

# TAX MATTERS

Tax strategies for you and your business

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## Proposed tax changes for 2014

The Government plans to abolish a number of tax measures that could have a mixed impact on individuals and businesses.

The Government has recently moved to repeal both the Carbon and Mining Tax. These changes are intended to reduce the cost of living for Australians, help Australia become more competitive globally, reduce red tape for businesses, and reduce Government expenditure associated with administering these taxes.

It is important to be aware of these potential changes as decisions pre and post 1 January 2014 could have serious implications and end up costing both businesses and individuals thousands of dollars.

Below are some of the potential changes,

however, take note that these changes are still yet to become law:

### Instant asset write-off threshold

Small business (generally those with a turnover of less than \$2 million) can currently claim an immediate deduction for depreciating assets costing less than \$6,500. From 1 January 2014, this threshold will drop to \$1000.

### \$5000 deduction for motor vehicles

From 1 January 2014, the \$5000 immediate deduction for motor vehicles purchased by small businesses will be removed.

If businesses are considering purchasing a motor vehicle they have until 31 December 2013 to be able to claim the deduction.

### Loss carry back measures

The loss carry back measures allows

companies to offset tax they have paid in the previous years against current year losses.

The repeal of this measure will mean that companies will only be able to use the loss carry back measures for the 2013 income year.

### Superannuation guarantee slowed

The proposed measures will slow down the increase of the superannuation guarantee (SG).

The SG was supposed to reach 12 per cent in July 2019; however these new measures will see it happen in June 2021.

These changes have not been passed through Parliament. However, business owners in particular, should bear in mind that these measures will result in some gains and some losses. Some of the changes will be very time specific and may require expenditure in order to take advantage of the changes.

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# Dependant tax offset changed

A new dependant tax offset allows individuals to claim an offset for invalids and carers.

At the start of the 2012-13 financial year, the ATO made some changes to how individuals can claim offsets for dependants when lodging a tax return.

One change is the eligibility age for the dependant tax offset. The offset can now only be claimed for a spouse who was born before 1st July 1952.

These changes also consolidated eight of the existing dependency tax offsets into a single, streamlined and non-refundable tax offset from 1 July 2012.

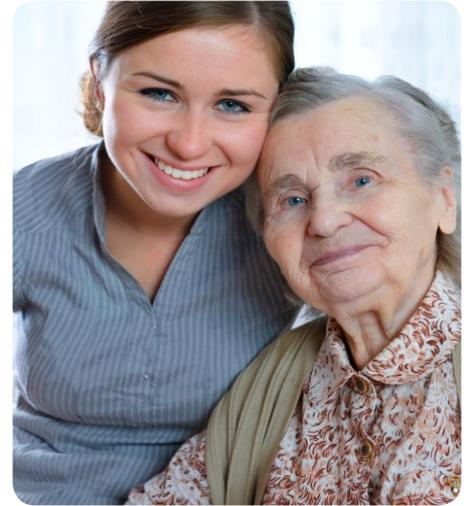
The tax offsets that have been consolidated are

the invalid spouse, carer spouse, housekeeper, housekeeper (with child), child-housekeeper, child-housekeeper (with child), invalid relative and parent/parent-in-law tax offsets.

The new dependant (invalid and carer) tax offset will only be made available to taxpayers who maintain a dependant who is genuinely unable to work due to their invalidity or carer obligations.

There are a number of requirements to be met before a taxpayer can claim the offset:

- maintenance of a dependant
- eligibility of the dependant
- invalidity or carer obligations
- income requirements
- cannot be in receipt of other entitlements



## TAX TIP

For the 2013-14 income year, the ATO will be using a 3 per cent gross domestic product (GDP) adjustment to work out quarterly pay as you go (PAYG) instalment amounts.

## Tax cheat crackdown

The Australian Crime Commission (ACC) and the ATO are working together to identify and catch tax cheats.

The \$2 million contract commenced on 26 August 2013 and will be in force for two years.

The ACC will supply the ATO with static and mobile surveillance in an effort to catch individuals who are not fulfilling their tax obligations.

This new tax surveillance team will be focusing on key areas of tax crime that were identified as hotspots by the Tax Office.

These key areas can expect to be scrutinised under the new surveillance arrangement:

- international tax evasion, and in particular the people who advise cheats
- refund fraud; people who dishonestly claim refunds, rebates or offsets that they are not entitled to
- the cash economy; when people do not declare the cash they receive as income
- fraudulent activity; where a company goes into liquidation and leave its debts behind while the assets are shifted into a new entity that begins trading again
- tax avoidance scheme; an array of arrangements that involve the use of a trust to avoid tax and super laws

# New push tax returns



The ATO has recently revealed that over a million Australians may be able to avoid filling in a tax return in 2014.

As many as 1.4 million Australians could be offered new 'push' returns from as early as next year. Lodging a tax return will still be necessary; however the process of filling the tax return in will be simplified.

This planned product, known as Streamlined Income Tax Return, will be available to Australians who have simple and

straightforward tax affairs.

The ATO already collects the majority of information that is required to fill and lodge a tax return and plans to use this information to pre-fill a taxpayer's tax return.

Streamlined Income Tax Return will allow taxpayers to log straight onto the ATO's system. They will only need to prove their identity to be able to view a completely pre-filled tax return.

This tax return will already have all the relevant information provided by third parties such as banks, employers, Centrelink or Medicare.

This pre-filled return will also list estimates of items such as work-related deductions. This estimate will be calculated by rolling over information used in past tax returns.

Streamlined Income Tax Return will potentially be available on tablets and smart phones. The ATO is also looking at establishing the new system on a cloud based platform so that taxpayers can access it at any location, or save it and come back to it later.

However, it is important to note if taxpayers lodge an incorrect pre-filled return with the ATO they will be liable for the mistake and could incur a fine. Streamlined Income Tax Returns will only be suitable for those taxpayers with simple tax affairs. Taxpayers will still benefit from the services of a trusted tax agent who understands their individual circumstances.