tax time?
10 • How does my business compare to other businesses?
• What's on the ATO's radar this tax time?
11 • Things you need to know about donating to drought relief
12 • Paid any building and construction contractors?
• Super guarantee payments and the self-employed
13 • Attention all car owners! You must declare what you share
14 • Key tax dates

5 tax time changes that may affect you

Several new tax time changes have happened since last year. Here are just five of them to be aware of.

1. First home super saver scheme

The first home super saver (FHSS) scheme allows you to save money for your first home inside your superannuation fund.

From 1 July 2017, you can make voluntary concessional (before-tax) and non-concessional (after-tax) contributions into your super fund to save for your first home.

From 1 July 2018, you can then apply to withdraw your voluntary contributions to help you purchase your first home.

Note! You can only request a release of amounts under the FHSS if you are:

- 18 years old or older;
- never owned property in Australia; and
- have not previously requested the ATO to issue a FHSS release authority in relation to the scheme.

2. Personal income tax

From 1 July 2018:

- The top threshold for the 32.5% bracket has increased from $87,000 to $90,000.

  This will reduce the amount of tax withheld from your pay.

- A new low and middle-income tax offset is available to individuals with a taxable income less than $125,334.

This offset won't reduce the amount of tax withheld from your pay – it will be a one-off amount applied to your Notice of Assessment to reduce the overall amount of tax you have to pay.

3. Cryptocurrency

If you are involved in acquiring or disposing of cryptocurrency, you need to be aware of the tax consequences. These vary depending on the nature of your circumstances.

Usually, a CGT event occurs when you dispose of your cryptocurrency. If you make a capital gain when you dispose of your cryptocurrency, some or all of the gain might be taxable.

Cryptocurrency as an investment: If you held cryptocurrency as an investment, any capital gain you make would usually be taxable.

Cryptocurrency as a personal use asset: Personal use of cryptocurrency is not subject to income tax or GST in Australia. Cryptocurrency may be a personal use asset if it is acquired and kept or used mainly to purchase items for personal use or consumption. In this case, any gain you make on disposing of cryptocurrency that is a personal use asset would usually be disregarded for tax purposes.

Cryptocurrency in a business: If you carry on a business that involves transacting in cryptocurrency, the trading stock rules rather than the CGT rules may apply. In this instance, gains made on disposing of cryptocurrency would be ordinary income rather than a capital gain. However, you would first need to check whether you are carrying on business and that you are holding the cryptocurrency for sale or exchange in the ordinary course of your business before the trading stock rules will apply.

Note! The tax treatment of the gains or losses you make from disposing cryptocurrency will depend on the circumstances in which you are holding it. Your Blaze Acumen tax adviser will be able to assist you to work out the correct tax treatment of your gains and losses.

Tip!

- Everybody involved in acquiring or disposing of cryptocurrency needs to keep records in relation to their cryptocurrency transactions.
- If you have dealt with a foreign exchange and/or cryptocurrency **there may also be tax consequences for your transactions in the foreign country.**

4. Tax deductions for personal super contributions

Eligibility rules for claiming a deduction for personal super contributions have changed.

From 1 July 2017, most taxpayers under 75 years old (including those aged 65 to 74 who meet the work test) are able to claim a deduction for personal super contributions regardless of their employment arrangement up to the contribution cap of $25,000.

5. Super contributions – changes to tax offset for spouse contributions

From 1 July 2017, the spouse income threshold increased from $10,800 to $37,000. This means that more people are eligible to claim the tax offset for the 2017-18 and future financial years.

You can claim the maximum tax offset of $540 if:

- you contribute to the eligible super fund of your spouse, whether married or de-facto, and
- your spouse's income is $37,000 or less.

The tax offset amount will gradually reduce for income above this amount and completely phases out when your spouse's income reaches $40,000.

You will not be entitled to the tax offset when your spouse receiving the contribution:

- exceeds their non-concessional contributions cap for the relevant year, or
- has a total superannuation balance equal to or exceeding the general transfer balance cap ($1.6 million for 2017-18) immediately before the start of the financial year in which the contribution was made.

