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Taxwise Business News

In this Issue...

- FBT changes: salary packaged meal and other entertainment benefits
- Other FBT updates
- Car expense substantiation methods simplified
- Superannuation rates and thresholds for 2016-17
- Work-related car expenses, third party reporting and other measures – amendments now law
- Reviewing taxable payments annual reports
- "Certainty" letters being issued by the ATO
- National Innovation and Science Agenda - tax changes announced
- Going overseas to work?
- Data matching programs

FBT changes: salary packaged meal and other entertainment benefits

As the current FBT year ends on 31 March 2016 and a new one begins on 1 April 2016, there are a number of upcoming changes to salary packaged meal and other entertainment benefits that employees need to be aware of, including:

i) Changes for employees

From 1 April 2016, there are changes to the FBT treatment of salary packaged meal entertainment and entertainment facility leasing expense benefits (meal and other entertainment benefits). Some of the changes will affect all employees, while others will affect employees of not-for-profit organisations.

The following applies to all employees:

- all salary packaged meal and other entertainment benefits are reportable and will be included on the payment summary where the reporting exclusion threshold is exceeded; and
- the 50-50 split method and 12-week register method cannot be used by the employer for valuing salary packaged meal and other entertainment benefits which may affect how much an employee can salary package.

Other FBT updates

1) FBT implications over the festive season

The ATO reminded employers over the festive season that employers who provide entertainment to their employees during the festive season (or at any other time of the year) should remember to think about the following:

- when providing food, drink or recreation may be considered 'entertainment';
- whether the entertainment is subject to fringe benefits tax (FBT); and
- the methods available for valuing entertainment fringe benefits.

Depending on the sort of entertainment that your employer provided to you as an employee, there may be different FBT implications which may need to be included in your 2015-16 Payment Summary.

To do!

Talk to your tax adviser about the entertainment you may have received from your employer over the festive season (Did you have a Christmas party? Did you receive a gift from your employer?) if you are concerned with how this might impact your 2015-16 tax return.

2) FBT exemptions for work-related electronic devices

From 1 April 2016, small business employers (with turnover of less than $2 million) will be able to provide employees with multiple electronic devices to use for work without incurring a fringe benefits tax (FBT) liability.

Employers can provide to employees:

- mobile phones
- tablets
- laptops
- calculators

- GPS navigation receivers.

If you need more than one device for work, talk to your employer about having them provided to you, but note they won't be able to provide you with multiple devices until 1 April 2016 or they will be subject to FBT.

Note that providing these devices may be a benefit in addition to or part of your salary or wages package.

To do!

If you are planning on requesting multiple devices from your employer, talk to your tax adviser first to find out how the FBT rules may impact this..

Car expense substantiation methods simplified

To simplify the car expense deduction rules, from 1 July 2015, the government has abolished the one-third of actual expenses method and 12% of original value method. The cents per kilometre method (with the existing 5,000km cap) and the logbook method (with unlimited kms) remain.

The cents per kilometre method has been simplified to use a standard rate of 66 cents per kilometre for the 2015-16 income year, rather than a rate based on the engine size of the car. The Commissioner will set the rate for future income years.

The ATO has advised employers to be aware that the ATO set the approved PAYG withholding rate for cents per kilometre car allowances at 66 cents per kilometre from 1 July 2015. Employers should withhold from any amount above 66 cents for all future payments of a car allowance. Failure to do so may result in the employee having a tax liability when he or she lodges a tax return.

Employees who from 1 July 2015 have been paid a car allowance at a rate higher than the new approved amount should consider whether they need to increase their withholding to avoid any tax liability at the end of the year.

See your tax professional if you require more information about this change.

Superannuation rates and thresholds for 2016-17

The ATO has released the key superannuation rates and thresholds for 2016-17. The rates apply to contributions and benefits, employment termination payments, super guarantee and co-contributions and include the following:

i) Concessional contributions cap

The general concessional contributions cap is $30,000 for those aged under 49 years old. A higher cap of $35,000 applies to those aged 49 years or over on 30 June 2015.

ii) *Non-concessional contributions cap*

The non-concessional contributions cap is $180,000.

