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Medicare Levy Surcharge and Private Health Insurance Rebate

Income thresholds

Legislation was passed in October 2014 to pause for three years the income thresholds which determine the tiers for the Medicare levy surcharge and government rebate on private health insurance from the 2015-16 financial year. Usually the income amounts would be increased by an indexed amount, but this is not going to happen for the next three years. The tables below set out the income levels for singles and families and confirm the income amounts will remain the same from the 2015 to the 2018 income years:

Singles

Income Year	Base Tier	Tier 1	Tier 2	Tier 3
2013-14	\$88,000 or less	\$88,001 - \$102,000	\$102,001 - \$136,000	\$136,001 or more
2014-15	\$90,000 or less	\$90,001 - \$105,000	\$105,001 - \$140,000	\$140,001 or more
2015-16	\$90,000 or less	\$90,001 - \$105,000	\$105,001 - \$140,000	\$140,001 or more
2016-17	\$90,000 or less	\$90,001 - \$105,000	\$105,001 - \$140,000	\$140,001 or more
2017-18	\$90,000 or less	\$90,001 - \$105,000	\$105,001 - \$140,000	\$140,001 or more

Family

Income Year	Base Tier	Tier 1	Tier 2	Tier 3
2013-14	\$176,000 or less	\$176,001 - \$204,000	\$204,001 - \$272,000	\$272,001 or more
2014-15	\$180,000 or less	\$180,001 - \$210,000	\$210,001 - \$280,000	\$280,001 or more
2015-16	\$180,000 or less	\$180,001 - \$210,000	\$210,001 - \$280,000	\$280,001 or more
2016-17	\$180,000 or less	\$180,001 - \$210,000	\$210,001 - \$280,000	\$280,001 or more
2017-18	\$180,000 or less	\$180,001 - \$210,000	\$210,001 - \$280,000	\$280,001 or more

It is anticipated indexation to increase the income amounts will begin again from the 2018-19 income year.

Private health insurance rebate percentage

From 1 April each year, the private health insurance rebate percentages for premiums paid will be subject to an annual adjustment. The rebate adjustment factor is based on a formula that uses the Consumer Price Index and the average annual increase in premiums. The first annual adjustment occurred on 1 April 2014.

This means there will be two different rebates to enter in your tax return for each tax year:

- from 1 July 2014 to 31 March 2015, and
- from 1 April 2015 to 30 June 2015.

These different rebates appear on your private health insurance statement as two separate lines. Both must be entered on your tax return.

The rebate amount for the period 1 July 2014 to 31 March 2015 is:

Age range	Base Tier	Tier 1	Tier 2	Tier 3
Under 65 years	29.04%	19.36%	9.68%	0%
65 – 69 years	33.88%	24.20%	14.52%	0%
70 years and over	38.72%	29.04%	19.36%	0%

Please note: We are awaiting the private health insurance rebate percentages for the period 1 April 2015 to 30 June 2015. We expect to receive these in April and will send them to you as soon as they are released.

Private health insurance rebate - reversal of amendments

The ATO has advised that it regularly matches data with health insurers to identify taxpayers who received the private health insurance (PHI) rebate through reduced premiums and have also claimed them in their income tax return. When this double claim occurs, the ATO automatically amends the taxpayer's assessment to remove the rebate.

The ATO has reviewed amendments to reverse double claims for the PHI rebate and has identified some that have been made outside the taxpayer's period of review.

The ATO says that in limited circumstances an assessment may be amended at any time to give effect to the provisions that relate to the PHI rebate.

The ATO has advised that if there are taxpayers affected, the ATO will write to the taxpayer's registered contact (this could be your tax agent) about this decision and tell them a notice of amended assessment will issue soon. If you have been affected by this, you may have already received a notice of amended assessment, in which case, you should talk to your tax agent about it.