Common lodgement mistakes and how to avoid them

According to the ATO, the most common mistakes when it comes to completing tax returns are:

1. **Leaving out income, either deliberately or inadvertently**

   This often includes income from casual or temporary work and money earned through the sharing economy. Ensure you are including all income in your tax return and not just relying on pre-fill information.

2. **Claiming deductions for personal expenses which cannot be claimed even though they may have some remote connection with work**

   This would include:

   - Travel from home to work;
   - Normal clothes which don't qualify as uniforms;
   - Phone calls made that relate to their personal affairs, albeit on a phone which is also used for work-related purposes. In this case, an apportionment on a reasonable basis is generally accepted by the ATO.

3. **Not having records of an appropriate kind to substantiate expenses which exceed the minimum amount for which expenses must be substantiated**

   This can include not obtaining an appropriate receipt or record of the expense, or not keeping receipts appropriately in case they are asked to be produced at a later time.

4. **Claiming an amount for something which was never paid**

   There is no such thing as a standard deduction under Australian tax law. The idea that everyone is entitled to a standard deduction, usually in the amount of $300 is incorrect.

   In relation to an expense where substantiation is not required, because the amount in question in total is less than $300, it does not mean that a taxpayer can never be asked to prove that the expense was incurred or that it was incurred for purposes related to their work. It simply means that a detailed tax invoice or receipt is not necessary.

5. **Claiming personal expenses for rental properties**

   You cannot claim a deduction for rental expenses in relation to a property where, during certain times of the year, that property is being used by the taxpayer for their personal use. In such a case, an appropriate apportionment of the rental expenses is essential.

4 Golden Rules to claiming work-related deductions

1. You must have spent the money;
2. The expenditure must not have been reimbursed to you either directly or indirectly;
3. The expense must be directly related to earning your income; and
4. You must have some sort of record to prove that the expense was incurred (which can be produced if asked).

Note!

- There is no such thing as a standard deduction. For example, if you claim a total of $250 as work-related expenses, you can be asked to provide evidence to show the money was spent.

If you can't provide evidence that you actually spent the money, the ATO can deny the deduction on the basis that you've failed the fourth golden rule – which is that they need a record to demonstrate that you have spent the money. This is so even though the total is less than $300.

Claiming deductions? Top 10 myths busted

The ATO has identified the top 10 tax myths it says are causing incorrect claims.

- Myth 1: Everyone can automatically claim $150 for clothing and laundry, 5,000 kilometres for car related expenses, or $300 for work-related expenses, even if they didn't spend the money

- Myth 2: I don't need a receipt, I can just use my bank or credit card statement
- Myth 3: I can claim makeup that contains sunscreen if I work outside
- Myth 4: I can claim my gym membership because I need to be fit for work
- Myth 5: I can claim all my travel expenses if I add a conference or a few days' work to my holiday
- Myth 6: I can claim my work clothes because my boss told me to wear a certain colour
- Myth 7: I can claim my whole Netflix or Foxtel subscription because I need to keep up to date for work
- Myth 8: I can claim home-to-work travel because I need to get to work to earn my income
- Myth 9: I've got a capped phone plan, so I can claim both personal and private phone calls
- Myth 10: If I use an agent, they will take responsibility for my claims.

Lodgement deadline

The deadline for lodging your individual tax return for the 1 July 2017 to 30 June 2018 fiscal year is **31 October 2018**.

If you use a registered tax agent, the deadline for lodging your tax return is generally later. Contact your Blaze Acumen tax adviser to find out the lodgement date that applies to you.

ATO's processing timelines

The ATO started full processing of 2017-18 tax returns on 6 July 2018 and started paying refunds from 17 July 2018.

- If you lodged electronically, you can expect that the ATO will process your tax return within 12 business days of receipt;
- If you lodged by paper, you can expect that the ATO will process your tax return within 50 business days of receipt.

What might delay a return?