People aged under 65 years may be able to make non-concessional contributions of up to 3 times their non-concessional contributions cap for the year, over a three-year period. This is known as the "bring-forward" option.

iii) *Maximum superannuation contribution base*

The maximum superannuation contribution base for 2016-17 is $51,620 per quarter.

iv) *Superannuation co-contributions*

If you are an eligible low or middle income earner and make personal (after-tax) contributions to your super during a financial year, the government will match your contribution with a co-contribution up to a certain amount. The maximum superannuation co-contribution entitlement for the 2016-17 year remains at $500. However, the lower income threshold increases to $36,021 and the higher income threshold increases to $51,021.

A summary of the past 5 years' relevant income thresholds is below:

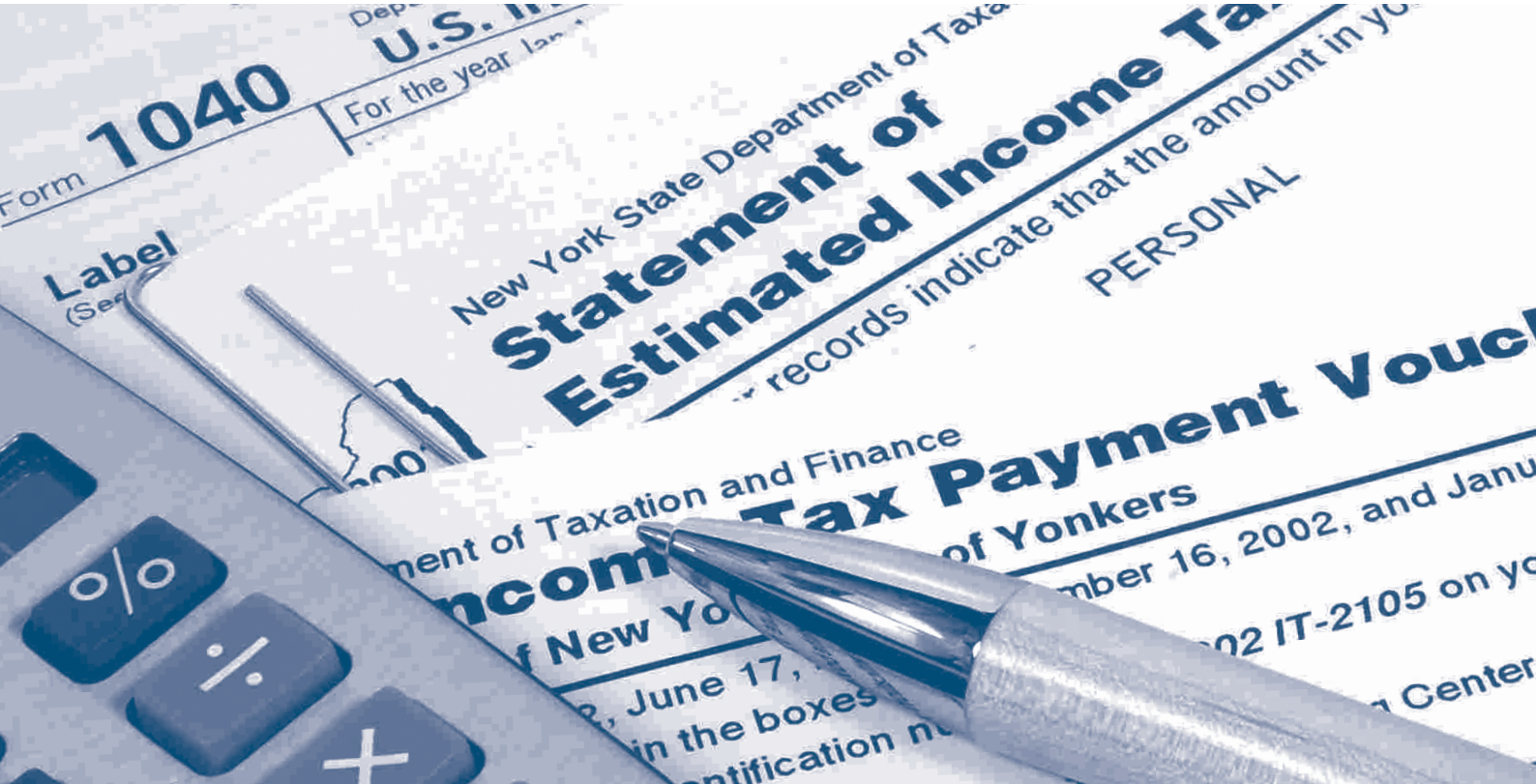
Financial year	Lower income threshold	Higher income threshold	Maximum entitlement
2016-17	$36,021	$51,021	$500
2015-16	$35,454	$50,454	$500
2014-15	$34,488	$49,488	$500
2013-14	$33,516	$48,516	$500
2012-13	$31,920	$46,920	$500

