



THOMAS DAVIS & CO
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2018/2019 **Tax** Guide

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IMPORTANT NOTE

The information contained in this guide is a summary of current legislation and budget proposals as proposed in May 2018. We suggest that you do not act solely on material contained in the guide as the nature of the information is general and may be subject to misinterpretation. In addition, the budget proposals may not include all legislative adjustments which could be made in the near future. We recommend that our advice be sought when encountering these potentially problematic areas. While every care has been taken in the compilation of the guide, no responsibility of any nature whatsoever shall be accepted for any inaccuracies, errors or omissions.

Personal tax

- 32.5% tax bracket increased from \$87,000 to \$90,000 from 1 July 2018
- 19.0% tax bracket increased from \$37,000 to \$41,000 from 1 July 2022
- 32.5% tax bracket increased from \$90,000 to \$120,000 from 1 July 2022
- 32.5% tax bracket increased from \$120,000 to \$200,000 from 1 July 2024
 - ◆ 37.0% tax bracket abolished from 1 July 2024
 - ◆ 45.0% tax bracket will apply to incomes above \$200,000
- Low income tax offset increased from \$445 to \$645 from 1 July 2022
- A new Low and Middle Income Tax Offset of up to \$530 will be available for the 2018-19, 2019-20, 2020-21 and 2021-22 income years.
- The Medicare levy low-income threshold will increase from the 2017-18 income year. See page 9.
- A proposed increase in the Medicare levy from 2.0 to 2.5 per cent will not go ahead.

Income tax

- Small business (turnover less than \$10m) \$20,000 instant asset write-off extended to 30 June 2019.
- Research & Development (R & D) tax incentive amended from 1 July 2018 to tie in with the level of R & D expenditure and the claimant's company tax rate.
- Deductions for expenses associated with holding vacant land will be denied from 1 July 2019.
- From 1 July 2019, tax deductions will not be available for payments to employees where PAYG tax has not been withheld nor will they be available for payments to contractors who do not provide an ABN and an amount of PAYG tax is not withheld.
- From 1 July 2019, the concessional tax rates available for minors receiving income from testamentary trusts will be limited to income derived from assets that are transferred from the deceased estate or the proceeds of the disposal or investment of those assets.

- Start date for taxation of financial arrangements (TOFA) has been deferred to the income year commencing on or after the date of Royal Assent of the legislation.

Black Economy Package

- Taxable payments reporting system (TPRS) which currently applies to entities in the construction, cleaning and courier industries will be extended from 1 July 2019 to include:
 - ◆ Security providers and investigation services;
 - ◆ Road freight transport; and
 - ◆ Computer system design and related services.
- Cash payments made to business for goods and services to be limited to \$10,000 from 1 July 2019.

Superannuation

- From 1 July 2019, people aged 65-74 with superannuation balances below \$300,000 will be exempt from the work test in the first year that they do not meet the work test requirements.
- The maximum number of members in self-managed superannuation funds and small APRA funds will increase from 4 to 6 from 1 July 2019.
- Self-managed superannuation funds with a history of good record-keeping and compliance may be able to move from an annual audit requirement to a three-yearly requirement from 1 July 2019.
- A 3% annual cap on passive fees charged by superannuation funds with balances below \$6,000 will be introduced on 1 July 2019.
- Exit fees on all superannuation accounts will be abolished from 1 July 2019.

COMPARATIVE TAX RATES

Rates of tax	2016/17	2017/18	2018/19
Resident individuals			
Maximum marginal rate	47%	45%	45%
■ Reached at a taxable income	\$180,000	\$180,000	\$180,000
Minimum rate	19%	19%	19%
■ Reached at a taxable income	\$18,200	\$18,200	\$18,200
Medicare levy	2%	2%	2%
Medicare levy surcharge	0% - 1.5%	0% - 1.5%	0% - 1.5%
Non-resident individuals			
Maximum marginal rate	47%	45%	45%
■ Reached at a taxable income	\$180,000	\$180,000	\$180,000
Minimum rate	32.5%	32.5%	32.5%
■ Reached at a taxable income	\$0	\$0	\$0
Medicare levy	n/a	n/a	n/a
Companies			
Normal tax rate	30%	30%	30%
Small business <\$2m t/o	-	-	-
Small business <\$10m t/o	27.5%	-	-
Small business <\$25m t/o	-	27.5%	27.5%
Superannuation funds			
Complying	15%	15%	15%
Non-complying	47%	47%	47%
Fringe Benefits Tax (FBT)			
Normal tax rate	49%	47%	47%
Goods and Services Tax (GST)			
Normal tax rate	10%	10%	10%

INDIVIDUAL INCOME TAX RATES

Resident Tax Rates – 2018/19

(rates do not include 2% Medicare Levy)

Taxable income	Tax payable
\$0 – \$18,200	Nil
\$18,201 – \$37,000	19c for each \$1 over \$18,200
\$37,001 – \$90,000	\$3,572 plus 32.5c for each \$1 over \$37,000
\$90,001 – \$180,000	\$20,797 plus 37c for each \$1 over \$90,000
\$180,001 and over	\$54,097 plus 45c for each \$1 over \$180,000

Resident Tax Rates – 2017/18

(rates do not include 2% Medicare Levy)

Taxable income	Tax payable
\$0 – \$18,200	Nil
\$18,201 – \$37,000	19c for each \$1 over \$18,200
\$37,001 – \$87,000	\$3,572 plus 32.5c for each \$1 over \$37,000
\$87,001 – \$180,000	\$19,822 plus 37c for each \$1 over \$87,000
\$180,001 and over	\$54,232 plus 45c for each \$1 over \$180,000

Minors

If you are under the age of 18, and receive eligible taxable income in excess of \$416, tax is payable up to 45% (plus Medicare levy where applicable).

Foreign Residents Tax Rates – 2018/19

Taxable income	Tax payable
\$0 – \$90,000	32.5c for each \$1
\$90,001 – \$180,000	\$29,250 plus 37c for each \$1 over \$90,000
\$180,001 and over	\$62,550 plus 45c for each \$1 over \$180,000

Foreign Residents Tax Rates – 2017/18

Taxable income	Tax payable
\$0 – \$87,000	32.5c for each \$1
\$87,001 – \$180,000	\$28,275 plus 37c for each \$1 over \$87,000
\$180,001 and over	\$62,685 plus 45c for each \$1 over \$180,000

Working Holiday Makers Tax Rates – 2018/19

Taxable income	Tax payable
\$0 – \$37,000	15.0c for each \$1
\$37,001 – \$90,000	\$5,550 plus 32.5c for each \$1 over \$37,000
\$90,001 – \$180,000	\$22,775 plus 37c for each \$1 over \$90,000
\$180,001 and over	\$56,075 plus 45c for each \$1 over \$180,000

Foreign residents are not required to pay the Medicare Levy.

You are a working holiday maker if you have a visa subclass:

417 (Working Holiday)

462 (Work and Holiday)

Temporary Budget Repair Levy

The temporary budget repair levy ceased to apply from 1 July 2017.

Higher Education Loan Programme (HELP)

Repayment thresholds and rates for the compulsory repayment of HELP and HECS debts are per the tables below. HELP repayment income (HRI) includes taxable income plus net investment loss, reportable fringe benefits, reportable super contributions and exempt foreign employment income.

From 1 January 2017 the voluntary repayment scheme bonus of 5% has been abolished.

HELP Repayment Rates – 2018/2019

Repayment rates	New 2018/19 thresholds	Proposed new 2019/20 thresholds (derived through CPI indexation)
1.00%	\$45,000	\$45,900
2.00%	\$51,957	\$52,996
2.50%	\$55,074	\$56,176
3.00%	\$58,379	\$59,546
3.50%	\$61,882	\$63,119
4.00%	\$65,595	\$66,906
4.50%	\$69,530	\$70,921
5.00%	\$73,702	\$75,176
5.50%	\$78,124	\$79,687
6.00%	\$82,812	\$84,468
6.50%	\$87,780	\$89,536
7.00%	\$93,047	\$94,908
7.50%	\$98,630	\$100,602
8.00%	\$104,548	\$106,639
8.50%	\$110,821	\$113,037
9.00%	\$117,470	\$119,819
9.50%	\$124,518	\$127,008
10.00%	\$131,989	\$134,629

HELP Repayment Rates – 2017/2018

2017–2018 Repayment threshold	Repayment % rate
Below \$55,874	Nil
\$55,874 – \$62,238	4.0%
\$62,239 – \$68,602	4.5%
\$68,603 – \$72,207	5.0%
\$72,208 – \$77,618	5.5%
\$77,619 – \$84,062	6.0%
\$84,063 – \$88,486	6.5%
\$88,487 – \$97,377	7.0%
\$97,378 – \$103,765	7.5%
\$103,766 and above	8.0%

From 1 July 2017 (for income earned in the 2016-17 income year), Australians who have a HELP debt and are residing overseas will be required to make payments against their debt by way of a levy (called the overseas debtors repayment levy).

These Australians must register with the Australian Taxation Office through myGov and at the end of each financial year, submit a special return declaring their assessed worldwide income for the year (worldwide income is the sum of HELP repayment income and foreign-sourced income). If this income exceeds the minimum repayment income, the overseas debtor repayment levy will be required to be paid by the taxpayer.

Australians going overseas for at least 183 days will be required to register before they leave and those who are already overseas at 1 January 2016 must register by 1 July 2017. Note: these arrangements apply to both new and existing debts.

MEDICARE LEVY

Medicare is the scheme that gives Australian residents access to health care. To help fund the scheme, most taxpayers pay a Medicare levy of 2% of their taxable income.

