

Hope that you're well! Here are some of Aug-Oct 2019 updates from NTAA, CPA, ATO Agent Newsletters and other resources for your information and reference:

- **Low and middle income tax offset now law**

- The low and middle income tax offset (LAMITO) has been increased from a maximum amount of \$530 to \$1,080 per annum and the base amount increased from \$200 to \$255 per annum

So taxpayers with a taxable income:

- \leq \$37,000 can now receive a LAMITO up to \$255
- $>$ 37,000 and $<$ 48,001 can now receive \$255 plus an amount equal to 7.5% to the maximum offset of \$1,080
- $>$ 48,000 and $<$ 90,001 eligible for a maximum LAMITO of \$1,080
- $>$ 90,000 and $<$ 126,000 eligible for a LAMITO of \$1,080 less an amount equal to 3% of the excess.

- **ATO watching for foreign income this Tax Time**

- If you're an Australian resident for tax purposes, you are taxed on your worldwide income, so you must declare all of your foreign income no matter how small the amount may be.
- This may include income from offshore investments, employment, pensions, business and consulting, or capital gains on overseas assets.
- Even if you have paid tax on the overseas income it must be reported to the ATO, however you may be eligible to claim a foreign income tax offset to account for any foreign tax paid.

- **ATO released impersonation scam update**

Unbelievably, scammers are still successfully hiking Australians, as of July 2019:

- 6,179 online scam reports were received in the first month of ATO new online reporting from going live.
- 6,645 phone scam reports were officially recorded (up 200 from June)
- 520 taxpayer provided scammers with their personal identifying information including DOB, TFN, Drive License and NOA details

- \$197,057 was reported being paid to scammers – Google Play the highest payment to scammers, averaging \$5,740 per payment: people aged 25 to 34 paying the highest amount, mostly by iTunes and Google Play.
- **Deductions for a company or trust home-based business**
- If you run a home-based business as company or trust your business should have *a genuine, market-rate rental contract* with the owner of the property
- The agreement will determine which expenses the business pay for and can claim as a deduction.
- The property owner must report the rental income that he receives from his company in his personal tax return, he can claim a deduction for any of his expenses from making that income.
- When he sells his property, he may have to pay tax on a portion of any capital gain he makes – the Main Residence Exemption (MRE) will not apply.
- **Federal Court provides clarification on the personal services income rules**
- Income is classified as PSI when more than 50% of the income received under a contract is for a taxpayer’s labour, skills or expertise.
- The PSI rules ensure that individuals cannot reduce or defer their income for their personal services through companies, partnerships or trusts. If the rules apply, the individual is taxed on the income directly.
- The rule do not apply if at least 75% of the individual’s PSI is for producing a result, where the individual supplies all the required “tools of trade” and is liable for rectifying defects in the work (result test)
- Ref: Douglass v FCT (2019) FCA 1246 and Fortunatow v FCT (2019) FCA 1247
- **Recent tax cases update:**
- No MRE for trust beneficiary – The Federal Court has held that a capital gain made on the sale of a property should be included in the assessable income of a taxpayer, the main residence exemption cannot be applied. Ref: Mingos V Commissioner of Taxation (2019) FCA 834
- Interposed entity Div. 7A rules applied to trust loan – The AAT has upheld the application of the interposed entity rules of Div. 7A to deem a loan from a trust to be a dividend to the recipient (of almost \$3.5million) as the loan failed to satisfy the 110% security requirement. Ref: Howard v FCT (2019) AATA 1910

Important Dates – Nov'19

21 November

- Lodge and pay October 2019 monthly business activity statement.

25 November

- Lodge and pay quarter 1, 2019–20 activity statement if you lodge electronically.

28 November

- Lodge and pay quarter 1, 2019–20 *Superannuation guarantee charge statement - quarterly* if the employer did not pay enough contributions on time.

Employers lodging a *Superannuation guarantee charge statement - quarterly* can choose to offset contributions they paid late to a fund against their super guarantee charge for the quarter. They still have to pay the remaining super guarantee charge.

Note: The super guarantee charge is not tax deductible.

- **To book an appointment for 2019 Tax Return or other tax related enquiry, please contact:**

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