Medicare Levy Surcharge amounts

The following Medicare Levy surcharge amounts apply for the 2014-15 Income Year depending on which income tier you fall into (refer to the income tables above):

Income Tier	Base Tier	Tier 1	Tier 2	Tier 3
Surcharge amount	0%	1%	1.25%	1.5%

To do!

Completing your private health insurance rebate information in your tax return has become a little tricky with the introduction of an annual adjustment on 1 April for the private health insurance rebate percentages as now you have double the information to include in your return. See your tax agent for help in completing this part of return.

Superannuation guarantee rate

Previous editions of *TaxWise* have noted the change in the superannuation guarantee rate amounts. The rates have been included again as, if you are an employee, you should make sure your employer is contributing the right amount into your superannuation account:

Year	Superannuation guarantee rate percentage
From 1 July 2013	9.25%
From 1 July 2014	9.5%
From 1 July 2015	9.5%
From 1 July 2016	9.5%
From 1 July 2017	9.5%
From 1 July 2018	9.5%
From 1 July 2019	9.5%
From 1 July 2020	9.5%
From 1 July 2021	10%
From 1 July 2022	10.5%
From 1 July 2023	11%
From 1 July 2024	11.5%
From 1 July 2025	12%

Note!

Check you are getting the right amount of super being paid into your super fund.

Super contributions caps

With the super guarantee rate having changed, it is worth remembering what the contributions caps are as well.

The *concessional contributions general cap* includes:

- employer contributions (including contributions made under a salary sacrifice arrangement);
- personal contributions claimed as a tax deduction by a self-employed person.

The *non-concessional contributions cap* includes personal contributions for which you do not claim an income tax deduction.

Both of these are noted in the table below.

Income year	Concessional contributions general cap	Non-concessional contributions cap
2014-15	\$30,000**	\$180,000
2015-16	\$30,000	\$180,000

**If you are 49 years old or over on 30 June 2014, the concessional contributions cap is temporarily increased for the 2014-15 income year to \$35,000. This cap is not indexed and will cease to apply when the indexed cap that otherwise applies reaches \$35,000.

Changes to superannuation excess concessional contribution cap

From 1 July 2013, if you exceed your concessional contributions cap, the excess amount will be included in your assessable income and taxed at your marginal rate. An interest charge also applies.

You can choose to release out of your super fund up to 85% of the excess contribution made if you complete an election form. If you do elect to release an amount, the ATO will issue your super fund with an 'excess concessional contributions release authority'. Your super fund must pay the amount to be released to the ATO (as well as return the release authority statement) within 7 days.

The released amount must be paid directly to the ATO and is to be treated as a non-assessable, non-exempt benefit payment to the member.

To do!

It is worth checking your super fund account to ensure no excess contributions have gone in, or if they have, considering whether you want to withdraw them. Talk to your tax agent if you are unsure whether the right amount of super has been paid into your account.

Amendment to taxing excess super contributions

Following on from the above, the *Tax and Superannuation Laws Amendment (2014 Measures No 7) Bill 2014* amends some provisions that relate to the taxation of excess super contributions to:

- provide individuals with an option to be taxed on the earnings associated with their excess superannuation non-concessional contribution at their marginal tax rate;
- ensure that individuals whose superannuation benefits are involuntarily transferred from one superannuation plan to another plan are not disadvantaged through the transfer; and
- remove the need for a roll-over benefit statement to be provided to an individual whose superannuation benefits are involuntarily transferred, and allow taxation officers to record or disclose personal information in certain circumstances.

If you are concerned you have made excess contributions to your super fund, speak to your tax agent about whether you are likely to be affected by any of these recent changes.

The Bill received Royal Assent on 19 March 2015.

Are you paying super fund fees unnecessarily?

The ATO noted in a recent media release that Australians with multiple superannuation accounts could be paying thousands of dollars in unnecessary fees every year. According to new figures released by the ATO, 45% of working Australians have more than one superannuation account.