Individual Income Thresholds

If your taxable income is equal to or less than your lower threshold amount, you do not have to pay the Medicare levy. If your taxable income is greater than your lower threshold and less than or equal to your upper threshold amount, you pay only part of the Medicare levy.

Full levy of 2% is payable on income greater than the upper thresholds.

There are some exempt groups of taxpayers such as war veterans, pensioners and members of the defence forces.

These thresholds are effective for 2017/18 tax years	Lower threshold	Upper threshold
If you are eligible for the seniors and pensioners tax offset (SAPTO)		
■ Individual	\$34,758	\$42,173
■ Married or sole parent	\$48,385	\$58,708
For each dependent child or student, add	\$3,406	\$4,132
All other tax payers		
■ Individual	\$21,980	\$26,669
■ Married or sole parent	\$37,089	\$45,002
For each dependent child or student, add	\$3,406	\$4,132

Medicare Levy Surcharge

You may also be liable for Medicare levy surcharge (MLS) in addition to the Medicare levy. Individuals and families on incomes above MLS thresholds, who do not have an appropriate level of private patient hospital cover, pay MLS for any period during the year that they did not have this cover.

Income thresholds 2018/19

	Unchanged	Tier 1	Tier 2	Tier 3
Singles	\$90,000 or less	\$90,001 – \$105,000	\$105,001 – \$140,000	\$140,001 or more
Families	\$180,000 or less	\$180,001 – \$210,000	\$210,001 – \$280,000	\$280,001 or more
Medicare levy surcharge rate	0%	1%	1.25%	1.5%

For families with children, the thresholds are increased by \$1,500 for each child after the first.

Income thresholds 2017/18

	Unchanged	Tier 1	Tier 2	Tier 3
Singles	\$90,000 or less	\$90,001 – \$105,000	\$105,001 – \$140,000	\$140,001 or more
Families	\$180,000 or less	\$180,001 – \$210,000	\$210,001 – \$280,000	\$280,001 or more
Medicare levy surcharge rate	0%	1%	1.25%	1.5%

For families with children, the thresholds are increased by \$1,500 for each child after the first.

DEDUCTIONS

You are entitled to claim deductions for expenses that are directly related to earning your income. The expense must not be of a private, domestic or a capital nature. If the expense was both work-related and private or domestic, you can only claim a deduction for the work-related portion. Some of the more common deductions are as follows:

Clothing, Laundry and Dry-cleaning Expenses

You can claim a deduction for the cost of buying and cleaning occupation-specific clothing, protective clothing and unique distinctive uniforms.

Gifts and Donations

You can only make tax deductible gifts or donations to organisations that have deductible gift recipients status (DGRs).

Home Office Expenses

You may be entitled to claim deductions for home office expenses. You must keep records. Running costs may be deductible. Occupancy costs are generally not deductible for an employee.

Self-education Expenses

You may be able to claim a deduction for self-education expenses if your study is work-related or if you receive a taxable bonded scholarship.

Tools, Equipment and Other Assets

Any tools, equipment or other assets purchased to help earn income can be claimed as a deduction for some or all of the cost.

Superannuation

From 1 July 2017, all individuals up to age 75 can claim a tax deduction for personal superannuation contributions without having to meet the 10% income test.

Uniform Capital Allowances System

The decline in value of assets is calculated using either the prime cost or diminishing value method.

Diminishing value method	Prime cost method
$\text{Base value}^* \times (\text{days held}/365) \times (200\%/\text{assets effective life})$	$\text{Asset Cost} \times (\text{days held}/365) \times (100\%/\text{assets effective life})$

*Base value = cost or opening adjustable value.

Low-value pool

- The decline in value of certain depreciating assets with a cost or opening adjustable value of less than \$1,000 can be calculated through a low-value pool.
- Assets with an opening adjustable value of less than \$1,000 can only be allocated to the pool where the depreciation has previously been claimed under the diminishing value method.
- The decline in value for depreciating assets in a low-value pool is calculated with an annual depreciation rate of 37.5% (equivalent to an effective life of 4 years). If an asset is purchased and added to the pool during an income year, the deduction is calculated at a rate of 18.75%.

For assets that are used partly for non-business purposes, the decline in value must be apportioned between the business and non-business percentage.

For assets that are not allocated to the low-value pool, the decline in value is calculated using one of the two methods noted above.

Depreciating Assets Costing \$300 or Less

An immediate deduction is available for an asset costing less than \$300 if the asset is predominately used to produce assessable income other than from carrying on a business (i.e. for taxpayers who are salary and wage earners and rental property owners).

The asset must not be part of a set acquired in the same year that costs more than \$300 or is not one of a number of substantially identical items acquired in the same income year that together cost more than \$300.

Car Depreciation Cost Limits

Depreciation deductions for luxury cars are based on a car depreciation limit.

Income year	Limit
2017/18	\$57,581
2016/17	\$57,581

Capital Works Deductions

A deduction is allowable for capital expenditure incurred in constructing income producing buildings and structural improvements (capital works expenditure).

Type of construction	Start date	Rate (%)	Years
Short-term traveller accommodation	22/8/1979 - 21/8/1984	2.5	40
	22/8/1984 - 17/7/1985	4	25
	18/7/1985 - 15/9/1987*	4	25
	16/9/1987 - 26/2/1992	2.5	40
	27/2/1992 +	4	25
Non-residential income-producing buildings	20/7/1982 - 21/8/1984	2.5	40
	22/8/1984 - 15/9/1987*	4	25
	16/9/1987 - 26/2/1992	2.5	40
	27/2/1992 +	2.5 or 4**	40 or 25**
Buildings used for eligible industrial activities	27/2/1992 +	4	25
Residential income-producing building	18/7/1985 - 15/9/1987*	4	25
	16/9/1987+	2.5	40
Income-producing structural improvements	27/2/1992+	2.5	40

*Or a contract entered into before this date

**The rate of 4% may apply if construction commenced after 26 February 1992 and the income-producing building was used mainly for industrial activities.

Vehicle and Travel Expenses

You can claim vehicle and other travel expenses directly connected with your work. You cannot claim for normal trips between home and work, which are considered private travel.

There are two methods to calculate vehicle expenses claimed as a tax deduction:

	Cents per km	Log Book
What are the Eligibility Rules?	None but limited to a claim of 5,000 business kilometres	Must maintain a log book and car must be owned or leased
What is the expense Base?	Business Kilometres	Cost of car expenses (eg. fuel, maintenance, insurance)
How to calculate deduction?	Multiply by cents per km	Multiply by business % use
Do expenses need to be substantiated?	No, however tax payer must prove that km's were business/ employment related and calculated on a reasonable basis	Yes, taxpayer must maintain evidence of actual expenses incurred and log book

Note: Prior to 2015/16 tax year, the 12% of original cost and $\frac{1}{3}$ of actual expense methods were also available.

Cents per Kilometre Rate – 2017/18

66 cents per km for all vehicles.

Keeping a Log Book

A log book must be maintained in the first year when a claim for car expenses is made and it must be maintained for a continuous 12 week period. The taxpayer can choose the 12 week continuous period to maintain the log book, the log book must have commenced in or before the tax year.

If the log book is maintained for two or more cars, the log books must cover the same 12 week period and if a car is replaced, a new log book is not required, but a 'nomination' must be made noting the following information for both of the cars:

- start and ending odometer readings for the period;
- make, model and registration particulars;
- engine capacities.

Once a log book has been maintained for the continuous 12 week period, the next log book is not required to be completed for 5 years unless:

- A notification is sent beforehand from the Australian Taxation Office;
- A second car is purchased during the year and the taxpayer anticipates to make a claim using the log book method;
- The business percentage for the claim is varied.

Claimable Expenses Under the Log Book Method

Expenses that are claimed must relate to the period of ownership/lease of the car and the period of business activity and must be fully supported by documentary evidence (with the exception of fuel and oil which can be estimated in certain circumstances where receipts have not been kept). Some examples of this expenditure are:

- Fuel and oil;
- Maintenance and repairs;
- Insurance and licensing;
- Financing costs (e.g. interest);
- Leasing fees, except for Luxury Cars for which the leasing costs are replaced by a depreciation claim using the capped depreciation limit plus finance costs.

HIRE PURCHASE AND LEASE AGREEMENTS

Businesses enter into hire purchase and lease agreements to pay for and use goods over a period of time rather than paying for the full cost up front. These methods of financing goods are described below:

Hire Purchase

Under a hire purchase agreement, goods are purchased through instalment payments, can be used while paying for them and ownership does not pass until the final instalment has been paid.

GST and Taxation Considerations

Hire purchase agreements entered into on or before 1 July 2012

If goods include GST and they are used in a GST registered business, an input tax credit can only be claimed for any GST included in the price of the goods (special rules apply if the goods are used to make input taxed supplies, including financial supplies).

Claiming GST – Cash Method

- An entity can claim one eleventh of each principal component of each instalment in the period the instalment is paid;
- Principal and interest components would have to be determined to ensure correct GST credits are claimed.

Hire purchase agreements entered into on or after 1 July 2012

All components of the supply made are taxable and subject to GST, including the purchase price of the goods, interest and any fees and charges.

Claiming GST – Cash Method

- An entity can claim input tax credits on all components upfront instead of when each instalment is paid (in the same way as the accruals method – refer below).

Claiming GST – Accrual Method (applies to hire purchase agreements entered into before, after and on 1 July 2012)

The full GST credit of the hire purchase agreement can be claimed in the tax period where:

- The first payment is made;
- If before the first payment is made, the tax invoice has been obtained.

Depreciation on the goods supplied and interest charged are claimed as income tax deductions, rather than the whole periodic instalment.