Processing may be delayed if your tax return contains incorrect or incomplete details. Common examples of delayed returns are because:

- the ATO has identified omitted income;
- the ATO needs to cross-check data provided by third parties;
- a tax file number (TFN) has been compromised;
- you have a debt obligation with the ATO.

Tip!

- Check any pre-filled information against your own records. You can amend or delete your pre-filled information if you have more up-to-date information. Please contact Blaze Acumen if you would like a copy of your pre-filling report or need to make any changes to your pre-filled information.

What happens if an inadvertent error occurs?

From 1 July 2018, the ATO will not apply a penalty to tax returns and activity statements where you have made an inadvertent error in your tax return by failing to take reasonable care or have not taken a reasonably arguable position.

Penalty relief doesn't apply to everyone. For example, wealthy individuals and their businesses or associates of wealthy individuals that may be classified as a small business entity in their own right are not eligible.

It is only available to individuals and entities with a turnover of less than $10 million. The entities can be:

- small businesses
- self-managed super funds (SMSFs)
- strata title bodies
- not-for-profit (NFP) organisations
- co-operatives.

Note!

- Your tax adviser cannot apply for penalty relief for you. The ATO will provide it during an audit if you are eligible.
- Penalty relief will be available once every three years at most.

Rental property deductions – the do's and don'ts!

Do you own a rental or investment property? If the answer is yes or you are thinking of buying one, read on for the do's and don'ts, and other helpful information to help you with your tax obligations.

What expenses can you claim?

Did you know that in Australia, there are over 2 million people who claim some $46 billion in rental property deductions in their tax returns?

The lion's share of the available tax deductions is generally the interest portion of a mortgage connected with the property.

However, other costs can be claimed on an immediate basis provided that they have been incurred by the relevant taxpayer, and they have not been recouped from elsewhere, such as a payment from the tenant.

Items that can be claimed include:

- advertising for tenants;
- bank charges;
- body corporate fees and charges/strata levies;
- cleaning costs;
- council rates;
- depreciation (including certain capital works);
- electricity and gas;
- gardening and lawn mowing services;
- in-house audio/video service charges;
- insurance (including building contents and public liability);
- land tax;
- letting fees;
- pest control services;
- property agent's fees and commission;
- quantity surveyors' fees;
- secretarial and bookkeeping fees;
- security patrol fees;
- servicing costs (eg costs of servicing a water heater);
- stationery and postage costs;
- tax-related expenses;
- phone calls and rental costs;
- water rates.

What expenses can't you claim?

You cannot claim expenses which are:

- of a capital nature or of a private nature;
- related to the acquisition and disposal of the relevant property;
- body corporate payments to a special purpose fund to pay a particular capital expenditure;
- expenses which are not actually incurred by the taxpayer – eg water and electricity charges paid by the tenants;
- expenses that are not related to the rental of a property – eg expenses connected to a holiday home that is rented out for part of the year.

A few tips…

1. **Keep good records and receipts!**

   An absence of receipts will make life difficult if an ATO audit calls for proof of the expense claimed.

2. **Your property must either be rented or "genuinely available" for rental in the income year for which a deduction is claimed.**

   If you use the property for private purposes, you cannot claim expenses.

3. **You must demonstrate a clear intention to rent out the property.**

   If no attempt is made to advertise the property, or the rent is set at an unrealistically high non-commercial level such that it could not on any reasonable basis be rented out, the ATO is likely to take the view that there was no intention to rent out the property, and the rental claims will be disallowed.

4. **Rental expenses, in some situations, need to be apportioned.**

   This usually arises in the context of holiday homes, where either you or your family or friends, can stay in the property free of charge for part of the year.

   To the extent that the expenses relate to that part of the year during which the property is not rented or available for rent, you are not entitled to a deduction for costs incurred during those relevant periods.

Note!

- If your property is rented to family or friends for less than arms-length market rental, the ATO may treat the arrangement as being of a private nature, and could only allow you to claim sufficient deductions to offset the rent, but not so as to make a tax loss.

5. **You are no longer able to claim any deductions for the cost of travel relating to inspecting, maintaining, or collecting rent for a residential rental property.**

   You can only claim travel deductions if you are carrying on a business of property investing or are an excluded entity (ie a corporate tax entity, public unit trust etc).