The ATO is encouraging taxpayers with multiple accounts to consider consolidating their superannuation into one preferred account. Australian Prudential and Regulation Authority (APRA) figures show the median figure for fees and charges paid by Australians for a low cost superannuation account is \$532 per year.

To do!

Do you have multiple super fund accounts and are wasting money on unnecessarily paying fees in all the funds? If so, it is time to combine all your super into one account. Your tax agent can help you to do this.

Time limits for Family Assistance lump sum payments

If you want to claim any of the following family assistance payments for the 2014 financial year, you **must** lodge your claim with the Department of Human Services (Centrelink) by **30 June 2015** to be eligible:

- Family Tax Benefit
- Child Care Benefit
- Single Income Family Supplement (SIFS).

Your tax agent will be able to help you make this claim.

Dabbling in Bitcoin? What's the 'tax' story?

On 17 December 2014, the ATO issued its position on how it will treat Bitcoin, a digital currency, for tax purposes. The ATO's views are:

Income Tax

- Bitcoin is not a 'foreign currency' for the purposes of the income tax law because the ATO does not view Bitcoin as currency or foreign currency in the context in which those terms operate for the purpose of the Australian tax law (**TD 2014/25**).
- Bitcoin is a 'CGT asset' for the purposes of the income tax law as it is regarded as 'property' for the purpose of the tax law (**TD 2014/26**).
- Bitcoin is trading stock when held for the purpose of sale or exchange in the ordinary course of a business because it is regarded as property for tax purposes (**TD 2014/27**).

FBT

- The provision of Bitcoin by an employer to an employee in respect of their employment is a property fringe benefit (**TD 2014/28**).

GST

- A transfer of Bitcoin from one entity to another is a 'supply' for GST purposes. The exclusion from the definition of supply for supplies of money does not apply to Bitcoin because Bitcoin is not 'money' for the purposes of the GST Act.
- The supply of bitcoin is not a 'financial supply' nor an input taxed supply.
- A supply of bitcoin is a taxable supply if the requirements under the GST Act are met.
- A supply of bitcoin in exchange for goods or services will be treated as a barter transaction.
- Bitcoin is not goods and cannot be the subject of a taxable importation. However, an offshore supply of Bitcoin can be a taxable supply under the 'reverse charge' rules.
- An acquisition of Bitcoin will not give rise to input tax credits under the provisions of the GST Act which allow input tax credits for certain acquisitions of second-hand goods.
- A supply of Bitcoin is not a supply of a voucher.

(See **GSTR 2014/3**)

The reasoning behind the ATO's positions is very technical. If you are interested to understand more about it, your tax adviser will be able to tell you more.

Note!

If you are dabbling in Bitcoin, beware the possible tax implications for you. Also, at the time of writing, there is a Senate committee conducting an [inquiry](#) into how Australia should regulate digital currency, including how the tax system should treat digital currency, such as Bitcoin. The tax treatment for Bitcoin could potentially change pending the outcome of the inquiry due to report in August this year.

What's the ATO's view of GST and crowdfunding?

Crowdfunding involves using the internet and social media to raise funds for specific projects or particular business ventures. For ATO information about the GST treatment of crowdfunding, go to the [ATO's website](#).

Are you in a partnership?

In November last year, the ATO issued an addendum to Taxation Ruling [TR 2005/7](#):

- [TR 2005/7A1](#) - Income tax: the taxation implications of 'partnership salary' agreements
The addendum amends the ruling to include the taxation consequences of a partner's salary where the partnership is a corporate limited partnership.

As a result, [ATO ID 2002/564](#) (Income Tax Partner Salary in A Corporate Limited Partnership) has been withdrawn.

If you are in a partnership, this change might affect you. Talk to your tax adviser to see if you are affected in any way.

Correcting arrangements involving private companies and shareholders and their associates

Recently, the ATO published on its website information about what to do if a private company has, for example, made a loan to a shareholder that is a 'deemed dividend' for tax purposes. A taxpayer can take corrective action by, for example, putting the right loan documentation in place, to ensure that the amount is not captured by the 'deemed dividend' rules (colloquially known as "Division 7A").