Lease Agreements

Under a lease agreement, the entity who grants the lease (lessor) is the owner of the goods. The entity leasing the goods (lessee) uses the goods for a period of time and makes a series of payments that can be fixed or flexible.

GST and Taxation Considerations

Generally, lease agreements are subject to GST and must be reported on each activity statement in the period in which instalment payments are made to claim an input tax credit (special rules apply where property is leased to make input taxed supplies, including financial supplies).

If the good(s) leased are used for work or business purposes and is not a luxury car, the lease payments are fully tax deductible but depreciation cannot be claimed. For a luxury car, interest can be claimed as a tax deduction as well as depreciation, subject to the car limit. A deduction cannot be claimed for lease payments that represent repayments of principal.

Note: some provisions apply to recharacterise a lease or hire purchase transaction as a loan or transaction with a similar tax effect.

NEGATIVE GEARING

Negative Gearing is the term used to describe a situation where the income derived from an investment (such as rental income, dividend income and trust distributions) is less than the various deductible outgoings relating to the investment. This produces a tax “loss” which can be offset against other income such as salary and wages income.

The most common deduction incurred in relation to the investment is interest on borrowings to finance the investment.

Investment Property

With respect to property, the following expenses can also be claimed:

- agent's fees
- electricity and gas
- repairs and maintenance
- bank charges
- cleaning
- advertising for tenants
- insurance
- bookkeeping fees
- stationery and postage
- land tax
- security patrol fees
- rates (water and council)
- garden, lawn mowing and pest control

The following deductible expenses need to be spread out over a number of years:

- borrowing expenses;
- amounts for decline in the value of depreciating assets. From 9 May 2017, depreciation deductions will be limited to “new” or “not previously used” items purchased and installed by the current investor (exclusions apply); and
- capital works deductions.

Expenses that cannot be claimed as tax deductions include:

- acquisition and disposal costs (e.g. stamp duty and legal costs). These costs are included in the cost base when calculating any capital gain or loss;
- expenses not incurred by you (e.g. water and electricity paid by tenant); and
- expenses not related to the receipt of rental income (for example if the property is used for a period for private purposes the expenses incurred for this period cannot be claimed);
- from 1 July 2017, travel expenses relating to inspecting, maintaining or collecting rent for a residential property can no longer be claimed as tax deductions by an investor. This expenditure cannot be added to the cost base of the asset for CGT purposes (exclusions apply).

TAX OFFSETS/REBATES

In addition to claiming allowable deductions, you may be entitled to claim tax offsets. In general, offsets can reduce your tax payable to zero but cannot result in a refund.

Benefit Recipients

The beneficiary tax offset is available to taxpayers who receive certain Australian Government allowances and payments. You pay no tax for the year if you:

- receive the full amount of any of the qualifying benefits and allowances for the full year; and
- have no other taxable income.

Net Medical Expenses Tax Offset

Depending on your family status and adjusted taxable income (ATI) you may be eligible to claim a tax offset for the net medical expenses you have incurred over the applicable claim threshold.

Family status	ATI threshold	Offset
Single (single at 30 June 2018 and no dependent children)	\$90,000 or less	20% of net medical expenses over \$2,299
	above \$90,000	10% of net medical expenses over \$5,423
Family (with a spouse at 30 June 2018, or dependent children at any time during the year, or both)	\$180,000* or less	20% of net medical expenses over \$2,299
	above \$180,000*	10% of net medical expenses over \$5,423

* plus \$1,500 for each dependent child after the first.

The net medical expense tax offset will be phased out from 1 July 2013 to 30 June 2019. Up to 30 June 2015, you will only be able to claim the medical expense rebate if you received the rebate in the previous income year. From 1 July 2015 the offset will continue to be available to taxpayers for out of pocket medical expenses relating to disability aids, attendant care or aged care until 30 June 2019.

Private Health Insurance Tax Offset

Your entitlement to a private health insurance rebate or tax offset depends on your income level. If you have private health insurance the amount of private health insurance rebate you are entitled to receive is reduced if your income is more than a certain amount.

You can claim your private health insurance rebate as a:

- premium reduction, which lowers the policy price charged by your insurer;
- direct rebate payment from Medicare;
- refundable tax offset through your tax return.

Entitlement by income threshold 1 April 2017 to 31 March 2018

Tier	Income		Offset		
	Singles	Couples/ Families	Under 65 Years Old	65 – 69 Years Old	70 Years Or Over
	\$90,000 or less	\$180,000 or less	25.934%	30.256%	34.579%
1	\$90,001 – \$105,000	\$180,001 – \$210,000	17.289%	21.612%	25.934%
2	\$105,001 – \$140,000	\$210,001 – \$280,000	8.644%	12.966%	17.289%
3	\$140,001 or more	\$280,001 or more	0%	0%	0%

The family income threshold is increased by \$1,500 for each Medicare levy surcharge dependent child after the first child.

Seniors and Pensioners Tax Offset

The seniors and pensioners tax offset can reduce the amount of tax you are liable to pay. To be eligible for this tax offset you have to meet certain conditions relating to your income and eligibility for an Australian government pension. If you are a senior, you must meet the age requirement for the Age Pension to be eligible for the offset.

In some cases you may not have to lodge a tax return.

Family situation	Maximum offset	Shade-out threshold	Cut-out threshold
■ Single	\$2,230	\$32,279	\$50,119
■ Couple (each)	\$1,602	\$28,974	\$41,790
■ Couple (illness separated)	\$2,040	\$31,279	\$47,599

The maximum offset is reduced by 12.5 cents for each dollar of rebate income in excess of shade-out threshold. Offset and threshold amounts relate to 30 June 2018.

Low Income Tax Offset

Provision is made on assessment as follows:

Taxable income	Offset
0 - \$37,000	\$445
\$37,001 - \$66,667	\$445 less ((taxable income less \$37,000) × 1.5%)
\$66,667 +	Nil

As a result of the low income tax offset, an individual may earn up to \$20,542 before paying tax or having to lodge an income tax return.

The low income tax offset cannot reduce the tax payable on unearned income of taxpayers under the age of 18 at 30 June. Proposed to increase to \$645 from 1 July 2022.

Spouse Superannuation Contributions Tax Offset

You may be entitled to an 18% tax offset of up to \$540 for contributions to a complying superannuation fund or a retirement savings account on behalf of your spouse. Among other criteria, your spouse's assessable income, total reportable fringe benefits and reportable employer superannuation contributions must be less than \$40,000 for 2017/18 or \$13,800 for income years prior to 2017/18.

Australian Superannuation Income Stream Tax Offset

If you receive income from an Australian superannuation income stream, you may be entitled to a tax offset equal to:

- 15% of the taxed element; or
- 10% of the untaxed element.

You are not entitled to a tax offset for the taxed element of any superannuation income stream you receive before you reach your preservation age unless the superannuation income stream is either a:

- disability superannuation benefit; or
- death benefit income stream.

You are not entitled to a tax offset for the untaxed element of any superannuation income stream you receive before you turn 60 years old unless:

- the superannuation income stream is a death benefit income stream; and
- the deceased died after they turned 60 years old.

Small Business Tax Offset

For the 2016-17 income year and onwards, a small business entity that is not a company is entitled to a tax offset equal to 8% (5% for 2015-16) of the tax payable on the portion of an individual's taxable income that is net small business income (subject to a \$1,000 cap). This will apply to individuals who are small business entities that are sole traders, partners in a partnership and beneficiaries of a trust with aggregated annual turnover threshold of less than \$10 million (\$2 million for 2015-16).

Zone Tax Offset

If your usual place of residence is in a remote or isolated area of Australia (zone), not including an offshore oil or gas rig, you may be able to claim a zone tax offset.

Eligibility for the zone tax offset changed on 1 July 2015. To qualify:

- your usual place of residence has to be in a remote or isolated area (known as a zone) during the income year;
- if your usual place of residence was in a zone for less than 183 days in the income year, you may still be able to claim the tax offset, as long as your usual place of residence was in a zone for a continuous period of less than five years and:
- you were unable to claim in the first year because you lived there less than 183 days; and
- the total of the days you lived there in the first year and the current income year is 183 or more. The period you lived in a zone in the current income year must include the first day of the income year.

Overseas Forces Tax Offset

You may be eligible for an overseas forces tax offset if you serve in a specified overseas locality as a member of, the Australian Defence Force or a United Nations armed force, and your income relating to that service is not specifically exempt from tax.

For periods of service where your income was exempt foreign employment income, this is excluded in working out your eligibility for the tax offset.

To claim the full tax offset, you must have served in an overseas locality for 183 days or more in the income year. If your overseas service was less than 183 days, you may be able to claim part of the tax offset.

Other Tax Offsets available include:

- Dependant (invalid and carer) Tax Offset (DICTO);
- Franking Credit Refunds;
- Unused amount of the former land care and water facility tax offset.

Definition

A company is a separate legal entity that is subject to tax on its net taxable income.

For tax law purposes, a company includes either:

- a body corporate;
- any other unincorporated association or body of persons.

A company does not include a partnership or a non-entity joint venture.

Companies are required to have a tax file number and where appropriate register for an Australian business number.

Consolidation

Consolidation allows wholly-owned corporate groups to operate as a single entity for income tax purposes.

Debt/Equity Provisions

- The debt and equity provisions include tests to determine whether a particular interest is a debt interest or an equity interest.
- The debt and equity tests determine whether a return on an interest in an entity may be frankable and non-deductible (like a dividend), or may be deductible to the entity and not frankable (like interest payments).
- Exclusions apply if certain criteria are satisfied.

Bad Debts

For a bad debt (or part of a debt) to be claimed as a tax deduction, the debt must:

- be in existence;
- be bad;
- be written-off as a bad debt in the year of income the deduction is claimed;
and
- have been brought to account as income in a prior year.

