

YEAR-END BREAK

What can we say about the year 2018? For sure and certain it was another big one, and is almost at an end. "Thank goodness, I need a break!" we hear some of you cry. But, on a serious note, we cannot thank YOU, our fantastic clients, enough for your custom and support this year.

For now, it is time to take a break, reset and refresh or 2019. On that note, our office will be closed during the following dates:

From 11am Friday 21st December 2018

To 8.00am Monday 7th January 2019.

We wish you and your loved-ones a happy, safe and joyous Christmas and a healthy and prosperous New Year.

Alicia, Bev, Dan, Gavin, Jess, Julie, Karis, Kathryn, Larissa, Marg, Michael, Paul, Pippa, Rhys, Shirley, Stuart and Tara.

PROPOSED EXPANSION OF STP TO SMALLER EMPLOYERS

Single Touch Payroll ('STP') commenced on 1 July 2018 for approximately 73,000 employers who have 20 or more employees.

There is currently legislation before Parliament to expand STP to **all** employers from 1 July 2019 and it is estimated that there will be more than 700,000 employers who will enter STP as a result.

Even though the proposed expansion is not yet law, the ATO recommends that smaller employers consider voluntarily opting-in to STP early.

The ATO acknowledges there is a large number of very small employers who have less than five employees ('micro-employers') who do not currently use a payroll

product and has indicated that they are **not** looking to force them to take up a product to comply with STP.

Efforts are being made to work with industry to look at some alternate reporting mechanisms.

It is being reported that software developers, and even some of the larger banks, have shown an interest in developing some kind of product that would enable micro-employers to provide the necessary data to comply with STP at a low cost.

Employers who are in an area that has internet issues or challenges are reminded that there are potential exemptions available under STP.

The ATO is currently consulting with focus groups to look at flexible options to transition micro-employers to STP over the next couple of years.

Assuming the relevant legislation passes, the ATO does not realistically expect that everyone will start STP from 1 July 2019 and has indicated that it will be flexible with the commencement date, including the provision of deferrals to help stagger the uptake.

Editor: This is a very positive message from the ATO, particularly for micro-employers. Hopefully, together with the relevant software developers, they are able to come up with a low-cost and simple alternative for those who do not currently use payroll software to comply with their STP obligations.

COMPANY LOANS TO SHAREHOLDERS UNDER REVIEW

The Federal Government has released a consultation paper outlining proposed reforms to 'simplify' the loan agreements that are generally required when a shareholder (or their associate) borrows funds (or receives a payment) from a related company.

Editor: Broadly, where a private company makes a payment or loans funds to a shareholder and/or their

associate, the amount will be treated as a taxable **unfranked dividend** paid to the recipient.

To avoid this, many shareholders enter into complying 'Division 7A loan agreements' (basically agreeing to repay the relevant amount within 7 years, or 25 years if the loan is secured).

With this in mind, Treasury is currently looking at (amongst other things):

- simplifying the Division 7A loan rules by converting to a new 10-year model; and
- clarifying that distributions from a trust to a 'bucket' company that remain 'unpaid present entitlements' come within the scope of Division 7A.

Editor: The proposed amendments are intended to apply from 1 July 2019 and will arguably be the most significant tax reforms impacting business and investment clients over the next two years.

At this stage of the consultation process, the Government is currently considering submissions made with respect to these proposals and it is expected that draft legislation, and further clarity, will be available early in the 2019 calendar year.

ATO TO SEND TEXT MESSAGES IF BANK ACCOUNT DETAILS INCORRECT

The ATO has advised that it will send SMS text messages directly to taxpayers where incorrect bank account details were included in their tax returns and they were entitled to a refund.

The SMS will advise impacted taxpayers that:

- their refund cannot be processed due to incorrect bank account details; and
- they should phone the ATO on 13 28 61 to correct their details.

If impacted taxpayers contact the ATO with their correct details within seven days, any refund due will be issued electronically.

Editor: In the wake of an increase in recent tax fraud attempts, it is clear that taxpayers need to exercise additional caution when dealing with electronic messaging from (or purportedly from) the ATO.

*The authenticity of ATO correspondence can be verified by calling the ATO on **1800 008 540**; however, if you are ever unsure about any correspondence received, please contact our office.*

SCAMMERS IMPERSONATING TAX AGENTS

The ATO has received increasing reports of a new take on the 'fake tax debt' scam, whereby scammers are now impersonating registered tax agents to lend legitimacy to their phone call.

The fraudsters do this by coercing the victim into revealing their agent's name and then initiating a three-way phone conversation between the scammer, the victim, and another scammer impersonating the victim's registered tax agent or someone from the agent's practice.

As the phone conversations with the scammers appeared legitimate and the victims trusted the advice of the scammer 'tax agent', victims have been falling for this new approach.

In a recent example, a victim withdrew thousands of dollars in cash and deposited it into a Bitcoin ATM, fearing that police had a warrant out for their arrest.

The ATO is reminding taxpayers that they will never:

- demand immediate payments;
- threaten them with arrest; or
- request payment by unusual means, such as iTunes vouchers, store gift cards or Bitcoin cryptocurrency.

Taxpayers are advised that if they are suspicious about a phone call from someone claiming to be the ATO, then they should disconnect and call the ATO or their tax agent to confirm the status of their tax affairs and verify the call.

ATO CONTACT REGARDING BUSINESS CARS AND FRINGE BENEFITS TAX ('FBT')

The ATO has recently advised that it will be contacting taxpayers (and tax agents on behalf of their clients) that have been identified as having cars registered in their business name who have **not** lodged an FBT return.

The ATO has reminded businesses that:

- a car fringe benefit will occur when a business owns or leases a car and makes it available for an employee's private travel or use (including garaging the car at or near an employee's home and making it available for private use); and that
- business directors are also 'employees' for FBT purposes.

RHYS' BEST JOKE

I've decided to sell my vacuum cleaner. It was just collecting dust.

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