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Tax Alert *October 2017*

Bill to increase Medicare levy

The Medicare Levy Amendment (National Disability Insurance Scheme Funding) Bill 2017 has been introduced to implement the Government's 2017–2018 Budget announcement to increase the Medicare levy by 0.5% to 2.5% from 1 July 2019 in order to help finance the National Disability Insurance Scheme (NDIS). Nine other Bills have been introduced to increase the following rates that are linked to the top personal tax rate.

Budget changes to foreign resident CGT: draft legislation

Draft legislation has been released to implement 2017–2018 Federal Budget measures relating to the CGT liability of foreign residents. The measures, which applied from 9 May 2017:

- remove the entitlement to the CGT main residence exemption (MRE) for foreign residents that have dwellings that qualify as their main residence; and
- ensure that, for the purpose of determining whether an entity's underlying value is principally derived from taxable Australian real property (TARP), the principal asset test is applied on an associate inclusive basis.

Foreign resident CGT withholding: early recognition of tax credit

The Commissioner has made a determination to modify the time at which the vendor is entitled to a tax credit

in respect of an amount withheld under the foreign resident CGT withholding rules. The modification, applicable for transactions entered into on or after 1 July 2016, ensures that, where a settlement period for a transaction covers more than one income year for the vendor, the credit entitlement will be available in the same year as that in which the transaction giving rise to the payment to the ATO is recognised for tax purposes for the vendor.

Further guidance for tax losses via a new "similar business" test

The ATO has released a draft guideline on how they will apply the new "similar business test" to supplement the existing "same business test" used for testing whether a company can utilise an earlier year tax loss.

The draft guideline says the similar business test will operate in a way that is comparable to the same business test, and that the overall business of a company must satisfy the similar business test to access losses. The focus remains on the identity of a business, as well as continuity of business activities to generate assessable income.

ATO increases its scrutiny on work-related expenses

Despite wide publicity on the issue, the ATO has reminded taxpayers that it is increasing its scrutiny on work-related expenses. Last year over 6.3 million people made a work-related expense claim for clothing and laundry expenses,

totalling almost \$1.8 billion. 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.

Activity statements can now be lodged in advance

The ATO says nil activity statements can be generated early in some cases. Under normal bulk processes, activity statements generally issue from the ATO by the end of the month.

However, the ATO says there may be a specific reason for a business to access its activity statements early, such as: if you are a short-term visitor (for example, you are an entertainer or sports person and will be leaving during the relevant period); or know that you will be travelling when an activity statement is due.

TIP: Activity statements can be generated for up to six months in advance.

New downsizing cap available

If you are aged 65 or over, your home is your main residence for CGT purposes and you have owned it for a minimum of ten years, you could benefit from new draft legislation. You will be able to make additional non-concessional contributions, up to \$300,000, from the proceeds of selling your home from 1 July 2018.

The downsizer contribution cap of \$300,000 will be in addition to existing caps; the capital must come from the



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proceeds of the sale price and application must be made within 90 days after the home changes ownership. There will also be exemption from the contribution rules for people aged 65 and above, and the restrictions on non-concessional contributions for people with total super balances above \$1.6 million.

GST: simplified accounting for food retailers

The ATO has released a draft determination on the choice available to you, if you are a food retailer, to use a simplified accounting method (SAM) to help you to work out your net amount by estimating your GST-free sales and GST-free acquisitions of trading stock.

The draft SAM is substantially the same as the previous determination it replaces. If you were eligible to use a particular SAM specified in the previous determination, you will continue to be eligible to use that SAM under the draft determination.

Super system reforms

Australian Prudential Registration Authority (APRA) has written to RSE licensees setting out its approach to the Government's super system reforms aimed at enhancing APRA's prudential powers to improve member outcomes.

Important: This is not advice. Clients should not act solely on the basis of the material contained in this Tax Alert. Items herein are general comments only and do not constitute or convey advice per se. Also changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. The Tax Alert is issued as a helpful guide to clients and for their private information. Therefore it should be regarded as confidential and not be made available to any person without our prior approval. Liability limited by a scheme approved under Professional Standards Legislation.

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Under the proposed reforms, the current "scale test" will be replaced with an "outcomes test" requiring MySuper trustees to attest to outcomes promoting the financial interests of members on a broader range of indicators.

Segregated current pension assets

A warning has been issued from the Actuaries Institute that tens of thousands of self-managed super funds (SMSFs) could be at risk of incorrectly claiming exempt current pension income (ECPI) under the ATO's approach to segregated current pension assets.

First Home Super Saver Scheme – draft legislation

Treasury has released draft legislation to implement the 2017–2018 Federal Budget superannuation measures aimed at improving housing affordability by the establishment of the First Home Super Saver Scheme (FHSSS).

The FHSSS will allow voluntary superannuation contributions made from 1 July 2017 to be withdrawn for a first home deposit starting from 1 July 2018. The scheme provides for up to \$15,000 per year (and \$30,000 in total) to be withdrawn from superannuation.

TIP: To be eligible to use the FHSSS, a person must be 18 years or over, have not used the scheme before and never have owned property before in Australia.

Super assets total \$2.3 trillion at June 2017

APRA has released its Quarterly Superannuation Performance publication and the Quarterly MySuper Statistics report for the June quarter 2017. As at 30 June 2017, superannuation assets totalled \$2.324 trillion (up 10% from \$2.113 trillion in June 2016). Total assets in MySuper products amounted to \$595 billion (up 25.5% from \$474 billion in June 2016). Self-managed super fund (SMSF) assets totalled \$697 billion (up 9.8% from \$635 billion in June 2016) held in over 596,000 SMSFs, representing 30% of all super assets.