Companies claiming bad debts must ensure that they satisfy either a more than 50% continuity of ownership test or a same business test. In addition, a deduction is reduced if a debt is forgiven and the debtor and creditor are companies under the same common ownership and have agreed for the creditor to forgo the deduction to a specified amount.

Private Company Loans to Shareholders or their Associates – Division 7A

- Where private companies make loans to shareholders, the loans must be put under a written loan agreement or repaid prior to the actual or due date of the company's tax return.
- Minimum repayments must be made by 30 June for existing Division 7A loan agreements.
- Where unpaid present entitlements (UPE's) arise from a trust to a corporate beneficiary on or after 1 July 2010, the UPE will be treated as a loan for Division 7A purposes if the UPE is not placed on a sub-trust by the lodgment day of the trust return for the income year in which the UPE arose.
- If the UPE is not put on sub trust, it can be paid by the lodgment day of the company tax return for the income year in which the UPE is treated as a loan for Division 7A purposes (that is, for the year immediately after the year in which the UPE arose). This will avoid Division 7A treating the UPE as a dividend paid by the private company to the trust.
- Division 7A may also apply to loans made by private companies to a shareholder or an associate of a shareholder through interposed entities.

The bench mark interest rates for private company loans are:

Year of income	%
2017/18	5.30
2016/17	5.40

Definition

A trust exists when a separate entity holds assets for others who are intended to benefit from the asset or income of that asset. The trustee is the legal owner of the trust property and the beneficiaries have equitable rights to the trust property. A trust will usually have its terms set out in writing (most commonly referred to as a “trust deed”).

Trusts are commonly used to hold investments separately from personal or business assets for reasons of asset protection and income splitting.

Key Categories

The key categories of trusts are:

Fixed trusts: Where the beneficiaries’ entitlement to trust property or income (or both) is fixed by the trust deed.

Discretionary trusts: Where the trustee has a discretion as to how the income or capital (or both) of the trust is distributed between the beneficiaries or different classes of beneficiaries.

Unit Trusts: The beneficiaries hold units in the trust which determines their entitlement to income or capital (or both). The units can be bought and sold similar to trading shares in a company.

Hybrid Trusts: This trust has features of both a unit and discretionary trust.

Family Trust: A fixed trust or discretionary trust and can be made a family trust by making a “family trust election”. A family trust election is commonly made by a trust to simplify the tests for deducting prior year losses and gaining access to other concessions. However, penalties do apply if distributions from the family trust are made to entities outside of the “family group”.

Deceased Estates: A deceased estate is a trust comprising of the assets of the deceased person, beneficiaries and the trustee (which is usually the Legal Personal Representative appointed by the deceased will).

Superannuation Fund: A superannuation fund is generally a trust, however they are taxed differently to other types of trusts.

Discretionary Trust Distributions, Streaming and Calculating Trust Income

Trustees must prepare minutes resolving the beneficiaries of the trust income for a year ending 30 June by the earlier of 30 June of that year or the date specified in the trust deed. When making the resolution, the following may need to be considered:

- Children under 18 years old can only receive \$416 tax free (if they have no other income). Minors are unable to access the low income tax offset.
- The tax legislation enables trustees to stream certain income (only net franked dividends and capital gains) to specific beneficiaries (provided that the trust deed allows streaming). The other income of the trust will be distributed to the beneficiaries on a proportionate basis.

The trust income is calculated in accordance with the trust deed and relevant sections of the income tax legislation.

Trust Losses and Bad Debts

Where a trust incurs a loss, the loss must be carried forward. In order to deduct carried forward trust losses and bad debts, there are various tests which must be satisfied.

These tests include; income injection, 50% stake, pattern of distribution, control and same business tests.

Superannuation Contributions

Contribution eligibility rules

The following table summarises the current rules for when a person is allowed to contribute or receive contributions to a super fund.

Member's age at time of contribution	Personal contribution – made by the member	Other contributions – made by someone other than member or employer	Voluntary employer contribution	Mandated employer contribution
	eg concessional and non-concessional personal contributions	eg spouse contribution, government co-contribution	eg salary sacrifice, other employer contributions	eg 9.5% SG, or contribution under industrial award
Under 65	Yes	Yes	Yes	Yes
65 to 69	Work test	Work test	Work test	Yes
70 to 74	Work test	No	Work test	Yes
75 and over	No	No	No	Yes

Work test

If you are 65–74 years old, you need to satisfy a work test in each financial year that a voluntary super contribution is made to your fund.

The work test requires you to be gainfully employed. To satisfy the work test, you must work at least 40 hours during a consecutive 30-day period each financial year in which the contributions are made.

Note: unpaid work does not meet the definition of ‘gainfully employed’.

Concessional contribution caps

Concessional contributions caps include:

- Employer contributions (including salary sacrifice arrangements);
- Personal contributions claimed as a tax deduction.

Income year	General cap
2018/19	\$25,000
2017/18	\$25,000

Unused concessional cap carry forward

From 1 July 2018 if you have a total superannuation balance of less than \$500,000 on 30 June of the previous financial year, you may be entitled to contribute more than the general concessional contributions cap and make additional concessional contributions for any unused amounts. The first year you can access carried forward unused amounts is the 2019/20 financial year. Amounts carried that are not used after 5 years will expire.

Taxation of excess concessional contributions

- For the 2013/14 financial year onwards, if an individual's concessional contributions exceed the cap, the amount will be included in an individual's assessable income and taxed at their marginal tax rate.
- A tax offset equal to 15% of the excess contributions will be applied in recognition of the contribution tax paid by the superannuation fund.
- Excess concessional contributions (ECC) charge will be applied to the additional income tax liability.
- Up to 85% of an individual's excess concessional contributions can be withdrawn from their superannuation fund to cover the additional tax liability.
- Excess concessional contributions that are not withdrawn from the superannuation fund will be included in an individual's non-concessional contributions cap for that financial year.
- 15% contributions tax is paid by the superannuation fund on the excess concessional contributions.

Non-concessional contributions cap

Non-concessional contributions include personal contributions for which you do not claim an income tax deduction. If you have more than one fund, the total of non-concessional contributions to all funds count towards the non-concessional contributions cap.

Income year	Cap
2018/19	\$100,000
2017/18	\$100,000

The non-concessional contributions cap is nil for individuals with a total superannuation balance greater than or equal to the general transfer balance cap (\$1.6 million for the 2017-18 and 2018-19s financial year) at the end of 30 June of the previous financial year. Any non-concessional contributions in that year will be excess non-concessional contributions.

Bring forward option

People aged under 65 may make non-concessional contributions of up to three times their non-concessional cap over a three-year period.

From 1 July 2017 the bring-forward amount and period is dependent on your total superannuation balance.

2017-18 Bring forward period		
Total superannuation balance on 30 June 2017	Non-concessional contributions cap for the first year	Bring forward period
Less than \$ 1.4 million	\$300,000	3 years
\$1.4 million to less than \$1.5 million	\$200,000	2 years
\$1.5 million to less than \$1.6 million	\$100,000	No bring forward period, general non-concessional contributions cap applies
\$1.6 million	Nil	N/A

Transitional arrangements apply if you triggered a bring forward in either the 2015-16 or 2016-17 financial years. If you have triggered a bring forward before 1 July 2017 and you have not fully utilised your bring-forward cap before 1 July 2017, your cap will be reassessed on 1 July 2017 to reflect the new annual cap.

During the transitional periods (highlighted in the following table), contributions made prior to 1 July 2017 will affect your total non-concessional contributions capacity over the following two years.

2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
180,000	180,000	180,000	100,000	100,000	100,000
0 to \$540,000					
	\$0 to 460,000				
		\$0 to 380,000			
			\$0 to 300,000		

Taxation of excess non-concessional contributions

- Non-concessional contributions in excess of an individual's cap that are left within the superannuation fund are taxed at the top marginal tax rate, regardless of the individual's actual marginal tax rate. The rate is 47% for the 2017/18 financial year. The rate was 49% for the 2014/15 to 2016/17 financial years and 46.5% prior to 1 July 2014.
- Individuals have the option to withdraw from their superannuation fund excess non-concessional contributions plus 85% of associated earnings for those excess contributions to avoid liability for excess non-concessional contributions tax.
- The total associated earnings are included in the individual's assessable income and taxed at the individual's marginal rate in the year the excess contributions were made. The individual is entitled to a tax offset equal to 15% of the associated earnings included in their assessable income.

- Excess non-concessional contributions tax will not be imposed on excess contributions to the extent that the contributions are released from the superannuation fund or where the Commissioner determines that the value of an individual's superannuation interest is nil.

Downsizing contributions into superannuation

A downsizer contribution of up to \$300,000 may be made from the proceeds of selling your home. If a couple sell their home, each spouse can make a contribution of up to \$300,000. The amount contributed cannot be greater than the total proceeds of the sale of the home.

The contribution is not a non-concessional contribution and will not count towards contribution caps. The downsizer contribution can still be made if an individual has a total super balance greater than \$1.6m however the contribution will count towards the transfer balance cap when super savings are moved into retirement phase.

