elphinstone stevens pty ltd

the bottom line newsletter

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Single Touch Payroll - Legislated

Single Touch Payroll ('STP') is a Government initiative aimed at cutting red tape for employers and improving visibility of compliance with business obligations by requiring 'real time' reporting of payroll information directly to the ATO. STP commenced from 1 July 2018, for employers with 20 or more employees (i.e., substantial employers).

Parliament has now passed legislation to extend STP reporting to include all small employers (those with fewer than 20 employees) from 1 July 2019.

STP is designed to extract information already available in your payroll system and is not intended to impose any additional burden on employers other than requiring them to report the information to the ATO sooner.

From a practical perspective, businesses must use STP compliant software to comply with the new obligations. Most payroll software providers have already adapted their software to ensure the required reporting capability has been incorporated. Once the appropriate software is adopted ongoing reporting obligations should be dealt with as part of an automated payroll software function.

When a business reports to the ATO via STP, the relevant employees will be able to view their year-to-date tax and super information through myGov.

As a result of STP reporting, a number of ongoing compliance obligations for employers will be streamlined, and/or removed. Some benefits for employers under STP include the following:

- Removal of the need to issue an annual 'Payment Summary' to employees for payments reported via STP, provided an employer lodges a 'finalisation declaration'
- Removal of the need to lodge a 'Payment Summary Annual Report' for payments reported through STP.
- From 1 July 2019, STP will enable the pre-filling of BAS Labels W1 (gross salary and wages and other payments) and W2 (amounts withheld from salary, wages and other payments) for employers that are small or medium withholders.
- Streamlining of employee documentation such as the lodgement of 'TFN Declarations' and 'Withholding Declarations' via enabled software.

The Tax Office is aware the move to real-time digital reporting may be a substantial change for some employers, particularly small businesses who are not currently using payroll software. They are working with software providers to develop low-cost reporting solutions and have advised the following:

- Assistance will be provided to micro employers (1 to 4 employees) to help transition to STP.
- Small employers can start reporting any time from the 1 July start date to 30 September 2019. The ATO will grant deferrals to any small employer who requests additional time to start STP reporting
- There will be no penalties for mistakes, missed or late reports for the first year
- Exemptions will be provided from STP reporting for employers experiencing hardship, or in areas with intermittent or no internet connection

Please contact our office to further discuss your single touch payroll requirements.

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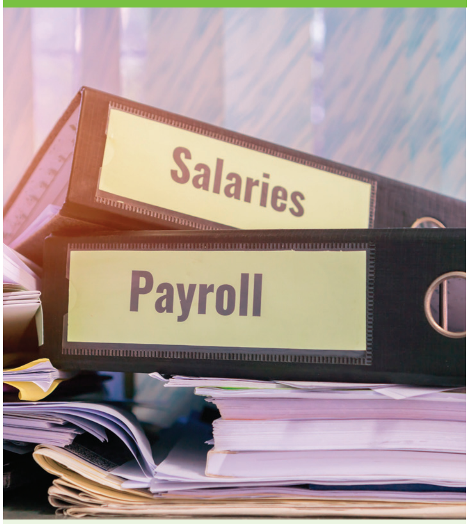


Please Remember

By necessity the contents of this newsletter are summary only. Clients should contact us on 6431 3933 to discuss matters prior to acting.

ALP v Coalition Key Tax Policies

Given the Federal Election will be the primary focus over the next few months we thought it wold be fitting to outline some ALP key tax policies and compare these to the Coalition's tax policies.

Income Tax Reforms	
Key ALP Tax Policies	**Comparable Coalition Tax Policies**
Restrict deductions on personal tax-related expenses to a $3,000 cap per individual per year.	No cap on personal tax-related expenses has been proposed although the ATO has made adjustments to Item D10 – Managing Tax Affairs to obtain a more detailed breakdown of what is being claimed by taxpayers at this label from the 2018 'I' returns.
Reduce the maximum general CGT discount from 50% to 25% with exceptions for: • Grandfathered investments; • Investments made by superannuation funds (which are effectively taxed at 10% after the CGT discount); and • Assets of small business owners	The Coalition has not indicated a desire to change the current maximum general CGT discount from 50% for eligible taxpayers.
Limit negative gearing to investments in new housing, with grandfathering for pre-existing investments. Labour has proposed any losses from new investments in shares and existing properties (which is assumed to include commercial properties) will still be permitted to be used to offset investment income tax liabilities (but not against salary and wages) Any deferred losses can then be carried forward to offset the final capital gain on the investment.	The Coalition has not indicated a desire to change the current negative gearing rules.
Remove the ability for certain taxpayers to claim excess imputation credits as cash refunds.	The Coalition has not indicated a desire to change the current ability for eligible taxpayers (including individuals and SMSFs) to receive cash refunds for excess imputation credits.
Apply a minimum tax rate of 30% to all distributions from discretionary trusts (non-fixed trusts) to mature individual beneficiaries (i.e. those over 18).	The Coalition has not indicated a desire to change the current rules in relation to the taxation of discretionary trust beneficiaries at their applicable marginal tax rate.
Introduction of an Australian Investment Guarantee from 1 July 2020.	The Coalition has announced that from 29 January 2019, the instant asset write-off threshold for SBE taxpayers will increase to less than $25,000 and this will apply until 30 June 2020 (at which time the immediate write-off threshold presumably goes back to less than $1,000)