Work-related car expenses, third party reporting and other measures – amendments now law

In previous editions of *TaxWise*, we noted changes that were going to occur in the following areas:

- work-related car expenses;
- Zone Tax Offset;
- FBT concessions on salary packaged entertainment benefits; and
- third party reporting.

The changes have now become law. See earlier editions of TaxWise (and above in relation to the FBT concessions on salary packaged entertainment benefits and work-related car expenses) for details of the changes.



Note!

If you think any of these changes may affect you, speak to your tax adviser who will be able to advise you if these changes impact your personal circumstances.

Reviewing taxable payments annual reports

Are you a contractor in the building and construction industry? If so, you should be aware that the ATO is contacting businesses in the building and construction industry about information that businesses have provided on their Taxable Payments Annual Report. The ATO will be contacting businesses who have:

- provided a report with missing or invalid ABNs;
- included amounts paid for GST when the contractor isn't registered for GST;
- not lodged a report, when ATO records indicate they should;
- advised the ATO they are not required to report, but the ATO's records indicate the business should have reported.

The ATO will advise businesses that are reviewed what the review has found and will suggest ways to make it easier for the business to complete their reports more accurately in the future, such as using the ABN Lookup tool or ATO app to check a contractor's ABN or if they are registered for GST.

This may impact the kind of information businesses ask contractors to provide. It may be best to review your ABN registration to ensure all the details recorded on the Australian Business Register about your registration are accurate (www.abr.gov.au).

'Certainty' letters being issued by the ATO

The ATO will be contacting more than 500,000 taxpayers through a pilot program it is running to let them know that their recently submitted 2014-15 tax returns are finalised and will not be subject to any further review.

The ATO says that individuals who receive a 'certainty' letter can be assured that the ATO is happy with their tax return, and has closed the books permanently on the return, provided there is no evidence of fraud or deliberate avoidance of tax.

The letter is intended to acknowledge and provide certainty to taxpayers who meet their obligations with their tax. Receiving this letter means the ATO has completed its routine information checks on a recipient's tax return and is satisfied with the information provided. There will be no further review or audit of that return.

The letter is being trialled with a sample of people who meet certain criteria. These include:

- the taxpayer lodged his or her return electronically by myTax, e-tax or via a tax agent;
- the taxpayer had taxable income under $180,000;
- the taxpayer's income was only from salary or wages, allowances, Australian government allowances and payments, gross interest and dividends;
- deductions claimed were work-related expenses, interest or dividend deductions, gifts and donations or cost of managing tax affairs;

- a range of other factors, including good lodgement, compliance and debt history;
- the taxpayer had straight-forward tax affairs (such as no links to other entities).

Not everyone who meets the criteria will receive a letter during the pilot. Depending on the success of the pilot, the ATO aims to expand this program to more taxpayers for tax time 2016.

For more information, go to the ATO website.

National Innovation and Science Agenda - tax changes announced

On 7 December 2015, a suite of new tax and business incentive measures was announced under the Commonwealth government's National Innovation and Science Agenda (NISA): Prime Minister's media release (7 December 2015); Treasurer's media release (7 December 2015).

The intention is that the government's tax and business incentives under the NISA will encourage smart ideas to encourage innovation, risk taking and build an entrepreneurial culture in Australia.

Tax and business incentives

- provide new tax breaks for early stage investors in innovative start-ups. Investors will receive a 20% non-refundable tax offset based on the amount of their investment, as well as a capital gains tax exemption. This scheme is based on the successful Seed Enterprise Investment Scheme in the United Kingdom, which has resulted in over $500 million in funding to almost 2,900 companies in its first two years. The new arrangements will apply from the date of Royal Assent and are expected to commence from 1 July 2016

- build on the recent momentum in venture capital investment in Australia including by introducing a 10% non-refundable tax offset for capital invested in new Early Stage Venture Capital Limited Partnerships (ESVCLPs), and increasing the cap on committed capital from $100 million to $200 million for new ESVCLPs. The new arrangements will apply from the date of Royal Assent and are expected to commence from 1 July 2016

