

## ATO warns pre-retirees on SMSF tax schemes

*The Australian Tax Office has its sight set on individuals participating in an increasing number of aggressive tax avoidance and retirement planning schemes in self-managed superannuation funds.*

The ATO has launched Super Scheme Smart, an initiative designed to help inform individuals and advisers about illegal retirement planning schemes. The program is a result of an increase in schemes designed specifically to target those approaching retirement.

The Tax Office has noted individuals approaching retirement are most at risk, in particular, those aged 50 or over, looking to put significant amounts of money into retirement. Self-managed super fund (SMSF) trustees, self-funded retirees, small business owners, company directors and individuals involved in property investment are also particularly at risk.

The schemes targeted typically involve a lot of paper shuffling; are complex and usually connected with a SMSF; are designed to leave the taxpayer with minimal or zero tax, or a tax refund, and aim to give present day tax benefit by adopting the arrangement.

The ATO is targeting three schemes including:

- Dividend stripping: where shareholders in a private company transfer ownership of their shares to an SMSF so that the company can pay dividends to the SMSF. The purpose being to strip profits from the company in a tax-free form.
- Non-arm's length limited recourse borrowing arrangements: when an SMSF trustee undertakes limited recourse borrowing arrangements (LRBA) established or maintained on terms that are not consistent with an arm's length dealing.
- Personal services income: where an individual (usually at pension phase) diverts income earned from personal services to an SMSF where it is concessional tax or treated as exempt from tax.

The ATO is urging individuals and SMSF trustees to come forward if they believe they are at risk or are already involved in an illegal scheme. In addition to severe penalties, individuals caught using an illegal scheme may risk losing some of their retirement nest egg and their rights as a trustee to manage and operate a self-managed superannuation fund.



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# ATO crackdown on work-related expenses

*The ATO is currently targeting work-related expenses by taking a closer look at unusual deductions and claims that are higher than expected.*

The Tax Office will be looking for expense claims that are much higher than others who are in the same occupation and will be contacting employers to validate these claims.

When claiming work-related expense deductions, taxpayers must ensure that the expense is related to their job; they were not reimbursed for the money spent and have a record to prove it.

Here are some things to keep in mind when claiming deductions

## Car expenses

You can only claim a deduction if you use your own car in the course of performing your job as an employee. You cannot claim the cost of travel between home and work as it is considered private.

The ATO is focusing on the transportation of bulky tools as carrying unnecessary equipment is not a legitimate claim if equipment is already supplied.

## Self-education expenses

You may be able to claim a deduction if your study is work-related or if you receive a taxable scholarship. A deduction cannot be claimed if a course does not have a sufficient connection to your current employment.

## Internet and mobile phone expenses

If you use your own mobile phone or internet for work purposes, you may be able to claim a deduction. If you also use them for personal use, you will need to apportion the percentage that reasonably relates to work use.



# Changes to employment laws

*The start of the new 2016/17 financial year has seen some important changes to Australia's employment laws.*

Every Australian employer has a responsibility to remain up to date and aware of any amendments made to employment laws to ensure that they remain compliant and continue to meet their obligations.

Below are some important changes that took effect from 1 July 2016:

## Increase to the minimum wage

Australia's minimum wage increased by 2.4 per cent, raising the National Minimum Wage to \$672.70 per week or \$17.70 per hour. The increase only applies to employees that receive their pay rates from the National Minimum Wage; a Modern Award or a Registered Agreement (in some cases).



### Superstream deadline extension

Initially, small businesses were given until the end of June to become compliant with the ATO's SuperStream system. This deadline has since been extended to 28 October 2016. SuperStream requires employers to make super contributions for their employees electronically in a standard data set. The extension provides small businesses with another four months to make the changes and ensure they are compliant by 28 October.



### No CGT liability for changing business structure

Eligible small businesses can now change the legal structure of their business without incurring a capital gains tax (CGT) liability due to the Tax Laws Amendment (Small Business Restructure Roll-over) Bill 2016.

Announced in the 2015 federal budget, the bill was passed by the federal parliament earlier this year.

Small business owners will have access to an optional rollover provision when they transfer active business assets to other entities as part of a genuine business restructure of an ongoing business. This rollover provides greater flexibility for small businesses to change the legal structure of their business by allowing them to defer gains or losses that would otherwise be realised when business assets are transferred from one entity to another.

## Innovative Loan Solves the Aged Care Dilemma

When moving into aged care a resident is required to pay what's known as a RAD (Refundable Accommodation Deposit). On the surface this doesn't seem to be an issue until you realise the deposits can be upwards of \$500,000.

It usually means the resident has to sell their current property to fund the deposit which can be extremely stressful especially if the move into aged care is urgent. It can also mean the resident sells their property below market value due to the urgent need for funds.

There are a host of other issues as well. In some instances the property is owned by an elderly couple but they don't both require the move into aged care.

Such is the demand approximately \$3 billion dollars a year will be required to fund individuals needing to move into aged care facilities and this figure is predicted to double by 2025.

An alternative to selling property is now available. One of Australia's biggest non-bank lenders has introduced an Aged Care Loan. The loan is designed to pay the RAD and can also be used for repairs on the security property and repayment of any outstanding debts.



Applicants must be over 80 years of age but younger borrowers will also be considered on application. Up to 50% of the value of the property can be borrowed with a maximum loan amount of \$750,000 allowed.

The maximum term of the loan is 7 years and the facility can be set up under an enduring power of attorney. The loan is then paid back when the applicant either leaves the aged care facility, when the loan term expires or the property is sold.

For more information about our aged care solution, please contact Andy Edmonds on 0448 811 567 or email [andy@collinsfinanceservices.com.au](mailto:andy@collinsfinanceservices.com.au)

# How does the ATO treat Uber, Airbnb style services? What you need to know?

*Uber is calling for drivers, Airbnb is seeking more hosts but what are the implications of becoming part of sharing economy?*



The basics of tax apply regardless of how you earn money. That is, even though you may be earning income from different sources or using different sources or using different platforms to generate income, the fundamental tax issues remain the same. You don't have to be carrying on a business to pay tax on income you earn.

And, given that so many of these services are through sharing platforms, the Australian Tax Office (ATO) has the capacity to data match money flowing through to financial institutions specifically from these platforms.

## Upcoming Events

### Not-For-Profit Conference 2017

**DATE:** 22 March

**VENUE:** Melbourne Cricket Ground

*More details to come soon.*

### Western Region Business Club

**SPEAKER:** TBA

**DATE:** Tuesday 24th of October

**VENUE:** Barker's Café 417 Barkly Street,  
Footscray VIC 3011

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