6. **Plant and equipment depreciation deductions will be limited.**

   If residential investment properties were purchased after 9 May 2017, plant and equipment depreciation deductions will be limited only to outlays actually incurred by the investor.

Tip!

- All these various rules can give rise to some complex outcomes. Where investment property is involved, please contact your Blaze Acumen tax adviser for further information on what can and cannot be claimed as a deduction.

What's new for small business?

Several new tax time changes have happened since last year that may affect you. Here are a few of them to be aware of.

1. **Lower company tax rate changes**

   From 1 July 2017, companies that are base rate entities will apply the 27.5% corporate tax rate.

   A company is a base rate entity for 2017-18 if it has an aggregated turnover of less than $25 million and is carrying on a business for all or part of the income year.

   The company tax rate will remain at 30% for other companies that are not base rate entities.

   The lower 27.5% company tax rate will progressively apply to base rate entities with a turnover less than $50 million by the 2018-19 income year. From 2024-25, the lower company tax rate will reduce each year until it is 25% by 2026-27.

Note!

- A company may be a base rate entity to access the lower company tax rate and also be a small business entity to access the small business concessions.
- The maximum franking credit that can be allocated to a frankable distribution has also been reduced to 27.5% for these companies, in line with the company tax rate.

Tip!

- The newly introduced rules with respect to the reduced company tax rate are quite complicated. Please contact your Blaze Acumen adviser to see how they apply in your circumstance.

2. **$20,000 instant asset write-off threshold extended**

   The $20,000 instant asset write-off threshold has been extended until 30 June 2018. This means that if you bought an asset before 30 June and it cost less than $20,000, you can write off the business portion in your 2018 tax return.

   If you are a small business, you can immediately deduct the business portion of most assets that cost less than $20,000 each if they were purchased:

- from 1 July 2016 to 30 June 2018, and your turnover is less than $10 million and the asset was first used or installed ready for use in the income year you are claiming it in;
- from 7.30pm on 12 May 2015 to 30 June 2016, and your turnover is less than $2 million.

This deduction is used for each asset that costs less than $20,000, whether new or second-hand.

Note!

- Assets that cost $20,000 or more can't be immediately deducted. They will continue to be deducted over time using the general small business pool.
- You write off the balance of this pool if the balance (before applying any other depreciation deduction) is less than $20,000 at the end of an income year.

In the latest Federal Budget, there was a proposal to extend the $20,000 instant asset write-off threshold to 30 June 2019. The Senate has now passed legislation to extend the $20,000 instant asset write-off to 30 June 2019.

3. **Expanded access to small business concessions**

More businesses are now eligible for most small business tax concessions.

A range of small business tax concessions became available to all businesses with turnover less than $10 million (the turnover threshold) from 1 July 2016. The previous turnover threshold was $2 million.

The $10 million turnover threshold applies to most concessions, except for:

- the small business income tax offset, which has a $5 million turnover threshold from 1 July 2016
- capital gains tax (CGT) concessions, which continue to have a $2 million turnover threshold.

The turnover threshold for fringe benefits tax (FBT) concessions increased to $10 million from 1 April 2017.

4. **Single touch payroll**

Single touch payroll (STP) is a reporting change for employers. It started on 1 July 2018 for employers with 20 or more employees.

You will report payments such as salaries and wages, pay as you go (PAYG) withholding and superannuation information from your payroll solution each time you pay your employees.

You can do this through your existing payroll software (such as accounting software) as long as it is updated to offer STP reporting. Payroll software providers are updating their products now. Talk to your provider to find out how and when your product will be ready

- If you have 20 or more employees you will need to report through STP from 1 July 2018. The first year will be a transition period and penalties may not apply.
- If you have 19 or less employees, you will need to report through STP from 1 July 2019, subject to legislation being passed in parliament.

5. **Sale of low value goods**

If your small business is registered for GST and imports low value goods for business use in Australia, you may not need to pay GST. You simply need to tell your overseas supplier that you are registered for GST and provide them with your ABN.

