# Happy New Year!

Happy New Year from the team. May your vision for 2020 fill you with joy and encourage you to achieve wonderful things.

Our newsletter is designed to identify matters you may need to know about. If any of the matters raised affect you, please get in touch for more information. Our newsletter should take less than 10 minutes to read and covers matters we can’t always attend to during your interview. This also makes it a cost -effective way for you to stay informed. We encourage you read this newsletter and ask about anything that may impact you.

# **Bushfire Assistance**

Our hearts and prayers go out to everyone impacted, or who continues to be impacted by, the bushfires that continue to ravish our country. We have many clients from down the Coast, or with rental properties and homes in fire-affected areas. Please note that nothing needs to happen with the ATO at the moment. Please get in touch and let us know if you are affected and note there is plenty of assistance available to you that we can help co-ordinate for you. Banks will usually re-issue bank statements - for free, Govt agencies will provide Company documentation etc. There is nothing, from a compliance perspective, that needs to happen now, and nothing that we can’t overcome. Let us take some of that burden from you – when you are ready, and you attend to more pressing matters. We are here to help.

Please do let us know if your contact details have changed.

**Quote**

“If everyone is thinking alike, then somebody isn't thinking.”

**General George S. Patton**

# **Client Portal**

Thank you to everyone who has embraced our new client portal. It has been working really well and we are very much heartened by the positive feedback we have received.

A couple of reminders for everyone:

We do not email Income Tax Returns to you anymore. We will send you an invite to our client portal and you will need to set up a password for it.

We cannot upload anything to the Client Portal until you have set up your password so don’t be surprised when you log in the first time and there is nothing to see.

You will be sent an email each and every time that we upload anything to the Client Portal.

You are most welcome to upload your documents to the Client Portal – we will receive email notification that you have done so and we will then download them to our system. This just keeps the portal clean (less clutter) so you can see your Income Tax Returns easily.

There is a simple “Forgot Password” system so no need to stress.

As each person needs to be manually added, and too many emails sent at once sends us to Spammer’s Prison, we have been sending the invites progressively, generally as your work comes in, but if you would prefer to send your work directly via the Client Portal, please let us know and we will send you an invite now.

# **Laundry expenses hung out to dry**

The ATO is airing the ‘dirty laundry’ on work-related clothing and laundry expenses warning that it is closely reviewing claims. Claims have increased nearly 20% over the last 5 years and the Tax Office thinks this is in error.

# **Employee Share Schemes (ESS)**

ESS arrangements are popular with employers and employees alike. There are favourable tax concessions for an employer providing shares in the company they all work for, at a discounted price. The shares are effectively held in trust for the employee for a minimum of 3 years and they only get them if they remain working there. The process of them becoming yours is called vesting.

There is one downside for employees: If the employee sells the shares soon after vesting, they are not entitled to the CGT Discount of 50% as you have not held the shares for greater than 12 months. That’s right, the CGT date starts when they vest, not when your employer set them up for you – even though you pay income tax on the earnings from the beginning.

Have questions? Please ask – sooner rather than later.

# **Is your 2019 Tax return done?**

For those of you who haven’t brought your work in, this is your first reminder. We are keen to have everyone in as soon as possible to ensure we meet the various deadlines that arise between now and May. We expect your work here no later than 15th March. But we prefer it in much sooner … this week? If everyone leaves it until 15th March, we will struggle to get everything done on time, and it puts pressure on us to chase missing information from you. Please help us manage our workloads and avoid excessive overtime and bring your work in ASAP.

Not sure what we need from you? Call us.

**Mr Morrison’s $1,080**

If you are entitled to the offset, it will be included in your Notice of Assessment. There is nothing extra you need to do. But you should note: $540 of it was already assessed and allowed for by your employer. It is only the increased amount enacted after the end of the financial year that you will now receive in your refund. So only an additional $540 as the first $540 has already been given to you in your regular pay packet.

# **Tax treatment of compensation Not making your full superannuation contribution? Now you can catch up**

This year is the first year of new measures that enable people who have been out of the work force, like new Mums, to top up their superannuation.

If you have:

A total superannuation balance below $500,000 as at 30 June; and

Not utilised your entire concessional contributions cap ($25,000) for the year

then you can ‘carry forward’ the unused amount on a rolling 5-year basis.

For example, if your total concessional contributions in the 2018-19 financial year were $10,000 and you meet the eligibility criteria, then you can carry forward the unused $15,000 over the next 5 years. You may then be able to make a higher deductible personal contribution in a later financial year. If you are selling an asset and likely to make a taxable capital gain, a higher deductible personal contribution may assist in reducing your tax liability in the year of sale.

Remember:

In some cases, an additional 15% tax can apply (30% total) to concessional contributions made to super where income and concessional contributions exceed certain thresholds ($250,000 in 2018-19). Your income could be higher than usual in the year when you sell an asset for a capital gain.

Super, Insurance and Exit Fees

From 1st July, new rules apply to prevent superannuation providers from eroding your super with unwanted and unnecessary insurance and exit fees.

Your fund may cancel your insurance if you don’t opt to stay in. They should get in touch with you first.

