

Practice Update

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August 2017

ATO warning regarding work-related expense claims for 2017

The ATO is increasing attention, scrutiny and education on work-related expenses (WREs) this tax time.

Assistant Commissioner Kath Anderson said: *"We have seen claims for clothing and laundry expenses increase around 20% over the last five years. While this increase isn't a sign that all of these taxpayers are doing the wrong thing, it is giving us a reason to pay extra attention."*

Ms Anderson said common mistakes the ATO has seen include people claiming ineligible clothing, claiming for something without having spent the money, and not being able to explain the basis for how the claim was calculated.

"I heard a story recently about a taxpayer purchasing everyday clothes who was told by the sales assistant that they could claim a deduction for the clothing if they also wore them to work," Ms Anderson said.

"This is not the case. You can't claim a deduction for everyday clothing you bought to wear to work, even if your employer tells you to wear a certain colour or you have a dress code."

Ms Anderson said it is a myth that taxpayers can claim a standard deduction of \$150 without spending money on appropriate clothing or laundry. While record keeping requirements for laundry expenses are "relaxed" for claims up to this threshold, taxpayers do need to be able to show how they calculated their deduction.

The main message from the ATO was for taxpayers to remember to:

- Declare all income;
- Do not claim a deduction unless the money has actually been spent;
- Do not claim a deduction for private expenses; and
- Make sure that the appropriate records are kept to prove any claims.

GST applies to services or digital products bought from overseas

From **1 July 2017**, GST applies to imported services and digital products from overseas, including:

- ◆ digital products such as streaming or downloading of movies, music, apps, games and e-books; and
- ◆ services such as architectural, educational and legal.

Australian GST registered businesses will not be charged GST on their purchases from a non-resident supplier if they:

- provide their ABN to the non-resident supplier; and
- state they are registered for GST.

However, if Australians purchase imported services and digital products only for personal use, they should not provide their ABN.

Imposition of GST on 'low-value' foreign supplies

Parliament has passed legislation which applies GST to goods costing \$1,000 or less supplied from offshore to Australian consumers from **1 July 2018**.

Using a 'vendor collection model', the law will require overseas suppliers and online marketplaces (such as Amazon and eBay) with an Australian GST turnover of \$75,000 or more to account for GST on sales of low value goods to consumers in Australia.

The deferred start date gives industry participants additional time to make system changes to implement the measure.

Editor: It should be noted that this is a separate measure to that which applies GST to digital goods and services purchased from offshore websites, as outlined above.

New threshold for capital gains withholding

From **1 July 2017**, where a foreign resident disposes of Australian real property with a market value of \$750,000 or above, the purchaser will be required to withhold 12.5% of the purchase price and pay it to the ATO unless the seller provides a variation (this is referred to as 'foreign resident capital gains withholding').

However, Australian resident vendors who dispose of Australian real property with a market value of \$750,000 or above will need to apply for a **clearance certificate** from the ATO to ensure amounts are not withheld from their sale proceeds.

Therefore, all transactions involving real property with a market value of \$750,000 or above will need the vendor and purchaser to consider if a clearance certificate is required.

Action to address super guarantee non-compliance

The Government will seek to legislate to close a loophole that could be used by unscrupulous employers to short-change employees who choose to make salary sacrificed contributions into their superannuation accounts.

The Government will introduce a Bill into Parliament this year that will ensure an individual's salary sacrificed contributions do not reduce their employer's superannuation guarantee obligation.

Change to travel expenses for truck drivers

Editor: The ATO has released its latest taxation determination on reasonable travel expenses, and it includes a big change for employee truck drivers.

For the 2017/18 income year, the reasonable amount for travel expenses (excluding accommodation expenses, which must be substantiated with written evidence) of employee truck drivers who have received a travel allowance and who are required to sleep away from home is **\$55.30 per day** (formerly a total of \$97.40 per day for the 2016/17 year).

If an employee truck driver wants to claim more than the reasonable amount, the whole claim must be substantiated with written evidence, not just the amount in excess of the reasonable amount.

Editor: The determination includes an example of a truck driver who receives a travel allowance of \$40 per day in 2017/18 (\$8,000 over the full year for 100 2-day trips), but who spent \$14,000 on meals on these trips.

In terms of claiming deductions for these expenses, he can either claim \$14,000 as a travel expense (if he kept all of his receipts for the food and drink he purchased and consumed when travelling), or just rely on the reasonable amount and claim \$11,060 (\$55.30 x 200 days) as a travel expense (in which case he will need to be able to show (amongst other things) that he typically spent \$55 or more a day on food and drink when making a trip (for example, by reference to diary entries, bank records and receipts that he kept for some of the trips)).

Car depreciation limit for 2017/18

The car limit for the 2017/18 income year is \$57,581 (the same as the previous year). This amount limits depreciation deductions and GST input tax credits.

Example

In July 2017, Laura buys a car to which the car limit applies for \$60,000 to use in carrying on her business. As Laura started to hold the car in the 2017/18 financial year, in working out the car's depreciation for the 2017/18 income year, the cost of the car is reduced to \$57,581.

Div.7A benchmark interest rate

The benchmark interest rate for 2017/18, for the purposes of the deemed dividend provisions of Div.7A, is 5.30% (down from 5.40% for 2016/17).