If you are not registered for GST, GST can apply to these purchases.

What business income do I need to declare?

When thinking about business income, start by including all of your gross earnings received through the ordinary course of your business. This includes any cash, EFTPOS, credit or debit card, and online sales.

There may be other sources of business income you need to declare, depending on your circumstances.

Some common examples include:

- net capital gains made when disposing of business assets
- rental income from property owned by your business
- any assessable government industry payments such as fuel tax credits

- foreign income from overseas business activities (if you're an Australian resident)
- distributions to your business from partnerships and trusts.

Note! If you are running a business and are paid mainly for your personal efforts, skills or expertise, you may be earning personal services income (PSI). Contact your Blaze Acumen tax adviser if you would like to discuss further.

What can I claim for my business at tax time?

You can claim most expenses you incur in running your business. While different businesses will have different costs, here are common expenses:

- **Operating expenses:** Most businesses have everyday operating expenses, including the costs of stationery, trading stock, advertising, bank fees and insurance. There are also operating expenses when your business is online such as registration, web hosting and licensing fees.

- **Business premises costs:** You can claim business premises costs such as electricity, phone, water, rental or lease. If you run your business at your home or your business is based from home, you can claim the business portion of occupancy expenses and running expenses, like mortgage and electricity.

- **Travel for business:** Do you or your employees travel for business? You can claim business travel expenses such as bus, plane, Uber or taxi trips. If you have a vehicle for your business, you can claim motor vehicle expenses associated with running and maintaining the vehicle such as petrol, rego and insurance.

- **Salaries and wages:** If you're an employer, you can claim the costs of employing people such as salaries and wages, and super contributions you make on their behalf.

Expenses and deductions checklist

- Claim deductions for most costs you incur in running your business, such as staff wages and super, operating expenses and home-based business costs.
- Apply the four golden rules for claiming work-related deductions and business expenses (see above).
- If you or your employees travel for business, claim business travel expenses.
- If you have a vehicle for your business, claim motor vehicle expenses associated with running and maintaining the vehicle such as petrol, rego and insurance.
- If you run your business at your home, or your business is based from home, claim the business portion of some expenses, including mortgage interest and electricity. If you then sell your home, you may have to pay CGT on the business portion and declare it in your tax return.
- Claim a deduction for donations made to an organisation if they are a deductible gift recipient (DGR).
- Keep accurate records of all business transactions to support your claims and make it easier for you.
- Don't claim expenses that are non-deductible, including:
    - penalties and traffic fines
    - private or domestic expenses childcare fees and clothes for your family
    - expenses related to income that is not assessable, such as money you earn from a hobby.

What concessions can small businesses tap into this tax time?

There are a range of tax concessions that your small business might be eligible for. Here are a few you should consider for your 2018 tax return.

$20,000 instant asset write-off

If you bought and installed business assets by 30 June, you may be able to write them off in your 2018 tax return.

Tip! You need to pool depreciating assets that cost $20,000 or more in a small business asset pool. Your Blaze Acumen tax adviser will have more information on how to do this.

Pre-paid expenses

You can claim a deduction this year if you have prepaid an expense that ends in the 2019 financial year – eg the rent for your business premises or an insurance policy.

Prepaid expenditure incurred by a small business entity is immediately deductible under the 12-month rule if:

- the eligible service period for the expenditure is 12 months or less
- the period ends no later than the last day of the income year following the year in which the expenditure was incurred.

Note!

- The 12-month rule applies to both deductible business expenditure and deductible non-business expenditure incurred by a small business entity that chooses to use this concession.
- If a prepayment does not meet the 12-month rule, you cannot claim an immediate deduction. Small business entities must apportion the deduction over the eligible service period or 10 years, whichever is less.

Prepaid expense may also be immediately deductible if it is 'excluded expenditure'. Excluded expenditure includes certain types of expenditure such as amounts less than $1,000 (excluding input tax credits) and amounts required to be incurred by law such as workcover, land tax and council rates. Please contact your Blaze Acumen tax adviser if you would like further information on this.