From 1st July, exit fees have been abolished.

Inactive accounts, with low balances (<$6k), will be moved to the Tax Office to help them get back to you sooner.

# **from financial institutions**

By 30 June 2019, five major financial institutions paid $119.7 million in compensation for poor financial advice to 6,318 customers. The question is, how are these payments treated for tax purposes?

The tax treatment varies according to why the compensation was paid and who the payment was made to. Compensation payments are made for a number of reasons including fee for no service, deficient advice, or overcharging for insurance premiums for death or disability insurance cover. Each one has different tax consequences.

In some cases, the compensation will be assessable income and in others will impact the cost base of any underlying investment. If an investment has already been sold, the compensation may trigger a capital gains tax liability and, in some cases, it will be necessary to amend prior year tax returns.

There may also be GST consequences. In general, the GST treatment will mirror the GST consequences for the financial institution that made the payment. If you or your superannuation fund claimed GST credits, these may need to be repaid where a compensation amount includes a GST component.

Managing the tax treatment of compensation payments can be tricky. If you or your superannuation fund has received a compensation payment, please let us know as soon as possible so we can ensure you get the tax treatment right.

# **Uber and FBT Exempt Travel**

Some Taxi travel by an employee is an exempt fringe benefit if the travel is in a single trip that begins or ends at the employee’s place of work or is in relation to sickness or injury incurring whilst working. The Tax Office has confirmed that the legislation precludes the use of Uber ride sharing as Under FBT law, a taxi is “... a motor vehicle that is licensed to operate as a taxi.”

# **Vacant land deduction changes hit ‘Mum & Dad’ property developments**

New Legislation prevents taxpayers from claiming a deduction for expenses incurred for holding vacant land. The amendments are not only retrospective but go beyond purely vacant land.

Previously, if you bought vacant land with the intent to build a rental property on it, you may have been able to claim tax deductions for expenses incurred in holding the land such as loan interest, council rates and other ongoing holding costs.

The new laws, aimed predominantly at Mum & Dad’s, prevent these deductions from being claimed. The new laws apply retrospectively to losses or outgoings incurred on or after 1 July 2019 regardless of whether the land was first held prior to this date.

The changes however, go beyond purely vacant land for residential purposes. Deductions could also be denied for land with a building on it, if that building is not ‘substantial’. But the legislation does not define what ‘substantial’ means. The Bill suggests that a silo or shearing shed would be substantial but a residential garage for example, would not meet the test.

There are some carve outs for land which has become vacant or which cannot be used to produce income for a period of time due to structures being impacted by natural disasters or other events beyond the owner’s control.

The amendments do not apply if you (or certain related parties) carry on a business on the land or where the land is owned by companies, superannuation funds (other than SMSFs), managed investment trusts or certain public trusts.

**Looking for a training or function room?**

Our training room is available for hire with terms and conditions to help you and your function succeed. Please see our website or call the office.

# **ATO take ‘gloves off’ on overseas income**

Five years ago, the Australian Taxation Office (ATO) offered a penalty amnesty on undisclosed foreign income. Five years on, the ATO has again flagged that underreporting of foreign income is an issue but this time the gloves are off.

Please speak to us about any foreign income, or if clarification is needed.

# **Are all your SMSF eggs in one basket?**

The investment strategies of Self-Managed Superannuation Funds (SMSFs) are under scrutiny with the Australian Taxation Office (ATO) contacting 17,700 trustees about a lack of asset diversity. Not sure if you are diversified enough? This advice must be provided by a licensed financial planner. Please ask if you would like a referral to a financial planner who can review your existing investment strategy.

# **Territory Accountancy**

Welcome to all our new clients following Doug’s recent health complications.

Gail and Doug are doing as well as can be expected. Still no formal diagnosis and he does have some good days. He has even managed to catch up with a few people out and about.

We are slowly transitioning you into our Firm and thank you for your patience. For those of you with late lodgements, the Tax Office is working with us to get you caught up as quickly as we can. Sometimes this means differing priorities, but we are making good progress. Please call if you have any questions, or you haven’t heard from us for a little while. It has been a little more chaotic than anticipated.

# **Calculating Super Guarantee: The new rules**

From 1 July 2020, new rules will come into effect to ensure that an employee’s salary sacrifice contributions cannot be used to reduce the amount of superannuation guarantee (SG) paid by the employer.

# **Stay Connected**

Visit our website at;

www.KDCaccounting.com.au

or our Facebook page:

www.facebook.com/KDCaccounting

# **Super guarantee opt-out for employees with multiple employers**

Employees with multiple employers can now opt-out of superannuation guarantee from all but one employer.

# **Difficulty with our stairs?**

We understand that our stairs are difficult for some people. We can meet you in a nearby coffee shop, or at your home. We can also run down the stairs and collect documents if you call when you get here.

# *REMINDER* ***– We will not lodge your return until we have received payment, or a payment arrangement has been agreed with one of our team members.***

A payment arrangement includes:

* Payment in full
* Multiple payments from your nominated credit card over a selected period of time.
* EziDebit
* Fee Funding
* Monthly payment arrangements

More detail is available on our website under the ***Resources and Links*** section.