June 2018
Tax Time

Optio Advisor

Claiming Superannuation Deductions

As mentioned in previous newsletters, for the 2018 tax year all individuals are now able to claim a tax deduction for personal contributions to superannuation. However, there are a couple of things required before you can claim the deduction.

The most important requirement is that you have satisfied the “Notice Requirements”. You must provide a valid written notice to the trustee of your superannuation fund advising the amount of personal contributions made during the income year for which you intend to claim a tax deduction. Additionally, you must also have received a written acknowledgement from the trustee of the superannuation fund. Ideally the acknowledgement should be received before lodgment of your income tax return. You are required to show in your tax return, that you have received the acknowledgement from your superannuation fund’s trustee.

It is also important to consider whether you need to claim a tax deduction for any or all of your superannuation contributions. Any amount that is claimed as a tax deduction is subject to 15% tax payable by your superannuation fund. If your taxable income is low, you should only claim a deduction amount that will take your tax income down to a level where you don’t pay any tax or Medicare levy. If you claim the full amount of your contribution, then there is a portion that doesn’t provide you with any tax saving benefit but it would still be taxed at 15% by your superannuation fund because you have provided a notice stating that you are claiming it as a tax deduction.

Rental Properties

Travel Expenses

As mentioned in previous newsletters, rental landlords will not be able to claim travel expenses in this year’s tax return. Travel expenses after 01 July 2017 are no longer deductible for landlords. This includes trips to undertake repairs, visit property managers, collect rent and property inspections.

Holiday Home Rentals

The tax office has recently advised that they are *“setting their sights on the large number of mistakes, errors and false claims made by rental property owners who use their own property for personal holidays”*.

While it confirms that the private use of holiday homes by friends and family is entirely legitimate, the tax office states that such use reduces a taxpayer’s ability to earn income from the property, and therefore impacts on (i.e., reduces) the amount of claimable deductions.

As a result, the tax office has reminded holiday home owners that:

- They can only claim deductions for a holiday home with respect to periods it is genuinely available for rent.
- They cannot place unreasonable conditions on prospective tenants/renters, set rental rates above market value, or fail to advertise a holiday home in a manner that targets people who would be interested in it and still claim that the property was genuinely available for rent.
- Where a property is rented to friends or relatives at ‘mates rates’, they can only claim deductions for expenses up to the amount of the income received.
- Property owners whose claims are disproportionate to the income received can expect greater scrutiny from the tax office.

Work Related Expenses

This year the tax office is undertaking a large public awareness campaign to make tax payers aware of the work-related deductions that can and can't be claimed. As part of their campaign, they have updated their Occupation Deduction fact sheets and also released a number of new fact sheets covering the most common employee deductions. The new fact sheets cover, motor vehicle deductions, travel expenses, clothing and laundry, self education, home office and also gifts and donations. A link to these fact sheets is available on our website.

Bitcoin and Cryptocurrencies

With the increasing usage of Bitcoin and other cryptocurrencies, the tax office has released some guidelines on how tax rules apply to the usage of cryptocurrencies. For the purposes of this article we'll refer to Bitcoin, but the treatment of other cryptocurrencies will be the same.

The tax treatment will depend on how the Bitcoin is being used. If you use the Bitcoin as a form of payment for goods or services used, then the Bitcoin is treated as another form of currency. If you are buying and selling Bitcoin with the plan of making a profit out of the trading, then it would be treated as trading stock and the cost of buying the Bitcoin becomes a purchase expense. However, if you purchase Bitcoin with the plan of holding onto it for a longer term in the hope that it gains in value, then the Bitcoin becomes a capital item and subject to capital gains tax calculations.

Whilst ownership of Bitcoin is recorded by a series of numbers and electronic addresses, rather than names, some people believe that they have complete anonymity. However, by matching Bitcoin records with other business transactions, the tax office believes they can identify owners and transactions.

The tax office is developing methods to track and monitor transactions to ensure that holders of Bitcoin are correctly including any transactions that become profit making activities which would be subject to income tax. Additionally, they are working with Austrac and other government departments to be aware of money laundering transactions.

2018 Budget Update

The Government handed down the 2018/19 Federal Budget on Tuesday 8th May 2018. Some of the important proposals include:

- The introduction of the 'Low and Middle Income Tax Offset', a temporary non-refundable tax offset of up to $530 p.a. to Australian resident low and middle income taxpayers for the 2019 to 2022 income years. This offset will apply *in addition* to the Low Income Tax Offset.
- Providing tax relief for individual taxpayers by progressively increasing some of the tax brackets (including an increase in the top threshold of the 32.5% personal income tax bracket from $87,000 to $90,000 from 1 July 2018), and eventually removing the 37% tax bracket entirely.

Personal Income Tax Rates 2018/19

Taxable Income	Tax Rate
0— 18,200	Nil
18,201— 37,000	19%
37,001— 90,000	32.5%
90,001—180,000	37%
180,001 +	47%

Remember the higher tax rate only applies to income over the threshold. Any income below the threshold is taxed at the lower tax rate. The Medicare Levy is additional to these tax rates.

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