All of the following eligibility criteria must be met:

- must be 65 years old or older at the time of the downsizer contribution (there is no maximum age limit)
- the amount of the contribution is from the proceeds of selling a home where the contract of sale was exchanged on or after 1 July 2018
- the home was owned by an individual or their spouse for 10 years or more prior to the sale
- the home is in Australia and is not a caravan, houseboat or other mobile home
- the proceeds (capital gain or loss) from the sale of the home are either exempt or partially exempt from capital gains tax (CGT) under the main residence exemption
- the super fund is provided with the downsizer contribution form either before or at the time of making the downsizer contribution
- the downsizer contribution is made within 90 days of receiving the proceeds of sale, which is usually the date of settlement
- a downsizer contribution has not previously been made to super from the sale of another home

Super Guarantee

Super guarantee charge percentage

Period	Super guarantee rate (charge percentage)
1 July 2002 – 30 June 2013	9%
1 July 2013 – 30 June 2014	9.25%
1 July 2014 – 30 June 2021	9.5%
1 July 2021 – 30 June 2022	10%
1 July 2022 – 30 June 2023	10.5%
1 July 2023 – 30 June 2024	11%
1 July 2024 – 30 June 2025	11.5%
1 July 2025 – 30 June 2026 +	12%

Maximum super contributions base

Income year	Per quarter
2018/19	\$54,030
2017/18	\$52,670

SuperStream

From 1 July 2014, employers, Australian Prudential Authority (APRA) regulated funds and trustees of self managed super fund (SMSF) must meet certain obligations for contributions under the SuperStream standard. Amongst other criteria, this involves using a commercial or ATO clearing house for sending contributions to an employee's super fund.

Division 293 Threshold

From 1 July 2012, an individual's income is added to certain super contributions and compared to the high income threshold. Division 293 tax is payable on the excess over the threshold, or on the super contributions, whichever is less.

Income year	High income threshold	Div 293 tax
2017/18 onwards	\$250,000	15%
2012/13 to 2016/17	\$300,000	15%

Government super Contributions

Super co-contribution income thresholds

Year	Maximum entitlement	Lower income threshold	Higher income threshold
2018/19	\$500	\$37,697	\$52,697
2017/18	\$500	\$36,813	\$51,813

Starting at a matching rate of 50%, the co-contribution is phased down from the lower income thresholds to nil at the higher income threshold.

From 1 July 2017, additional eligibility requirements included having a total superannuation balance of less than \$1.6 million at 30 June of the year before and having not exceeded your non-concessional contributions cap in the relevant financial year.

Low income superannuation tax offset

From 1 July 2017, the low income superannuation tax offset (LISTO) was introduced to assist low income earners to save for their retirement. LISTO replaces the former low income superannuation scheme (LISC).

For adjusted taxable income up to \$37,000 one may be eligible to receive a refund into their superannuation account of the tax paid on eligible concessional superannuation contributions, up to a cap of \$500.

Payments from Super

Minimum annual pension or annuity payments

Once a pension or annuity is started, a minimum amount is required to be paid each year. There is no maximum amount unless it is a transition to retirement pension in which case the maximum amount is 10% of the account balance.

Age	Minimum % withdrawal
Under 65	4%
65-74	5%
75-79	6%
80-84	7%
85-89	9%
90-94	11%
95 or more	14%

Transfer balance cap

From 1 July 2017, the total amount of accumulated superannuation that can be transferred into the retirement phase will be capped at \$1.6 million for the 2017-18 and 2018-19 financial years (indexed to CPI).

All account balances will be included when working out this amount. It does not matter how many accounts these balances are held in.

Multiple transfers into the retirement phase can be made as long as the total remains below the cap.

Special rules apply for defined benefit income streams.

Conditions of release

Conditions of release are the events that members need to satisfy to withdraw benefits from their super fund. The conditions of release are also subject to the rules of the SMSF as set out in the trust deed. It is possible that a benefit may be payable under the super laws, but cannot be paid under the rules of the SMSF.

The most common conditions of release for paying out benefits are:

- Transition to retirement (attaining preservation age): Members who are under 65 and have reached preservation age, but remain gainfully employed on a full-time or part-time basis, may access their benefits as a non-commutable income stream.
- Retirement: Actual retirement depends on a person's age and, for those under 60 years old, their future employment intentions. Retired members cannot access their preserved benefits before they reach their preservation age.
- Attaining age 65: A member who reaches age 65 may cash their benefits at any time.

There are a number of other circumstances in which benefits can be released, such as incapacity, severe financial hardship, temporary residents leaving Australia, terminal medical condition and terminating gainful employment. (rules and conditions apply).

First home super saver scheme (FHSS)

From 1 July 2017 voluntary concessional (before-tax) and non-concessional (after-tax) contributions can be made into a super fund to save for a first home.

From 1 July 2018 an application to release these contributions can be made, along with associated earnings, to help with the purchase of a first home. You must be 18 years or over to apply for the release of these amounts.

To qualify you must:

- have not previously owned property in Australia (or the Commissioner of Taxation has determined you have suffered a financial hardship as specified by regulations)
- have not previously released FHSS funds
- either live or intend to live in the premises you are buying as soon as practicable
- intend to live in the property for at least six months of the first 12 months you own it, after it is practical to move in.

The release of voluntary contributions up to a maximum of \$15,000 from any one financial year and \$30,000 in total across all years can be applied for.

Preservation Age

Generally, you must reach preservation age before you can access your super.

Date of birth	Preservation age
Before 1 July 1960	55
1 July 1960 – 30 June 1961	56
1 July 1961 – 30 June 1962	57
1 July 1962 – 30 June 1963	58
1 July 1963 – 30 June 1964	59
From 1 July 1964	60

Tax on Superannuation Benefits

Taxable component

Taxed element of a taxable component

2018/19	Lump sum payment		Income stream
Age	Amount	Maximum rate of tax	Tax treatment
60 and above	Whole component	0%	Not subject to tax
Preservation age to 59	First \$205,000	0%	Marginal tax rate (MTR) (less 15% tax offset)
	Balance over \$205,000	15%	
Below preservation age	Whole component	20%	MTR (no tax offset)
Death benefit paid to dependants	Whole component	0%	Nil or MTR (less 15% tax offset) subject to age of deceased and recipient
Death benefit paid to non-dependants	Whole component	15%	Cannot be paid as an income stream

Medicare levy is also payable where applicable.

Untaxed element of taxable component

2018/19	Lump sum payment		Income stream
Age	Amount	Maximum rate of tax	Tax treatment
60 and above	First \$1.48m	15%	MTR (less 10% tax offset)
	Balance over \$1.48m	45%	
Preservation age to 59	First \$205,000	15%	MTR (no tax offset)
	Balance from \$205,000 to \$1.48m	30%	
	Balance over \$1.48m	45%	
Below preservation age	First \$1.48m	30%	MTR (no tax offset)
	Balance over \$1.48m	45%	
Death benefit paid to dependants	Whole component	0%	MTR (less 10% tax offset subject to age of deceased and recipient)
Death benefit paid to non-dependants	Whole component	30%	Cannot be paid as an income stream

Medicare levy is also payable where applicable.

Tax-free component

A tax-free component is not assessable and not exempt income and is not subject to tax.

ELIGIBLE TERMINATION PAYMENTS (ETPS)

Tax-free component

A tax-free component is not assessable and not exempt income and is not subject to tax.

Taxable component (untaxed element)

2018/19	Age	Maximum rate of tax	
ETPs	Over preservation age	First \$205,000	15%
		Over \$205,000	45%
	Under preservation age	First \$205,000	30%
		Over \$205,000	45%
Whole of income cap	All ages	Over \$180,000	45%

Medicare levy is also payable where applicable.

Death benefit ETPs – taxable component (untaxed element)

2018/19	Age	Maximum rate of tax	
Paid to dependant	Any age	First \$205,000	Not subject to tax
		Over \$205,000	45%
Paid to non-dependant	Any age	First \$205,000	30%
		Over \$205,000	45%

Medicare levy is also payable where applicable.

Genuine redundancy and early retirement scheme payments

The first \$10,399 plus \$5,200 per year of service is not subject to tax and is not classified as an ETP for the 2018/19 income year. (2017/18 \$10,155 plus \$5,078 per year)

The balance of the payment is an ETP and may be split into a tax-free and a taxable component.

Unused long service leave and annual leave payments

Type of payment	Maximum assessable income	Tax rate
Unused annual leave		
On resignation or retirement		
■ Pre 18 August 1993 service	100%	30%
■ Balance of service	100%	Marginal tax rates
On genuine redundancy, invalidity or retirement		
■ All service	100%	30%
Unused long service leave		
On resignation or retirement		
■ Pre 16 August 1978 service	5%	Marginal tax rates
■ 16 August 1978 to 17 August 1993	100%	30%
■ Balance of service	100%	Marginal tax rates
On genuine redundancy, invalidity or retirement		
■ Pre 16 August 1978 service	5%	Marginal tax rates
■ Balance of service	100%	30%

Medicare levy is also payable where applicable.

PARTNERSHIPS

A partnership is an association of persons (other than a company or limited partnership) carrying on a business as partners, with a view to profit. A partnership will also exist where an association of persons are in receipt of ordinary or statutory income.

A partnership can also be a “corporate limited partnership” whereby there are limited partners who are similar to shareholders in a company – they do not take part in the management of the business, and their liability is generally limited to the extent of their investment.

Tax Treatment of a Partnership

A partnership does not itself pay tax. Each year, the partnership must lodge an income tax return, showing the final taxable income derived by each partner.

Partners are then taxed in their own individual capacity on their share of the partnership income in their personal income tax returns.

If the partnership makes a net loss, the share of the loss is included in each partner's return.

Partnership Agreement

There is no legal requirement for a partnership agreement, however having an agreement will identify the terms under which the partners agree to carrying on business and will establish the intentions of the partners and the arrangement.

Salaries of Partners

A “partnership salary” is not truly a “salary” and nor is it an expense of the partnership. It is a distribution to the recipient partner and is not an allowable deduction to the partnership, nor can it increase the loss of the partnership.