- relax the "same business test" that denies tax losses if a company changes its business activities, and introduce a more flexible "predominantly similar business test". This will allow a start-up to bring in an equity partner and secure new business opportunities without worrying about tax penalties. Legislation is expected to be introduced in the first half of 2016. The "predominantly similar business test" will apply to losses made in the current and future income years

- remove rules that limit depreciation deductions for some intangible assets (like patents) to a statutory life and instead allow them to be depreciated over their economic life as occurs for other assets. The new arrangements will apply to assets acquired from 1 July 2016.

Small businesses and start-ups

The government will:

- support incubators which play a crucial role in the innovation ecosystem to ensure start-ups have access to the resources, knowledge and networks necessary to transform their ideas into globally scalable new businesses; and

- make existing employee share scheme (ESS) rules more user friendly. The new rules will allow companies to offer shares to their employees without having to reveal commercially sensitive information to their competitors. These changes build on the recent reforms to ESS, which included deferring the taxing point for employees and introducing an additional concession for those working in start-up companies. Legislation is expected to be introduced in the first half of 2016.

The full text of the National Innovation and Science Agenda is available on the NISA website.

Should you have any plans to invest in start-up, or to start your own, it would be worth seeking advice from your tax adviser about these proposed changes,

Going overseas to work?

If you are planning on living and working overseas, there are some things you should fix up with the ATO before you go. Your tax adviser will be able to tell you about what you will need to do before leaving Australia. For example, where you have a HELP debt, make sure you update your contact details with the ATO.

You should also note that once you earn a certain amount of income overseas, you will need to make payments towards your HELP debt.