Simplified trading stock rules

This concession allows you to estimate the value of your trading stock at the end of the financial year to report in your tax return.

Eligible small businesses can use these simplified rules if there is a difference of $5,000 or less between:

- the value of your stock on hand at the start of the income year; and
- a reasonable estimate of the value of your stock on hand at the end of that year.

If you estimate that the difference between your opening and closing trading stock is $5,000 or less, then under the simplified rules, you don't need to do a stocktake. Instead, you can include the same amount for your opening and closing stock in this year's tax return.

Tip!

- If you did not have any trading stock in the previous year, the value of trading stock at the start of the year is zero. This might occur if you have just opened a new business or if this is the first year you have trading stock.

Small business income tax offset

The small business income tax offset (also known as the unincorporated small business tax discount) can reduce the tax you pay by up to $1,000 each year.

You can get an offset of up to $1,000 if you're a sole trader or have a share of net small business income from a partnership or trust.

The offset, which is worked out on the proportion of tax payable on your business income, is:

- 8% for the 2016-17 income year onwards;
- 5% for the 2015-16 income year.

The small business must have an aggregated turnover less than:

  - $5 million for the 2016-17 income year onwards;
  - $2 million for the 2015-2016 income year.

The offset increases to:

- 10% in 2024-25;
- 13% in 2025-26;
- 16% in 2026-27.

Deductions for start-ups

Deduct the full cost of certain start-up costs for your new business, including professional advice in your tax return.

The range of deductible start-up costs includes professional, legal and accounting advice and government fees and charges.

Accelerated depreciation for primary producers

Primary producers can:

- immediately deduct the costs of fencing and water facilities
- deduct the cost of fodder storage assets over three years.

Primary producers who are small businesses can also use the simplified depreciation rules including instant asset write-off.

Note!

- The Government has proposed changes to allow primary producers to immediately deduct costs for fodder storage assets. This change is not yet law.

Superannuation concessions

As a small business, you may be eligible for super concessions. These include:

- **Superannuation clearing house:** The Small Business Superannuation Clearing House helps you pay super guarantee contributions for all your employees in a single electronic payment. If you have 19 or fewer employees or a turnover under $10 million you can access this service.

- **Contributions of small business CGT concession amounts to your super fund:** You may be able to contribute amounts from the CGT 15-year asset exemption and retirement exemption to your super fund without affecting your non-concessional contributions limits. The turnover threshold for this concession is $2 million as it relates to CGT concessions (this threshold has not changed).

How does my business compare to other businesses?

Small business benchmarks are a guide to help you compare your business' performance against similar businesses in the same industry.

The easiest and quickest way to see how your business compares to competitors is by using the ATO business performance check tool.

Tip!

- You can find the business performance check tool by downloading the ATO app from Google Play, the Windows Phone Store or the Apple App Store. The personal information you enter isn't recorded and will only be used for completing the tool.

Outside the benchmark?

Your benchmark might be above or below the range for your business turnover in your industry. There could be a number of reasons why this has happened, including:

- you are only starting up or winding down your business
- higher costs or lower selling prices than your competitors
- incorrect entries on your tax return, for example salary and wages to directors or associates.

Note! It doesn't necessarily mean you have done anything wrong if your business is significantly outside the key benchmark range for your industry. However, it does indicate something is unusual and may prompt the ATO to contact you for further information.

What's on the ATO's radar this tax time?

The ATO is paying close attention to a number of expenses this year. Find out what is attracting the ATO's attention.

Clothing and laundry claims

The ATO is closely examining claims for work-related clothing and laundry expenses this year.

You can legitimately claim work-related clothing and laundry if you were required to wear either a uniform that is unique and distinct to your employer, protective or occupation specific clothing.

Did you know?

- Last year, around 6 million people claimed work-related clothing and laundry expenses which totalled nearly $1.8 billion. Around a quarter of these clothing and laundry claims were exactly $150, which is the threshold over which taxpayers are required to keep detailed records to support their claims.