Further, a partner's interest in the net income of the partnership will include the partnership salary to the extent that there is available net income. If in a particular year, the salary drawn by a partner exceeds the recipient partner's share of the net available income of the partnership, the excess advanced is not assessable to the partner at that time, but in a future year when sufficient profits are available.

GOODS AND SERVICES TAX (GST)

GST is a tax of 10% on most goods, services and other items sold or consumed in Australia.

If an entity carries on an enterprise and has a GST turnover of \$75,000 or more (\$150,000 or more for non-profit organisations), or provides taxi travel, it must:

- Register for GST; sales that are taxable supplies are subject to GST;
- Issue tax invoices for taxable sales;
- Obtain tax invoices for business purchases that have GST included in the price;
- Report GST on sales and purchases by lodging business activity statements with the Australian Taxation Office.

GST-registered organisations can claim GST credits for GST included in the price of most business purchases. GST credits can only be claimed by obtaining a valid tax invoice; however, there are some exemptions.

Entities not registered or required to be registered for GST, do not include GST in the price of sales and cannot claim credits for any GST included in the price of purchases, even if they are for business.

As of 1 October 2016, some transactions between overseas business and Australian businesses are not subject to GST.

Also from this date, GST registered importers may opt to use an uplift factor (currently 10% of the customs value of the imported goods) rather than identify exact amounts for international transport, insurance, loading or handling and service costs for the transport.

From 1 July 2018, GST will apply to sales of low value imported goods (under \$1,000) to consumers. GST will also apply to sales of goods where the goods are held overseas at the time of sale and shipped directly to a consumer in Australia from an overseas source (otherwise referred to as “drop shipping”). This will require overseas entities with an Australian turnover of \$75,000 or more to register for and charge GST.

LUXURY CAR TAX

Luxury car tax (LCT) is a 33% tax on cars where the price (including GST but excluding government fees and charges such as stamp duty, registration and CTP) is above the LCT threshold. It is payable by businesses that sell or import luxury cars who are registered or required to be registered for GST, and individuals that import luxury cars. The LCT payable must be disclosed on the taxpayer's activity statement.

Luxury Car Tax Thresholds

Income Year	Fuel-efficient vehicles	Other vehicles
2017 - 18	\$75,526	\$65,094
2016 - 17	\$75,526	\$64,132

A car is considered to be a "luxury car" for the purposes of calculating LCT if:

- The car being sold is 2 years old or less or imported within last 2 years;
- The car is designed to carry less than 2 tonnes and fewer than 9 passengers;
- The car is purchased by a person with a disability and the car is GST-free (disability-related modifications are not subject to LCT);
- The taxpayer is an endorsed public institution and the luxury car is purchased locally. However, LCT is not payable on a work of art or collector's piece.

Instances where LCT does not apply include (but is not limited to):

- Where the recipient has quoted an ABN in an approved format;
- A car exported as a GST-free export;
- A car that is (or is intended to be) registered for use as an emergency vehicle;
- A motor home or campervan, or a commercial vehicle designed mainly for carrying goods and not passengers.

FOREIGNERS AND INTERNATIONAL DEALINGS

Organisation and Subject	Detail
Office of State Revenue (NSW) – Surcharge Purchaser Duty and Foreign Investor Surcharge	<ul style="list-style-type: none"> ■ From 21/6/16 foreign persons purchasing residential real estate in NSW are liable to pay surcharge purchaser duty. For agreements entered into on or after 1 July 2017, the duty has increased to 8% from 4%; ■ From the 2017 land tax year onwards, foreign persons who own land in NSW must pay a land tax surcharge; ■ Some exemptions and conditions apply.
Foreign Investment Review Board FIRB – Purchase of property	Most foreign investors now need to apply to the FIRB before purchasing certain residential real estate in Australia. (exclusions and conditions apply).
Australian Taxation Office – Withholding and Capital Gains Tax	<ul style="list-style-type: none"> ■ For contracts entered into on or after 1 July 2017, a 12.5% non-final withholding tax applies to payments made to foreign residents that dispose certain taxable Australian property (for contracts entered into on or after 1 July 2016 and before 1 July 2017, the rate is 10%); ■ Withholding applies to taxable Australian property with a market value of \$750,000 or more, an indirect property interest and options or rights to acquire such property or interests; ■ Clearance certificates and vendor declarations have been introduced so that purchasers understand their withholding obligations; ■ Foreign or temporary resident individuals are generally not entitled to the 50% capital gains tax discount for assets disposed of after 8 May 2012 (conditions apply).

Organisation and Subject	Detail
Australian Taxation Office – Transfer Pricing	<ul style="list-style-type: none"> ■ Australia's transfer pricing rules are in place to minimise the underpayment of Australian tax by requiring businesses to price related party international dealings according to what parties acting independently would reasonably be expected to have done in the same situation; ■ Pricing of international dealings between related parties should reflect a fair return for the activities carried out in Australia, the Australian assets used (whether sold, lent or licensed), and the risks assumed in carrying out these activities; ■ Pricing that is not in accordance with Australia's transfer pricing rules is often referred to as 'international profit shifting'; ■ Methods of setting prices and reviewing the outcome of international transactions with related parties are recognised internationally using the arm's length principle, and Australia has adopted taxation rulings to help businesses understand what is expected of them.
Australian Taxation Office – Thin Capitalisation	<p>The thin capitalisation rules apply to Australian entities investing overseas, their associate entities, foreign controlled Australian entities and foreign entities investing directly into Australia. Under the rules, the amount of debt used to fund those Australian operations or investments is limited. The rules operate to disallow the debt deductions an entity can claim against Australian assessable income when the debt used by the entity to fund its Australian assets exceeds certain limits.</p>

PRIMARY PRODUCERS

The tax laws include special provisions for primary producers. To access these, an entity will need to meet the Australian Tax Office's definition of carrying on a business of primary production.

Farm Management Deposits

Farm management deposits are a risk-management tool to help primary producers deal with uneven income. The scheme allows a primary producer to make farm management deposits, and claim a tax deduction for farm management deposits made in the income year it was made.

When a farm management deposit is withdrawn, the amount of the deposit previously claimed as a deduction is included in the assessable income of the entity in the income year the deposit is repaid to the entity.

Concessions

Among other concessions, primary producers are entitled to an immediate write-off for capital expenditure on water facilities and fencing assets. They may also write-off expenditure on fodder storage assets over 3 years (both with effect from 12 May 2015).

Fuel Tax Credits

- Fuel tax credits provide businesses with a credit for the fuel tax (excise or customs duty) included in the price of fuel used in a business for activities associated with machinery, plant, equipment, heavy vehicles, light vehicles traveling off public roads or on private roads.
- Some fuels are not eligible for fuel tax credits.
- To make a claim, a business must be registered for GST and fuel tax credits. The claim can be made on the business activity statement (BAS) of the business.
- Fuel tax credits are business income and need to be included in the business's tax return as "Assessable Government industry payments."

TAKING ON AN EMPLOYEE

Before taking on an employee, there are some matters that should be considered, including, but not limited to the following:

What type of business structure can take on an employee?

Business structure does not matter. You can employ people if you are a sole trader, company, partnership or trust.

What types of employment can be offered?

- Permanent, whether full time or part time
- Casual
- Trainees or apprentices
- Contractors
- Temporary employees through an employment agency or labour hire firm.

Is the worker an employee or a contractor?

- Determine whether a worker is an “employee” or a “contractor” (for further information refer to section on employees and contractors).
- The definition of “employee” and “contractor” can vary from state to state and across government regulations.

Can the employee legally work in Australia?

- Australian citizens, permanent residents and New Zealand citizens are legally allowed to work in Australia.
- Australian visa holders are also legal workers if their type of visa allows them to work. Foreign nationals who do not have a valid visa are not allowed to work in Australia.
- Register with the Department of Immigration and Border Protection’s free Visa Entitlement Verification Online (VEVO) to verify if someone is legally able to work in Australia.

Are you paying the correct wages and entitlements?

- Australia’s 10 minimum standards; the National Employment Standards (NES), must be provided to all employees.

- Employers must consider if an award or registered agreement applies to the employee. If not, the employer must not enter into an employee contract or agreement that disregards the NES and/or provides a pay rate lower than the national minimum wage or the NES.

For more information refer to the Fair Work Ombudsman's website.

How do you know how much tax to deduct from an employee payment and where to remit their compulsory super benefit?

- Weekly, fortnightly and monthly tax tables are available to calculate the amount of tax to withhold from an employee's pay.
- Where a business does not provide an Australian Business Number (ABN), tax may need to be withheld.
- Each employer must offer a choice of super fund form (indicating the employer's default super fund) to an eligible employee indicating where to remit super benefits.
- 9.5% of the employee's ordinary time earnings must be remitted to the nominated fund by 28 July, 28 October, 28 January and 28 April.
- Superannuation may be payable for some contractors even if they quote an ABN.

Is worker's compensation insurance required?

- An employer must have insurance to cover workers if they are injured at work or fall ill because of their work; (note: contractors may also need to be covered in certain circumstances).
- Workers compensation insurance is covered by legislation in each state and territory.

Does an employer have workplace health and safety obligations?

- Employers are responsible for health and safety in their workplace; (further information can be found in legislation and approved code of practice for each state or territory and the Safe Work Australia website).

Are there concessions to employers for mature aged job seekers?

- From 1 July 2014, a payment of up to \$10,000 (GST inclusive) is available to employers who hire a mature aged job seeker, aged 50 years or over who has been unemployed and receiving income support for at least six months (referred to as the "Restart Wage Subsidy").

EMPLOYEES AND CONTRACTORS

There are a number of factors which may contribute to determining the difference between an employee and a contractor. No single indicator will determine if a person is an employee or a contractor; each outcome is based on an individual's work arrangement and the relationship between the parties involved. Generally, an employee must be an individual, under a contract that is wholly or principally for labour. A contractor is running their own business. If a company, trust or partnership is hired to do the work, then the relationship you will have with the entity is as a contractor for tax and superannuation purposes.