Superannuation Reforms	
Key ALP Tax Policies	**Comparable Coalition Tax Policies**
Lower the non-concessional contributions cap to $75,000 (down from the current $100,000).	The Coalition has not indicated a desire to change the current $100,000 non-concessional cap (indexed)
Lower the Division 293 tax threshold to $200,000 (down from the current $250,000).	The Coalition has not indicated a desire to change the current $250,000 Division 293 tax threshold.
Repeal the newly introduced concessional contributions catch-up rules.	Retain the new concessional contributions five-year catch-up rules for eligible members if they have a total superannuation balance of less than $500,000.
Repeal the recent reforms allowing all eligible individuals to claim a tax deduction for personal superannuation contributions.	Retain the recently legislated relaxation of the personal superannuation deduction rules (i.e. the removal of the '10% test' from 1 July 2017).
Prospectively restore the prohibition on direct borrowing by SMSFs on housing investments via Limited Recourse Borrowing Arrangements.	The Coalition has not indicated a desire to change the current Limited Recourse Borrowing Arrangement rules.
End the freezing of the superannuation guarantee rate at 9.5% and fast track the employer compulsory contribution percentage to 12% - although firm dates have not been provided.	The Coalition has not indicated a desire to change the current 9.5% superannuation guarantee rate until the first increase in 2022 to 10% begins the gradual progression to 12% by 2026.

ATO Data Matching and Share Transactions

The ATO has extended its data matching program, this time focusing on share data.

The ATO will continue to receive share data from ASIC, including details of the price, quantity and time of individual trades dating back to 2014, with more than 500 million records obtained.

The ATO will use the information to identify taxpayers who have not properly reported the sale or transfer of shares as income or capital gains in their income tax returns.

It seems share transactions are high on the ATO's priority list, given more than 5 million Australian adults (almost one-third) now own shares.

Changes to the small business instant asset write-off

On 29 January 2019, the Prime Minister announced that legislation will be introduced to:

• extend the small business instant asset write-off by 12 months to 30 June 2020; and

• increase the write-off threshold from less than $20,000 to less than $25,000 (effective immediately).

The current threshold of $20,000 has applied since 7.30pm AEST on 12 May 2015 and was due to revert to $1,000 on 1 July 2019.

Under the proposed changes, from 29 January 2019 until 30 June 2020, small businesses with an aggregated annual turnover of less than $10 million may claim an immediate deduction for the business-use portion of each depreciating asset costing less than $25,000 excluding GST..

Division 293 assessments

The ATO has been issuing 'Additional tax on concessional contributions (Division 293) assessments' with respect to liabilities relating to the 2018 income year.

Division 293 imposes an additional 15% tax on certain concessional (i.e., taxable) superannuation contributions.

It applies to individuals with income and concessional superannuation contributions exceeding the relevant annual threshold, which is currently $250,000. This was reduced from $300,000 from 1 July 2017.

This means that impacted individuals may ultimately pay 30% tax (when the Division 293 tax is combined with the existing 15% contributions tax) with respect to:

• superannuation contributions made on their behalf as a result of employer super guarantee obligations or effective salary packaging arrangements; or

• personal deductible contributions.

Payment needs to be made by the due date to avoid any additional interest charges, although alternative payment methods are available (including the ability to release money from any existing super balances).

Client Profile – Spraoi Child Care

As compiled by Erin Rawlings. Elphinstone Stevens congratulates Erin on her success and looks forward to working with her long into the future. We particularly congratulate Erin on recently being named Telstra Business Womens Tasmanian Emerging Leader finalst.

Spraoi Child Care was founded in 2010 by Erin Rawlings. Initially the service operated from Natone Primary School, employed 2 part time employees and provided outside school hours care for children aged 4-12 years. Servicing all Burnie schools and transporting the children to the centre then home to their doorstep's at the end of the day.

