

# Practice Update

June 2016

## 2016/17 Federal Budget

The government handed down the 2016/17 Federal Budget on Tuesday 3rd May.

It included (among many changes) proposed personal income and company tax cuts from 1 July 2016, the extension of GST to all imports (irrespective of value) from 1 July 2017, an increase in the small business entity ('SBE') turnover threshold from 1 July 2016, and (as you may have heard) many, many superannuation changes.

Of course, they are all dependent on the Turnbull Government winning the election on 2 July and the legislation then surviving Parliament after that.

*Editor: We'll keep you informed!*

## SMSFs and Collectables – last opportunity to comply!

From 1 July 2011, SMSF investments in collectables and personal-use assets have been subject to stricter rules than SMSF investments in other assets (such as shares and property).

*Editor: Assets considered collectables and personal-use assets include things like artwork, jewellery, antiques, vehicles, boats and wine.*

However, SMSFs that already had investments in such assets before 1 July 2011 were given five years to comply with these rules (i.e., until 30 June 2016).

Therefore, any SMSFs with such investments need to consider their situation carefully and take appropriate action (if necessary) before 1 July 2016.

Such action may include (for example):

- ◆ reviewing current leasing agreements (items can't be leased to or used by a related party, including business premises);
- ◆ making decisions about storage (items can't be stored or displayed in a private residence

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of a related party, and decisions about storage must be documented and the written record kept); and

- ◆ arranging insurance cover (items must be insured in the fund's name).

In addition, if the trustees of the fund are considering disposing of these items, they can be transferred to a related party without a qualified independent valuation, *but only if* the transfer takes place before 1 July 2016 and the transaction is made on arm's-length terms.

If these requirements are not met from 1 July 2016, penalties may apply.

## ATO's continuing focus on trust property developers

In recent years, the ATO has focused on trusts developing and selling properties as part of their normal business.

When these developed properties are sold, some trusts incorrectly claim a 50% CGT discount.

The ATO will continue to target arrangements that display the following characteristics:

- clients have experience in either developing or selling property (or experience in the industry) and establish a new trust to acquire property for development and sale;
- circumstances surrounding the arrangement are inconsistent with the stated purpose of developing the property as a long term investment;
- the development is advertised as available to purchase before completion, or is sold soon after completion; and

- ❑ the trustee claims the 50% CGT discount on the sale of the property.

The ATO is encouraging taxpayers to review their circumstances with their tax agent/adviser.

*Editor: The ATO has also advised that they may contact property developers directly to "help them meet their obligations during development and disposal of the property. However, we may contact your clients at any stage of a development, not just on the sale of the property."*

*If you get any such contact – let us know!*

## **New Simpler BAS on the way**

The ATO has been working on ways to deliver a simpler business activity statement (BAS) to simplify account set-up, record keeping, BAS preparation and lodgment for agents and their clients, and make it less costly.

To achieve this, several GST labels will be removed from the BAS, with small businesses only required to report:

- ◆ GST on sales (1A);
- ◆ GST on purchases (1B); and
- ◆ Total sales (G1).

They will begin user testing from 1 July 2016 and a simpler BAS should be the standard option for all small business from 1 July 2017.

## **ATO reminder about 30 June SuperStream deadline**

With the 30 June 2016 deadline looming, the ATO strongly encourages small businesses to get on board with SuperStream as soon as possible.

SuperStream is the standardisation of how employers make super contributions on behalf of their employees, and involves employers sending all super payments and employee information electronically in a standard format.

Using it is mandatory.

*Editor: Unless the employer and the SMSF are related parties . . .*

Options for becoming 'SuperStream ready' include using:

- a payroll system that meets the SuperStream standard;

- a super fund's online system; or
- a messaging portal or a super clearing house like the ATO's Small Business Super Clearing House (SBSCH).

The SBSCH is a free, optional service for small business with 19 or fewer employees, as well as businesses with an annual aggregated turnover of \$2 million or less.

*Editor: If you're worried you won't be able to use SuperStream as you don't operate electronically, there is a SuperStream option to suit every business, including using third parties to pay your super using SuperStream on your behalf.*

*If you have any questions, let us know and we'll help you out.*

## **ATO warns about iTunes scammers**

The ATO is reminding the public to be alert to scammers impersonating the ATO demanding iTunes gift cards as a form of tax debt payment

Of the 8692 phone scam reports the ATO received in April 2016 in relation to the fake ATO tax debt scam, 58 reports mentioned the scammer demanding payment by iTunes (and apparently 26 people unfortunately paid \$174,830 to fraudsters!)

Importantly, the scammers don't need the actual physical card; they just need the gift card number, which they get victims to read over the phone.

The ATO states: *"We will never request the payment of a tax debt via gift or pre-paid cards such as iTunes and Visa cards. Nor will we ask for direct credit to be paid to a personal bank account.*

*"And if the person calling you is rude and aggressive, threatening police or legal action if you don't do something immediately – it's not the ATO".*

Please Note: Many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the information's applicability to their particular circumstances.
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