If an individual is considered a contractor, superannuation contributions must be paid on their behalf even though they may have provided an Australian Business Number (ABN) as these individuals are considered employees for Superannuation Guarantee purposes.

When taken together, the following can help to determine whether a worker is an employee or contractor:

Employee	Contractor
Ability to subcontract/delegate: the worker cannot subcontract/delegate the work (i.e. they cannot pay someone else to do the work).	Ability to subcontract/delegate: the worker is free to subcontract/delegate the work (i.e. they can pay someone else to do the work).
Basis of payment: is the worker paid for the time worked, a price per item or activity and/or a commission.	Basis of payment: is the worker paid for a result achieved based on the quote they provided.

Employee	Contractor
<p>Equipment, tools and other assets:</p> <ul style="list-style-type: none"> ■ a business provides all or most of the equipment, tools and other assets required to complete the work; or ■ the worker provides all or most of the equipment, tools and other assets required to complete the work, but the business provides them with an allowance or a reimbursement. 	<p>Equipment, tools and other assets:</p> <ul style="list-style-type: none"> ■ the worker provides all or most of the equipment, tools and other assets required to complete the work; ■ the worker does not receive an allowance or reimbursement for the cost of this equipment, tools and other assets.
<p>Commercial risks: the worker takes no commercial risks. The business is legally responsible for the work done by the worker and liable for the cost of rectifying any defect in the work.</p>	<p>Commercial risks: the worker takes commercial risks, with the worker being legally responsible for their work and liable for the cost of rectifying any defect in their work.</p>
<p>Control over the work: the business has the right to direct the way in which the worker does their work.</p>	<p>Control over the work: the worker has freedom in the way the work is done, subject to the specific terms in any contract or agreement.</p>
<p>Independence: the worker is not operating independently of the business. They work within and are considered part of the business.</p>	<p>Independence: the worker is operating their own business independently. The worker performs services as specified in their contract or agreement and is free to accept or refuse additional work.</p>

FRINGE BENEFITS TAX

Fringe benefits tax (FBT) is paid by employers on certain benefits they provide to their employees or their employees' associates (typically family members) in respect of the employee's employment.

FBT is separate from income tax and is based on the taxable value of the fringe benefits provided.

Employers can generally claim an income tax deduction for the cost of providing fringe benefits and for the FBT they pay.

A fringe benefit is a benefit provided to an employee (or their associate) because that person is an employee (or a former or future employee). Benefits can be provided by an employer, an associate of the employer or a third party under an arrangement with the employer.

The FBT rate from 1 April 2014 to 31 March 2015 was 47%. The rate increases to 49% for the FBT years ending 31 March 2016 and 2017 and reduces to 47% for the year ending 31 March 2018 and 31 March 2019.

Fringe benefit type	FBT gross up rate	
	31 March 2018	31 March 2019
Type 1 – you can claim a GST credit for	2.0802	2.0802
Type 2 – you cannot claim a GST credit for	1.8868	1.8868

Benchmark Interest Rate

The statutory interest rate for the year commencing 1 April 2018 is 5.20%.
(1 April 2017 is 5.25%)

Car – Statutory Percentages

Total kms travelled during FBT year	Statutory percentage				
	Pre 10 May 2011	From 10 May 2011	From 1 Apr 2012	From 1 Apr 2013	From 1 Apr 2014
Less than 15,000	26	20	20	20	20
15,000 to 25,000	20	20	20	20	20
25,000 to 40,000	11	14	17	20	20
More than 40,000	7	10	13	17	20

Changes have been made to car statutory percentages. You can continue to use the pre 10 May 2011 statutory rates for all pre-existing commitments unless there is a change to that commitment.

For any new commitments entered into during this period, you can choose to skip the transitional arrangements and apply the 20% statutory rate; however, this choice is subject to certain conditions.

FBT – Exemptions and Concessions

Work-related items exemption

The following work-related items are exempt from FBT if they are used primarily for work-related purposes:

- computer software
- protective clothing
- briefcases
- tools of trade
- portable electronic devices (e.g. mobile phones, calculators, laptops).

Minor benefits exemption

Minor and infrequent benefits that have a value of less than \$300.

Taxi travel expenses exemption

Employer payment of non work-related taxi travel expenses of employees may be exempt from FBT if the travel is either a single trip beginning or ending at the employee's place of work, or arises as a result of sickness or injury to the employee.

Other non work-related taxi travel generally gives rise to an expense payment fringe benefit.

Small business car parking exemption

Car parking benefits provided to employees may be exempt if certain eligibility criteria are met.

Non-profit organisation concessions

Some organisations are exempt from FBT where the total grossed-up value of certain benefits (which are benefits not otherwise exempt) provided to each employee during the FBT year is equal to, or less than, the capping threshold. If the total grossed-up value of fringe benefits provided to an employee is more than that capping threshold, the organisation will need to pay FBT on the excess.

From 1 April 2016, employees of organisations listed below will be entitled to a separate single grossed up cap of \$5,000 for salary sacrificed meal entertainment and entertainment facility leasing expense benefits.

Types of Organisations Eligible for FBT Exemption

Types of organisations eligible for FBT exemption	Threshold 31 March 2019	Does the organisation need to be endorsed by the ATO to access FBT exemption?
Registered Public benevolent institutions (other than hospitals) Registered Health promotion charities	\$30,000 per employee	Yes
Public and non-profit hospitals Public ambulance services	\$30,000 per employee	No

This table does not include FBT exemptions for Registered Religious Institutions and non-profit companies for which exemptions are not subject to capping.

CAPITAL GAINS TAX

Capital gains tax (CGT) applies to CGT assets acquired after 19 September 1985. For Australian residents, CGT will apply where a “CGT event” (most commonly a disposal) happens to all CGT assets (including overseas assets). In the case of non-residents, CGT will only apply to CGT events that happen to taxable Australian property (generally direct or indirect interests in Australian real property and the business assets of an Australian permanent establishment).

A capital gain or loss is calculated separately in respect of each asset disposed. Once determined, gains or losses are combined for that year and if it is:

- A net capital loss, it is carried forward to be offset against capital gains in future years; or
- A net capital gain, it is included in a taxpayer's assessable income and taxed at the normal tax rates applicable for individual, companies or superannuation funds.

Companies must satisfy the continuity of ownership test or the same business test in order to apply a prior year net capital loss against a capital gain in a later year.

For individuals and trusts, capital gains on assets held for more than 12 months may be discounted by 50% (conditions apply for foreign/temporary investors). Superannuation funds receive a discount of 33.33% on capital gains. Companies are not eligible for the discounts.

The following exemptions are applicable:

- Main residence exemption;
- Cars and motorcycles;
- Collectibles acquired for \$500 or less;
- Personal use assets acquired for \$10,000 or less;
- Where certain roll-over provisions apply (e.g. marriage breakdown settlements and scrip for scrip rollovers);
- Gains on trading stock; and
- Gains on depreciating assets.

There are also a number of small business CGT concessions available.

TAX INCENTIVES FOR EARLY STAGE INVESTORS

From 1 July 2016 taxpayers may be eligible for tax incentives if they invest in a qualifying early stage innovation company (ESIC). The incentives are available to both Australian resident and non-resident investors.

The tax incentives that are available are:

- Non-refundable carried forward tax offset equal to 20% of the amount paid for the qualifying investment made. This is capped at a maximum tax offset amount of \$200,000 for the investor and their affiliates combined in each income year; and
- Modified capital gains tax (CGT) treatment. Here, capital gains on qualifying shares held for more than 12 months and less than ten years may be disregarded. Further, capital losses on shares held less than ten years must also be disregarded.

The maximum tax offset of \$200,000 does not limit the shares that qualify for the modified CGT treatment.

To qualify for the tax incentives, investors must have purchased the new shares immediately after the company meets the requirements of an ESIC and on or after 1 July 2016. If after these requirements are satisfied, the ESIC ceases to be an ESIC, this will not affect the investors entitlement to early stage investor tax incentives for the interest.

The tax incentives will not be available if:

- The shares in the ESIC were not purchased directly from the company as newly issued shares;
- The investor is a widely held company or wholly-owned subsidiary or a widely held company;
- The total investment in one or more ESIC for the income year is more than \$50,000 and the sophisticated investor test in relation to at least one of the share offerings was not met;
- The investor or the ESIC are affiliates of each other at the time the shares are issued;

- The investor holds more than 30% of the equity interests in the ESIC (including any entities connected with the ESIC) immediately after the investor is issued with the new shares;
- The shares were acquired by the investor under an employee share scheme.

Partnerships, Trusts and Superannuation Funds

Where the investor is a partnership or a trust, special rules apply so that the entitlement to the tax offset flows through to the member of the trust or partnership (or the ultimate member if there is a chain of trusts or partnerships). Where the investor is a superannuation fund, the trustee of the fund and not the members of the superannuation fund, would be entitled to the tax incentives (both the tax offset and the modified CGT).

Sophisticated Investor Test

Investors that do not meet the “sophisticated investor test” under the Corporations Act 2001 will not be eligible to access the tax concessions if their total investment in the qualifying ESIC is more than \$50,000 in an income year.

SMALL BUSINESS CONCESSIONS

If you are a small business entity with an annual turnover of less than \$10 million, you may be eligible for a range of tax concessions. The annual turnover threshold increased from \$2 million to \$10 million from 1 July 2016 for the purpose of accessing certain existing small business income tax concessions. A \$2 million threshold will continue to apply for a small business to access small business capital gains tax concessions and a \$5m turnover threshold applies to claim the small business tax offset.