Your tax agent will be able to assist you if you have any concerns about loans or other arrangements you may have in place with a private company, so it is always best to consult your tax professional for help with these sorts of things.

Note!

If you have a loan from a private company, check with your tax adviser to see if you need to take any corrective action.

Nil activity statements must be lodged

If you have Activity Statements to lodge, even if your Activity Statement is nil for a particular period, the Activity Statement still needs to be lodged. Failure to lodge an activity statement, even one with zero obligations, may delay processing and result in penalties.

It is good to stay on top of these obligations and obtain the assistance of your tax agent to ensure you lodge your Activity Statement on time, every time.

Tip!

The ATO has published some tips for getting your Activity Statement right which you can find on the [ATO website](#).

If you work in the building and construction industry

The ATO has published the following information about the taxable payments reporting obligations of persons in the building and construction industry:

- **Taxable payments reporting - building and construction industry**
- **Do you work as a contractor in the building and construction industry?**

Do you own a rental property?

The ATO has advised that it has redeveloped the letters it is sending to agents and taxpayers regarding reviews of rental legal and/or borrowing expense claims to make the letter clearer. In feedback, the ATO was asked to provide information on the specific area of the expense claims it is reviewing. The re-drafted letters now identify:

- return label and amounts in question;
- the proposed adjustments;
- what to do in the event of a disagreement; and
- where to find relevant information on ato.gov.au about what can be claimed, including QR reader codes to scan for smart phones or tablets.

To Do!

You should see your tax adviser if you have a rental property and receive one of these letters.

Selling or closing down a business

If you are selling or closing down a business, there are some important tax obligations for the business that you should attend to, such as:

- ensuring all outstanding Activity Statements and returns (income tax, FBT) have been lodged;
- put in all requests for any refunds owed to your business;
- cancel any PAYG withholding registrations for the business; and
- cancel the business' ABN (which should also result in the cancellation of other registrations such as GST).

More information can be found on the ATO's website.

ATO Updates

a) Are you a director of a company?

The ATO advises that it has created a new page on its website with information about the director penalty regime, which is all about what happens when a company deducts PAYG withholding amounts from its employees' salaries and wages, but fails to remit those amounts to the ATO. To access the page, go to the [ATO website](#).

b) Deductibility of working with children checks

The ATO advises that the requirement for people to obtain a Working with Children check will be introduced in NSW and exists in many other states.

For information about when the cost of a working with children check is deductible, check the [ATO website](#).

c) GST - avoiding common errors

For ATO advice about avoiding common errors that may occur when completing activity statements, accounting for GST and claiming GST credits, go to the [ATO website](#).

d) **Farm management deposits scheme**

For ATO information about the farm management deposits scheme, go to the [ATO website](#).

The Privacy Commissioner and the Tax File Number privacy rule

The Privacy Commissioner has issued a new privacy rule under the privacy law about Tax File Numbers, to replace the previous Tax File Number Guidelines 2011. The new rule is the **Privacy (Tax File Number) Rule 2015** (Legislative Instrument F2015L00249; registered 4 March 2015).

The primary purpose of the rule is to regulate the collection, storage, use, disclosure, security and disposal of individuals' Tax File Number (TFN) information. A breach of the rule is an interference with privacy under the Privacy Act. Individuals who consider that their TFN information has been mishandled may make a complaint to the Privacy Commissioner.

The rule explicitly authorises the use and disclosure of TFN information by a TFN recipient (such as the Commissioner of Taxation and the trustees of a superannuation fund) for the purpose of giving an individual any TFN information that the TFN recipient holds about an individual. This ensures that the TFN Rule does not prevent an individual being given access to his or her information under Australian Privacy Principle 12 of the Privacy Act, or another Act that provides for access by persons to documents.

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