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Changes to company tax rate and franking rules

The Senate passed amendments to the company tax rate and franking rate rules applying from the 2018 income year onwards. *Treasury Laws Amendment (Enterprise Tax Plan Base Rate Entities) Bill 2018* also introduces a passive income test which is designed to ensure that the lower company tax rate is not available to companies if more than 80% of total assessable income for the year is passive in nature (such as interest or rent). In tandem with the legislation the Australian Taxation Office (ATO) released draft guidance on how to apply the passive income test in a range of practical solutions.

Drought assistance measures

The Government has announced a series of measures that are aimed at providing financial assistance to farmers affected by drought conditions. This includes funding for community infrastructure, increasing the amount that farmers can borrow in low-interest loans to $2m and further funding for the Bureau of Meteorology.

From a tax perspective the Government has announced that primary producers will be able to claim an immediate deduction for the cost of fodder storage assets such as silos and hay sheds used to store grain. Currently primary producers can deduct the costs of these assets over three years.

MYOB AccountRight v19

As of 30th September 2019, MYOB will no longer provide features, patches, compliance updates or product support for AccountRight Classic (sometimes known as v19).

After this date anyone with a perpetual licence will still be able to access their file, but you will no longer have updates to your software. This means no new feature updates and no new compliance updates. MYOB will also no longer provide updates to ensure AccountRight works on new Windows operating systems.

If you have employees, we would recommend contacting the office to discuss software options as you may need to upgrade in order to use single touch payroll.

TEXT MESSAGES

We are currently trialling a new text message service to remind clients of their annual company statement obligations.

If you do not wish to receive reminders via text message, please contact the office on 02 6813 0799

Safe harbour of sales of inherited dwellings

When someone inherits a dwelling from a deceased individual there are some special rules contained within the main residence exemption provisions which can provide a full exemption if certain conditions. Similar provisions apply where the dwelling is sold by the executor of the estate. In some cases the property needs to be sold within two years of the date of death to qualify for the exemption, although the Commissioner has the discretion to extend this period in some situations.

The ATO has issued practical compliance guideline (PCG) which sets out the factors that the Commissioner will take into account in deciding whether to extend this time period beyond the initial two year period. The ATO indicates that an extension will generally be granted if it can be shown that the dwelling could not be sold within two years due to reasons beyond the control of the beneficiary or executor, including where the will has been challenged or the complexity of the estate delays the completion of the administration of the estate.

In addition to this, the ATO has indicated that taxpayers can assume that the time period has been extended if certain conditions are met, without having to ask the Commissioner for the extension. The main conditions that need to be met to qualify for this sage harbour are:

- During the first two years after the interest in the dwelling passed to the beneficiary or executor, more than 12 months was spent addressing one or more of the circumstances described in paragraph 14 of the draft PCG (eg, a challenge to the will etc);
- The dwelling was listed for sale as soon as practically possible after those circumstances were resolved and the sale was actively managed to completion;
- The sale settled within six months of the dwelling being listed for sale;
- The circumstances described in paragraph 15 of the draft PCG were immaterial to the delay in disposing of the dwelling; and
- The longer period for which you would otherwise need the discretion to be exercised is no more than 12 months.

A taxpayer seeking to rely on the safe harbour would need to ensure that records are kept showing that the conditions above were satisfied.

Data matching for short term accommodation

The ATO will be collecting data from online accommodation platforms with the aim of identifying taxpayers who may have engaged in providing accommodation services through these platforms during the 2017, 2018, 2019 and 2020 income years.

The ATO will be electronically matching the data with other information held by the ATO to identify those who might not be complying with their tax obligations.

If you have earned rental income through platforms such as Airbnb and Stayz generally you need to recognise the payments received as assessable income, even if this is done on an ad hoc or occasional basis. Using a property to derive rental income on a short term basis can also impact on the ability to apply the main residence exemption to any capital gain that is made on future sale of the property.

Easing access to Government support for farmers

Farm Household Support Amendment (Temporary Measures) Bill 2018

The Farm Household Support Amendment (Temporary Measures) Bill 2018 rapidly passed through Parliament (entering the house on 16 August and passing both houses on 23 August). The Bill eases the assets limit from $2.635 million to $5 million to enable more farmers to access the Farm Household Allowance and introduces a new two part payment supplement. The measures are temporary from 1 September 2018 until 1 June 2019.

The FHA program provides qualifying farmers and their partners one-on-one case support, an Activity Supplement for planning and training and an income support payment, paid at the same rate as Newstart Allowance, to help meet household expenses.

FHA is subject to an income test in line with Newstart Allowance and a tailored, two tier assets test. The first tier of the assets test relates to non-farm assets and is the same as Newstart Allowance. The second tier relates to net farm assets and is currently set at $2.635 million, indexed annually (whether they are single or partnered). In order to be eligible for FHA farmers must meet income and both the non-farm and farm assets tests.

The Bill will operate to provide a two-part payment to qualifying FHA recipients from 1 September 2018 until 1 June 2019. The Bill also increases the net farm assets limit from $2.635 million to $5 million until 30 June 2019, with a Minister's rule to specify the start date for the increased net farm assets limit following commencement of the Bill.

The Bill received royal assent on 24 August 2018.

Speeding up repayments and lifetime limits to HELP

Higher Education Support Legislation Amendment (Student Loan Sustainability) Bill 2018

New lifetime caps on Higher Education Loan Program (HELP) debt will prevent people from constantly going to University without converting that study into a viable career. From 1 January 2019, new loan limits come into force:

- $150,000 – for students undertaking medicine, dentistry and veterinary science courses (as defined in HESA). The new limit is more than the intended FEE-HELP limit for 2019 of $130,552.
- $104,440 – for other students.

The new lifetime limits only apply to new loans. Existing debt is not taken into account.

New CPI indexed repayment thresholds also come into force. From 1 July 2019, the level of income at which HELP debt is repaid reduces from the current threshold of $51,957 to $45,000. Plus, the maximum repayment rate that applies will increase to force higher income earners to pay back the debt sooner. Those on incomes of $131,989 plus, will need to pay back the debt at a rate of 10% per annum (the current limit is capped at 8% once income reaches $107,214).

The Bill received royal assent on 24 August 2018.