Tip!

- The $150 limit is there to reduce the record-keeping burden and is not an automatic entitlement for everyone.
- The ATO's technology and access to data is improving every year – be careful about what you claim, and always be ready to substantiate your claims.

Shares and capital gains

The ATO is also paying close attention to taxpayers who have sold or transferred shares and the amount they are reporting as capital gains. Speak to your Blaze Acumen tax adviser for more information.

Claims for work-related car expenses

The ATO is concerned about taxpayers making mistakes or deliberately lodging false claims in relation to work-related car expenses this tax time.

This year, the ATO will be particularly focused on people claiming things they're not entitled to. For example, claiming things like home to work travel or other private trips; making claims for trips that they didn't do or claiming expenses that their employer has already paid for or reimbursed.

Did you know? Last year around 3.5 million people made a work-related car expense claim, and together they totalled about $8.8 billion.

Note!

- The ATO uses analytics to identify unusual claims being made by taxpayers by comparing them to their peers – those who are in similar occupations, earning similar amounts of income.
- The analytics are also used to identify claim patterns. For example, the ATO were able to identify that over 800,000 people claimed exactly 5,000 kilometres under the cents per kilometre method last year.

Unusual behaviours and characteristics

Broadly, the following behaviours and characteristics may attract the ATO's attention:

- tax or economic performance is not comparable to similar businesses
- low transparency of your tax affairs
- large, one-off or unusual transactions, including the transfer or shifting of wealth
- aggressive tax planning
- tax outcomes inconsistent with the intent of the tax law
- choosing not to comply or regularly taking controversial interpretations of the law, without engaging with the ATO
- lifestyle not supported by after-tax income
- accessing business assets for tax-free private use
- poor governance and risk-management systems.

Things you need to know about donating to drought relief

As the drought in Australia continues, many Australians have started donating to charities or relief funds to help those who are most in need of help. Many Australians have also started raising funds or donating through crowdfunding platforms.

Tip! There are tax implications associated with donating or raising funds. If you are planning to donate, direct your generosity to registered charities or organisations that are deductible gift recipients (DGRs) and are focussed on rural assistance.

Donating to drought relief?

Donations of $2 or more will be tax deductible only where donations are made through an organisation that is a DGR.

To claim a tax deduction for a donation or gift, it must meet four conditions:

1. The gift must be made to a DGR. Check whether your donation was made to an endorsed DGR on the ABN Lookup website. Please contact your Blaze Acumen adviser if you require more information on how to check this.
2. The gift must truly be a gift. A gift is a voluntary transfer of money or property where you receive no material benefit or advantage.
3. The gift must be money or property, which includes financial assets such as shares.
4. The gift must comply with any relevant gift conditions. For some DGRs, the income tax law adds extra conditions affecting types of deductible gifts they can receive.

Note! You cannot claim a tax deduction for donations made to crowdfunding platforms if they are not a DGR.

Paid any building and construction contractors?

Did you need to lodge a Taxable Payments Annual Report this year?

If your main business activity is in the building and construction industry and you paid contractors for building and construction services in the 2017-18 financial year, your report was due by 28 August 2018.

You can still lodge your report:
- online if you have compatible software
- through your tax or BAS agent
- by mailing the ATO the completed form.

By reporting the payments you've made, you're helping to increase fairness within your industry.

Lodge overdue reports!

Do you have any overdue reports from prior years? Lodge them as soon as possible. Please contact us if you believe you may have an obligation to lodge this report and we can assist you.

If you're no longer in the building and construction industry or you didn't pay contractors for building and construction services in the 2017-18 financial year, submit the online taxable payments annual report – not required to lodge form.

Super guarantee payments and the self-employed

If you're a sole trader or in a partnership, you generally don't have to make superannuation guarantee (SG) payments for yourself. However, you may want to make personal contributions to super as a way of saving for your retirement.

From 1 July 2017, regardless of whether you're self-employed or not, most people will be able to claim a full deduction for contributions they make to their super until they turn 75 years old. Those aged 65 to 74 will still need to meet the work test in order to be eligible to make a contribution and claim a tax deduction. Keep in mind that contributions you make may attract extra tax if they exceed the contributions limit for that year.

