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CHARTERED ACCOUNTANTS

*Where it all comes together*

# INDIVIDUALS - 2018

**Budget Repair Levy - Gone**
The Budget repair levy (i.e. a levy of 2% on that part of an individual's taxable income which exceeds $180,000) no longer applies in 2018.

**Claiming work related deductions.**
Taxpayers who are over-claiming work-related expenses (e.g. vehicle, travel, internet and mobile, home office, phone and self-education) are on the ATO's hitlist.
A deduction is allowable if you can show that an expense was:

- actually incurred
- meets the deductibility tests, and
- satisfies the substantiation rules.

Please refer to our website under Tax Tips for details in relation to these rules.

**Bring forward tax deductible expenses through prepayments**
Individual non-business taxpayers may prepay expenses up to 12 months ahead (i.e. pay tax deductible expenses relating to the 2019 income year before 30 June 2018).

**Examples of prepaid expenses for individuals**:

- Investment property expenses such as insurance, rates, repairs and maintenance and strata fees;
- Subscriptions to professional journals and memberships to professional associations;
- Interest on investment loans (e.g. for share portfolios and investment properties);
- Income protection insurance; or

Business travel expenses (e.g. airfares and accommodation) even if the trip will only take place in the 2019 income tax year.

**Tax deductions for personal superannuation contributions**
Eligibility rules for claiming a deduction for personal superannuation contributions have changed. Previously only those taxpayers who were primarily self-employed could claim this deduction.
From 1 July 2017 most taxpayers under 75 years (including those aged 65 to 74 who meet the work test) are able to claim a deduction for personal super contributions regardless of their employment arrangement.

| **Important superannuation numbers for the 2018 tax year** | |
|---|---|
| CGT cap for non-concessional contributions | $1.445 million |
| Concessional contributions cap | $25,000 |
| Non-concessional contributions cap | $100,000 (or $300,000 under the 3-year bring forward rule) |
| Superannuation guarantee | 9.5% |
| General transfer balance cap | $1.6 million |
| Total superannuation balance threshold | $1.6 million |

## PROPERTY RELATED ISSUES

From 1 July 2017, individuals, discretionary trusts and SMSFs will no longer be able to claim ***travel expenses*** (e.g. motor vehicle expenses, taxi or car hire costs, airfares or public transport costs or meals or accommodation related to the travel) incurred to inspect residential rental roperties. Such disallowed travel deductions will also not be included in the cost base or reduced cost base of the rental property.

However, taxpayers may still claim travel expenses to inspect commercial premises and residential premises used to carry on a business (e.g. premises used as a retirement village).

Property management expenses paid to real estate agents (which may involve real estate agents incurring travel expenses to inspect the residential rental property) will still be deductible.

Also from 1 July 2017, taxpayers cannot claim **depreciation** of second hand plant and equipment in rental properties used for residential accommodation. These changes may apply to second hand plant and equipment acquired on or after 7.30pm on 9 May 2017 unless acquired under a contract entered into before this time.

### New GST withholding Rule on sale of new residential premises from 1 July 2018

For the 2018 income tax year, purchasers of new residential premises pay a GST inclusive amount to the seller (i.e. GST is included in the purchase price so the purchaser pays GST to the seller and the seller must remit the GST to the ATO).

However, from 1 July 2018, under a recently enacted law, purchasers of new residential premises will have to pay the GST component of the purchase price directly to the ATO:

- For sale contracts signed on or after 1 July 2018, the purchaser will be required to withhold and pay 10% of GST to the ATO on the day the consideration is provided; and
- For sale contracts signed before 1 July 2018, the 10% GST withholding rule will only apply to payments made on or after 1 July 2020 (i.e. there is a 2-year transitional period where GST withholding will not apply to consideration provided in this transitional period).

This new GST withholding regime does *not* apply to the sale of ***used (i.e. not new) residential properties or the sale of new or used (i.e. not new) commercial premises***.

### Proposal that foreign residents will no longer qualify for main residence exemption

Currently, any individual (regardless of their tax residency status) who sells their home can qualify for either:

- the full main residence CGT exemption (e.g. if the residence has been used as a main residence throughout the whole ownership period - whether through actual use or imputed use - there are various main residence extension rules that impute main residence use to taxpayers even though the home was not used as a main residence in that time e.g. 6-year absence rule); or
- the partial main residence CGT exemption (e.g. if the residence has been used partly as main residence and partly for income-producing purposes during the ownership period).

However, a Bill before Parliament, if enacted, will mean that any individual vendor that is a non-resident (for tax purposes) at the time they sign a contract to sell their home will no longer be able to qualify for the full or partial main residence exemption - regardless of how long the home has actually been used as a main residence. The full or partial main residence exemption will not be available for non-residents signing a contract of sale to sell their homes:

- after 9 May 2017 - for homes acquired after 9 May 2017; and
- after 30 June 2019 - for homes acquired on or before 9 May 2017.