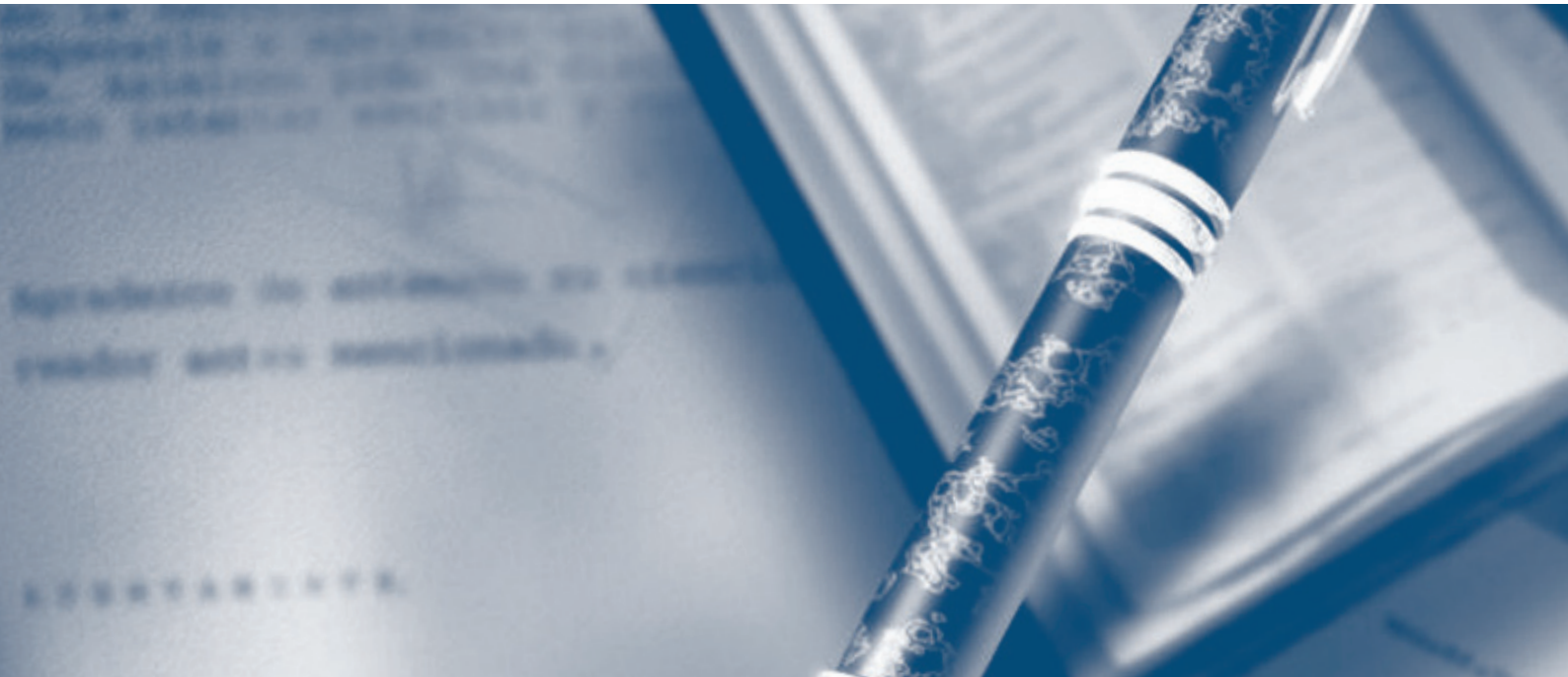
Data matching programs

The ATO is undertaking a number of data matching programs that may impact you as an individual taxpayer depending on what sort of activities you have been engaged in. Should you have any concerns about these data matching programs or have received correspondence from the ATO about any of them, you should speak with your tax adviser.

1) Real property transactions - Data matching program

The ATO has announced that it will acquire details of real property transactions for the period 20 September 1985 to 30 June 2017 from State and Territory revenue and land titles departments and offices and rental bond authorities in every State and Territory in Australia: *Australian Government Gazette* No C2015G02019 (8 December 2015).

The objectives of this data matching program are to:



- obtain intelligence about the acquisition and disposal of real property and identify risks and trends of non-compliance across the broader compliance program;
- identify a range of compliance activities appropriate to address risks with real property transactions by taxpayers;
- work with real property intermediaries to obtain an understanding of the risks and issues, as well as trends of non-compliance;
- gain support and input into compliance strategies to minimise future risk to revenue;
- promote voluntary compliance and strengthen community confidence in the integrity of the tax system by publicising the outcomes of the data matching program; and
- ensure compliance with registration, lodgment, correct reporting and payment of taxation and superannuation obligations.

2) Data matching on insurance asset classes

The ATO is currently working with insurance providers to identify policy owners on a wider range of asset classes. These asset classes include:

- Marine;
- Aviation;
- enthusiast motor vehicles;
- fine art; and
- thoroughbred horses.

The purpose of the ATO obtaining this information is to gain a better understanding of certain taxpayers' wealth and to help the ATO to provide tailored services to taxpayers to ensure they meet their tax obligations.

During January and February, the ATO will issue formal notices to insurers to provide the ATO with these policy details. The ATO anticipates it will receive 100,000 records where the different asset classes meet certain threshold amounts.

3) Ride sourcing – data matching program

The ATO has given notice of a data matching program pursuant to which it will acquire data to identify individuals that may be engaged in providing ride sourcing services during the 2013-14, 2014-15 and 2015-16 financial years: *Commonwealth Gazette* C2015G01623 (7 October 2015).

Details of all payments to ride sourcing providers from identified accounts held by ride sourcing facilitators with various financial institutions will be requested for those financial years. Ride sourcing facilitators provide an electronic platform enabling members of the public to engage the services of a ride sourcing provider (eg, a driver).

The data acquired will be electronically matched with certain sections of ATO data holdings to identify taxpayers that can be provided with tailored information to help them meet their tax obligations, or to ensure compliance with taxation law.

The ATO will obtain the following data items from the source entities:

- payee account name;
- payee BSB;
- payee account number;
- date of payment to the payee; and

- amount of payment to the payee.

4) Online selling - data matching program

The ATO has given notice of a data matching program under which it will acquire online selling data relating to registrants who sold goods and services to a value of $10,000 or more during the period 1 July 2014 to 30 June 2015: *Commonwealth Gazette* C2015G01628 (8 October 2015).