Tip!

- You may also be eligible for the super co-contribution payment. This helps eligible low-to-middle income earners save for their retirement. If you're eligible and you make personal super contributions, the government will match your contribution up to certain limits, unless you have claimed your contribution as a tax deduction.

Casual employees may be entitled to super

Employing casual workers provides businesses with an increased level of flexibility. However, it's important to remember that casual employees may be entitled to super.

Here are the basics:

- You may need to pay super guarantee (SG) regardless of whether your employee is full-time, part-time or casual.
- If you pay your employee $450 or more (before tax) in a calendar month, you have to pay SG on top of their wages.
- If your employee is under 18 years old, they must also work for more than 30 hours per week to qualify for SG.

Super guarantee is currently calculated at 9.5% of a casual employee's ordinary time earnings. This includes their wage plus any casual or shift loadings for ordinary hours of work. It also includes commissions and some allowances, but it doesn't include overtime payments.

Tip! Speak to your Blaze Acumen tax adviser to work out if your casual workers are eligible for super and whether your workers are employees or contractors.

Attention all car owners! You must declare what you share

Do you earn income through car sharing platforms? If you do, it is important to include the income – no matter how little – in your tax return. It's no different to anyone else renting out an asset, like a house or a car park. You must declare the income and you cannot avoid tax by calling it a hobby.

The growing popularity of third party services (eg Car Next Door, Carhood or DriveMyCar Rentals) has prompted the ATO's interest.

Note!

- The ATO has sophisticated systems and data to help identify where sharing platforms are being used to generate income.

Deductions that car sharers can claim

The good news is that individuals who rent their vehicle are entitled to claim some deductions.

The expenses claimed must relate directly to the renting, hiring or sharing of your car, and accurate records such as receipts must be maintained to back up all claims.

Car sharers can claim deductions for expenses like:

- platform membership fees;
- availability fees;
- cleaning fees; and
- car running expenses.

However, a deduction can only be claimed for cleaning and running expenses if you are responsible for them under your car sharing agreement. For example, different agreements require either the car borrower or the car owner to bear the costs of refuelling the car.

Do you use your car for private travel?

If you use your car for your own private travel, you will need to exclude all the related costs.

If you own a car jointly, you will need to declare income and claim expenses in proportion to your share of ownership. You must declare the income and claim the deductions in proportion to your ownership interest.

Note!

- You cannot claim for expenses related to a car that you salary sacrificed.

Tip!

- Keep good records to help ensure you declare the right amount of income and have evidence for claims made.
- Your sharing platform should be able to provide you with accurate records of the income and the

kilometres travelled for sharing purposes, which would form a good basis for your deductions.

Renting or hiring your car and GST reporting

If you are registered for GST, you must account for it on the extra income you have earned. If you are not registered for GST but your turnover from all of your enterprises is $75,000 or more per year, you need to register for and report GST.

If you report GST, you should also be able to claim credits on the GST included in the price for things you purchase for renting or hiring your car.

New rate for car expenses

The rate for work-related car expenses has increased for the income year starting 1 July 2018. It is now 68 cents per kilometre.

This applies if you have chosen to use the cents per kilometre method for calculating work-related car expenses and will remain in place until the Commissioner decides it should be varied.

If you are paying your employees a car allowance in excess of 68 cents per kilometre, you need to withhold tax on the amount you pay over 68 cents.

Key tax dates

Date	Obligation
21 Sept 2018	Aug monthly BAS due
22 Oct 2018*	Sept monthly BAS due
29 Oct 2018*	Sept quarter SG due Sept quarterly BAS due Sept quarter PAYG instalment due
31 Oct 2018	2018 income tax return due for those not lodging via a Tax Agent.
21 Nov 2018	Oct monthly BAS due
28 Nov 2018	Sep quarter SG charge statement due
21 Dec 2018	Nov monthly BAS due

*** Actual due date falls on a Sunday**