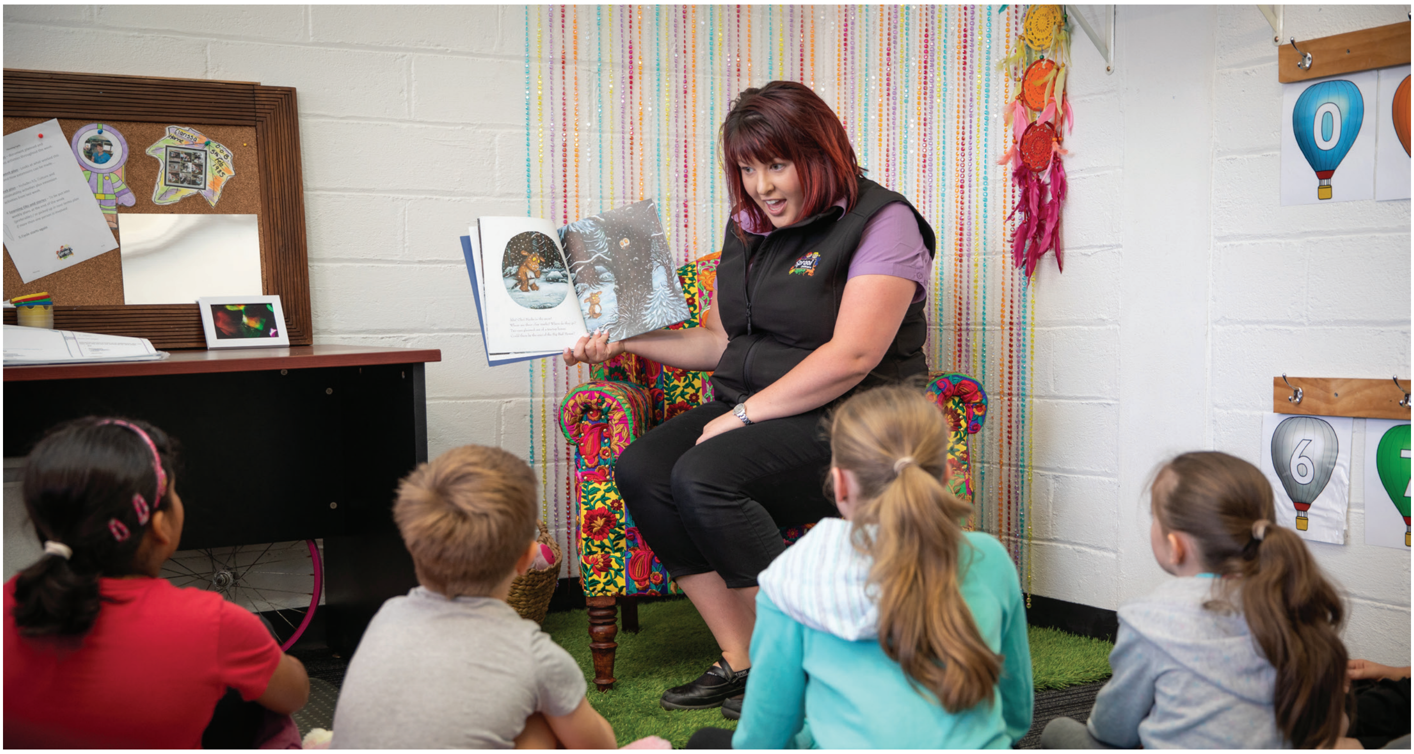
2011 saw the business renovate a premise at Upper Burnie and January 2012 welcomed the opening of this premise with 21 licensed places. The Natone Primary facility was still utilised during vacation care periods.

As Spraoi grew it didn't take long for the service to reach license capacity. 2014 saw the opening of their Havenview service. This service operating again from the school premises with a 41-place license.

After extensive discussions with professionals and a comprehensive business review Spraoi saw an opportunity to break into the early year's market. In 2016 Spraoi began their 'Pre-Skool' program offering care for children 3-5 years focusing on the fundamentals required for all children to commence their school years on the front foot. Pre-skool has grown from having 1 or 2 children to 14 on some occasions by the end of 2018.

2018 was an epic year for Spraoi! March saw the take over of the After School Care service at Riana Primary School. August saw the sale of the Mount Street Premise and the HUGE move into the fresh look centre in Wilson Street, Burnie.

March 2019 see's Spraoi with 4 services, employing 11 educators ranging from part time to casual and qualifications as high as a bachelor degree in Education to a certificate 3 in Education and Care.



Claims for home office expenses increased

The ATO has updated the hourly rate taxpayers can use to determine deductions for home office expenses from 45 cents to 52 cents per hour for individual taxpayers, effective 1 July 2018 (i.e., from the 2019 income year).

Taxpayers who use the rate per hour method only need to keep a record to show how many hours they work from home.

This reduced substantiation requirement can be recorded either:

- during the course of the income year; or alternatively
- by keeping a representative four-week diary (where their work from home hours are regular and constant).