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Tax clinic trial to reduce tax regulatory burden

To help reduce the regulatory burden on businesses, including the tax burden, the government has allocated $1 million to set up 10 tax clinics across Australia under a trial program based on the Curtin University Tax Clinic.

Each clinic will receive up to $100,000 for 12 months to support unrepresented individual or small business taxpayers by providing general taxation advice and helping them with their tax obligations and reporting requirements. The clinics, through identifying issues and building greater understanding of the tax system in operation, are also designed to improve the interactions that small businesses and individual taxpayers have with the ATO.

The clinics will cover advice, representation, education and advocacy, and will offer students training in the profession the opportunity to work with taxpayers, under the direct supervision of qualified tax professionals.

New "work test" exemption for recent retirees

The Federal Government has created a new opportunity for some recent retirees to make additional superannuation contributions. From 1 July 2019, a 12-month exemption from the "work test" for newly retired individuals aged between 65 and 74 years with a total superannuation balance below $300,000 means many older Australians will now have an extra year to boost their superannuation savings.

The work test requires that a person is "gainfully employed" for at least 40 hours in any 30-day consecutive period during the financial year in which the contributions are made.

The contributions rules are complex, but with the right planning and advice you can maximise your contributions into superannuation at the right time.

TIP: You should also consider other measures that may be available to you, such as "downsizer" contributions (certain contributions of proceeds from the sale of your home) and "catch-up" concessional contributions (accessing unused concessional cap space from prior years).

ATO issuing excess super contributions determinations

The ATO has begun issuing determinations to people who exceeded their concessional superannuation contributions cap for the 2017–2018 financial year. These determinations will also trigger amended income tax assessments and additional tax liabilities. Individuals can elect for the ATO to withdraw their excess contributions from their super fund to pay any additional personal tax liability.

TIP: Concessional contributions include all employer contributions, such as the 9.5% superannuation guarantee and salary sacrifice contributions, and personal contributions for which a deduction has been claimed.

You have 60 days from receiving an ECC determination to elect to release up to 85% of your excess concessional contributions from your super fund to pay your amended tax bill. Otherwise, you will need to fund the payment using non-superannuation money.

Reviewing the tax treatment of granny flats

The Federal Government has asked the Board of Taxation to undertake a review of the tax treatment of "granny flat" arrangements, recommending potential changes that take into account the interactions between tax laws and the social security rules. This request for review is in response to the 2017 Australian Law Reform Commission's report *Elder abuse: a national legal response*.

Currently, homeowners may have to pay capital gains tax (CGT) where there is a formal agreement, for example, for an older parent to live with their child, either in the same dwelling or a separate granny flat. This may deter families from establishing a formal and legally enforceable agreement, leaving no protection of the rights of the older person if there is a breakdown in the informal agreement.

Resolving tax disputes: government to help small businesses

The Federal Government intends to make it easier, cheaper and quicker for small businesses to resolve tax disputes with the ATO. It will establish a Small Business Concierge Service within the Australian Small Business and Family Enterprise Ombudsman's office to provide support and advice about the Administrative Appeals Tribunal (AAT) process to small businesses before they make an application. The government will also create a dedicated Small Business Taxation Division within the AAT.

Small business tax offset: avoiding errors when claiming

The ATO has provided new tips for avoiding common errors when reporting net small business income and claiming the small business income tax offset for unincorporated small businesses. These include tips on reporting amounts in the right sections of your tax return, providing all of the relevant information, and using net income (not gross income) in your calculations.

The offset (up to $1,000) is worked out by the ATO on the proportion of income tax payable on an individual's taxable income that is net small business income. For 2018–2019 and 2019–2020 the rate of offset is 8%.

TIP: Not sure if you're making the most of the tax offset for your small business? We can help – contact us today to find out more.

Home office running expenses and electronic device expenses

The ATO has released an updated version of Practice Statement PS LA 2001/6, its guidance on calculating and substantiating home office running expenses and electronic device expenses that are claimed as tax deductions.

The basic principles have been amended to emphasise that you must actually incur the expenses you claim, and that there must be a real connection between your use of a home office or device and your income-producing work. On the other hand, the requirement that your income-producing use must be substantial – not merely incidental – has been removed.

There is new information on what type of evidence you need to be keep, and the cents per hour rate you can claim for eligible home office running expenses has increased from from 45 cents to 52 cents per hour, effective from 1 July 2018.

Genuine redundancy payments: alignment with Age Pension age

The Federal Government has announced that it will amend the law to extend the concessional tax treatment for genuine redundancy payments and early retirement scheme payments to align with the Age Pension qualifying age.

Currently, an individual must be aged below 65 at the time their employment is terminated to qualify for a tax-free component on a genuine redundancy payment or an early retirement scheme payment.

TIP: Genuine redundancy payments are made when a job is abolished, and early retirement scheme payments are made when a person retires early, or resigns, as part of a scheme put in place by an employer.

Where an individual is under age 65 and meets the requirements of the *Income Tax Assessment Act 1997*, they receive tax-free a base amount of $10,399 (for 2018–2019), plus $5,200 for each whole year of service.

The government says it will amend the law to align genuine redundancy and early retirement scheme payments with the Age Pension qualifying age from 1 July 2019.

GST on property developments involving government

The ATO says it is reviewing arrangements involving property developers acquiring land from government entities, specifically where the developer provides development works to the government entity as payment for the land.

The ATO is concerned that some developers and government entities are not reporting the value of their supplies under these arrangements in a consistent manner, resulting in GST being underpaid.