When working out your turnover, you must include the turnover of any other business you are connected with. An entity is connected with another entity if either entity controls the other or both entities are controlled by the same third entity.

For example, an entity is connected with you if that entity:

- is controlled by you;
- controls you;
- is controlled by another entity that also controls you;
- is controlled by your affiliate;
- is controlled by you together with your affiliate;
- is controlled by an entity that you control.

If you do not qualify as a small business entity, you may still be eligible for the CGT small business concessions (if you have net assets of \$6 million or less), and the FBT car parking exemption (if your total ordinary income plus statutory income is less than \$10 million).

Capital Gains Tax (CGT) 15 Year Asset Exemption

If you are aged 55 or older and retiring, and your business has owned an asset for at least 15 years, you will not pay CGT when you sell the asset.

CGT 50 per cent Active Asset Reduction

If you have owned an asset to conduct your business (an 'active asset') you will only pay tax on 50% of the capital gain when you sell the asset.

CGT Retirement Exemption

There is a CGT exemption on the sale of a business asset, up to a lifetime limit of \$500,000. If you are under 55, money from the sale of the asset must be paid into a complying superannuation fund or a retirement savings account.

CGT Roll-over

If you sell a small business asset and buy a replacement, you can roll over your CGT liability, to the value of the replacement asset. This means you will not pay any CGT owing until you sell the replacement asset.

Small Business Restructure Roll-over (CGT Roll-over Relief)

New legislation has been introduced from 1 July 2016 for small business owners to restructure their business. Generally, the new legislation:

- allows greater flexibility for small business owners to change the legal structure of their small business by allowing them to defer gains or losses otherwise realised when business assets are transferred from one entity to another;
- provides small business with a new roll-over for gains and losses arising from the transfer of active assets that are CGT assets, trading stock, revenue assets and/or depreciating assets between entities as part of a genuine restructure of an ongoing business (the Australian Taxation Office has provided guidelines to help determine the meaning of a “genuine” restructure). The rollover is not available for any other business assets;
- applies to transfers that do not result in a change in the ultimate economic ownership of assets;
- is in addition to roll-overs currently available where an individual, trustee or a partner in a partnership transfers assets to, or creates assets in, a company in the course of restructuring their business;
- Will allow the rollover to apply if each party to the transfer is one of the following in the income year in which the transfer occurs:
 - ◆ A small business entity;
 - ◆ An entity that has an affiliate that is a small business entity;
 - ◆ An entity that is connected with a small business entity;
 - ◆ A partner in a partnership that is a small business entity.

There are some tax and other implications that will need to be considered if the small business restructure roller is applied. This includes (but is not limited to):

- Assets transferred under the rollover will not result in an income tax liability arising for either party at the time of the transfer;
- The transferor is taken to have received an amount for the transferred asset equal to the transferor's cost of the asset for income tax purposes;
- The transferee will be taken to have acquired the asset at the time of the transfer for an amount that equals the transferor's cost just before the transfer;
- Potential for stamp duty or GST consequences to arise upon the transfer of assets;
- General anti-avoidance tax measures applying if careful consideration is not made regarding the ATO guidelines on the restructure qualifying as an "genuine" restructure;
- Specific implications for shares or interests in a company or a trust.

Simpler Depreciation Rules

You can use the simplified depreciation rules as an alternative to the uniform capital allowances (UCA) rules to work out deductions for depreciating assets.

Generally if you purchased and installed ready for use depreciating assets prior to 30 June you can:

- Claim an immediate deduction for most depreciating assets costing less than \$1,000 (\$20,000 from 12 May 2015 to 30 June 2018);
- Pool most other depreciating assets (irrespective of their effective life) costing more than \$1,000 (\$20,000 to 30 June 2018) in the general small business pool and depreciate at a rate of 30%;
- Depreciate new assets at 15% in the first year regardless of when the asset was purchased during that year;
- Claim an immediate deduction for a small business pool with a balance of less than \$1,000 at the end of a financial year (\$20,000 to 30 June 2018);
- Certain depreciating assets are excluded, for example, capital works (building and construction expenditure), intangible assets such as some computer software and intellectual property rights, horticultural plants, land and trading stock.

It is proposed in the 2018/19 budget that the \$20,000 instant asset write off will extend to 30 June 2019.

Small Business Start-Up Expenses

From the 2015-16 income year, small start-up businesses can immediately deduct certain expenses, including costs incurred in obtaining advice or services relating to a proposed business structure, or proposed operation of a business or for a payment to an Australian government agency of fees, taxes or charges relating to establishing the business or its operating structure.

Simpler Trading Stock Rules

You can choose whether or not to do an end-of-year stock take if the value of your trading stock has not increased or decreased by more than \$5,000 over the year.

Immediate Deduction for Certain Prepaid Business Expenses

You can claim an immediate deduction for prepaid business expenses where the payment covers a period of 12 months, or less, that ends in the next income year.

Accounting for Goods and Services Tax (GST) on a cash basis

You are not required to account for the GST on a sale you make until you receive payment for the sale.

Annual Apportionment of GST Input Tax Credits

If you purchase items that you use partly for private purposes, you can choose to claim full GST credits for these items on your activity statements, and then make a single adjustment to account for the private use percentage at the end of the year.

Paying GST by Instalments

You can pay GST by instalments worked out for you by the Australian Taxation Office (ATO). You can vary this amount each quarter if you choose.

Fringe Benefits Tax (FBT) Car Parking Exemption

In some cases you may be exempt from FBT for employee car parking.

Third Party Reporting and Data Matching

New legislation has been introduced for third parties to report information to the ATO.

Source	Information Provided or Focus Area
Online Selling Sites	Sellers who have sold more than \$12,000 in goods and services
Credit card and debit card information from financial institutions	Deposits and funds received on those accounts
Banks, other financial institutions and investment bodies	Investment income (ie. Interest, dividends and trust distributions)
Employers	payments to employees and contractors
State Motor Vehicle Registry	Sales, transfers & newly registered motor vehicles over \$10,000
State Titles Offices	Sales and other transfers of real property
Government Bodies	Pensions, benefits, rebates, taxable grants and other payments
AUSTRAC and our international treaty partners	Foreign income
Stock exchanges and share registries	Share transactions (ie. purchases & sales of shares)
Businesses in the building and construction industry	Payments made for building and construction services
Health insurers	Health insurance cover and premiums paid
Ride-sourcing	Identifying ride-sourcing drivers

Income Tax Obligations

Obligation	Lodgement	Payment
Personal tax return not prepared by a tax agent	31 October	22 November
Income tax – large/medium businesses, companies and super funds	15 January	1 December
Income tax – large/medium trusts	15 January	Per notice of assessment
Income tax – large/medium businesses – first year lodging or non-taxable prior year	28 February	28 February
Income tax – super funds – first year lodging	28 February	28 February
Income tax – large/medium trusts – first year lodging or non-taxable prior year	28 February	Per notice of assessment
Income tax – companies and super funds with income in excess of \$2m prior year	31 March	31 March
Income tax – individuals and trusts with a tax liability of \$20,000 or more on last year return lodged	31 March	21 April
Tax returns for all remaining individuals and trusts	15 May	5 June

Business and Employer Obligations

Obligation	Lodgement	Payment
Monthly activity statements	21st of following month	21st of following month
Quarterly activity statements Super guarantee contributions	28 July	28 July
	28 October	28 October
	28 January	28 January
	28 April	28 April
PAYG withholding payment summary annual report	14 August	N/A
Fringe benefits tax return	21 May	28 May

Note: using a tax agent to lodge returns on your behalf may give you an extension for lodgement and payment of ATO obligations.

Administration

ATO general interest charge (GIC) rates

July – September 2017	8.73%
October – December 2017	8.70%
January – March 2018	8.72%
April – June 2018	8.77%

Failure to lodge (FTL) on time penalties

FTL penalty amount according to entity size				
Days overdue	Small	Medium	Large	SGE
28 days or less	\$210	\$420	\$1,050	\$105,000
29 to 56 days	\$420	\$840	\$2,100	\$210,000
57 to 84 days	\$630	\$1,260	\$3,150	\$315,000
85 to 112 days	\$840	\$1,680	\$4,200	\$420,000
113 days or more	\$1,050	\$2,100	\$5,250	\$525,000

SUBSTANTIATION AND RECORD-KEEPING REQUIREMENTS

General Deductions

In order to claim a work-related expense as an income tax deduction, written evidence must be obtained where the total value of all claims exceeds \$300. For claims of \$300 or less, the Australian Taxation Office (ATO) may still query how the claim was worked out and why the taxpayer considers the claim to be reasonable. The \$300 limit does not apply to some expenses.

Written evidence includes a document from the supplier of the goods or services that shows the name of the supplier, amount of the expense, nature of the goods or services, the date the expense was incurred and the date of the document. Exclusions from record-keeping and substantiation requirements do apply.

Other documents such as bank and other financial institution statements, credit card statements, BPAY reference numbers, email receipts, PAYG payment summaries, paper or electronic copies of documents can also constitute written evidence.

Written evidence is required to be retained for five years from the due date for lodgment of the tax return or when the return is actually lodged, whichever is later.

For deductions claimed for decline in value, written evidence must be kept for five years from the date of the last claim for decline in value.

Capital Gains Tax

Records of every act, transaction, event or circumstance that may be relevant to working out whether a capital gain or capital loss has been made from a CGT event must be retained. These records must be kept for at least five years after the relevant CGT event.

Where a net capital loss is made and this loss is included in a subsequent return, records for the capital loss must be retained up to the end of the statutory period of review for an assessment where the capital loss has been applied.



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