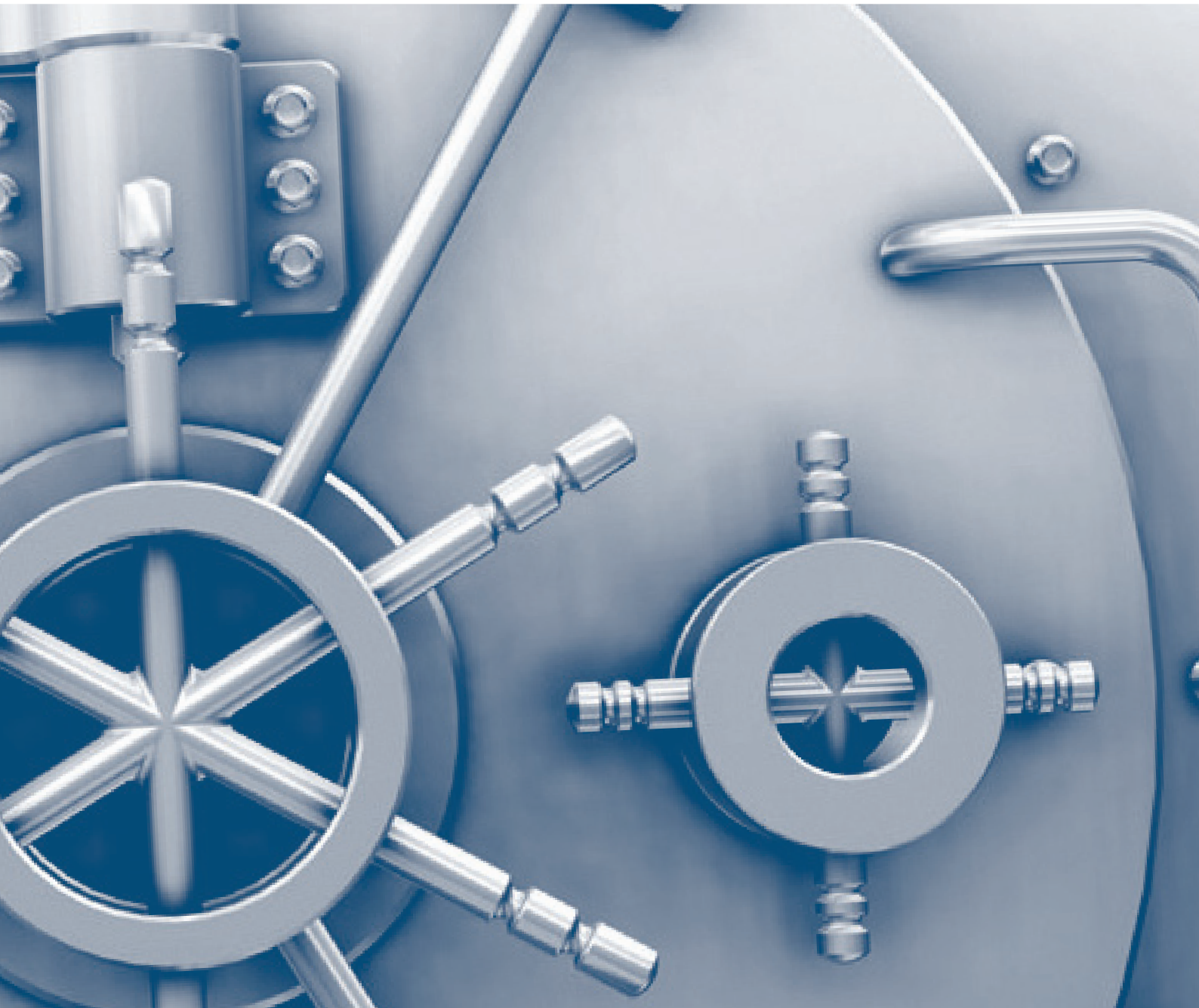
Data will be sought from eBay Australia and New Zealand Pty Ltd, a subsidiary of eBay International AG which owns and operates www.ebay.com.au.

The data requested will include information that enables the ATO match online selling accounts to a taxpayer, including name, address and contact information as well as information on the number and value of transactions processed for each online selling account. This acquired data will be electronically matched with certain sections of ATO data holdings to identify possible non-compliance with taxation law.

It is estimated that records relating to between 15,000 and 25,000 individuals will be matched.

5) Visa holders, sponsors and migration agents - data matching program

The ATO has given notice of a data matching program under which the Department of Immigration and Border Protection will provide the ATO with names, addresses and other details of visa holders, their sponsors and migration agents for the 2013-14, 2014-15, 2015-16 and 2016-17 financial years: *Commonwealth Gazette* C2015G01712 (21 October 2015).



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