TAXWISE BUSINESS NEWS

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If you require any assistance or advice, please contact us.

Vlassis & Co

Chartered Accountants & Business Advisors

Level 1, 217 Gouger Street, Adelaide SA 5000

PO Box 10387, Adelaide SA 5000

ph: +61 8 8221 6877

vlassis@vlassisco.com.au

www.vlassisco.com.au

INDIVIDUAL EDITION

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WHAT'S NEW

Income Tax Rates

As we have previously mentioned, tax cuts for every taxpayer came into effect on 1 July 2024. To remind you, the new personal income tax rates are set out in the table below.

Taxable income	Tax payable
$0 - $18,200	Nil
$18,201 - $45,000	Nil + 16% of excess over $18,200
$45,001 - $135,000	$4,288 + 30% of excess over $45,000
$135,001 - $190,000	$31,288 + 37% of excess over $135,000
$190,001+	$51,638 + 45% of excess over $190,000

Income Tax Thresholds/Amounts

Various income tax thresholds and amounts changed on 1 July 2024. Some of the more common ones are listed below.

Item	Threshold/amount for 2024–25
CGT improvement threshold	$182,665
Division 7A benchmark interest rate	8.77%
Car limit (depreciation)	$69,674
Car expenses – cents per kilometre method	88 cents per km
Reasonable meal expenses – employee truck driver	Breakfast – $30.35 Lunch – $34.65 Dinner – $59.75
Reasonable meal expenses – other employees	See Taxation Determination TD 2024/3
Overtime meal allowance – reasonable amount	$37.65
Invalid and invalid carer offset (**IICTO**)	$3,300
Maximum dependant's ATI* where IICTO cuts out	$13,482

* ATI = adjustable taxable income

GDP Adjustment for 2024–25

The GST and PAYG instalment amounts are usually adjusted every year by the 'GDP adjustment factor'.

For the 2024–25 income year, the GDP adjustment factor is 6%. This is unchanged from 2023–24.

Medicare Levy Surcharge and Private Health Insurance

The income thresholds for Medicare levy surcharge and private health insurance tax offset purposes are set out in the table below.

	No surcharge & maximum offset	Tier 1	Tier 2	Tier 3
Singles	$97,000 or less	$97,001–$113,000	$113,001–$151,000	$151,001 or more
Families*	$194,000 or less	$194,001–$226,000	$226,001–$302,000	$302,001 or more

* The family income threshold is increased by $1,500 for each dependent child after the first child.

The Medicare levy surcharge is 1% for Tier 1 taxpayers, 1.25% for Tier 2 taxpayers and 1.5% for Tier 3 taxpayers.

The private health insurance tax offset percentage is highest for Tier 1 taxpayers and lowest for Tier 3 taxpayers. The percentage also varies depending on the ages of the persons covered by the relevant health insurance policy. There are 3 age brackets — under 65 years, 65 to 69 years and 70 years and above.

HELP and Other Student Debts

Do you have a study or training debt – e.g. a Higher Education Loan Program (**HELP**) debt (previously called a HECS debt)? The repayment thresholds and rates for the 2024–25 income year are set out in the table below.

Note that the repayment thresholds and rates also apply to VET Student Loan (**VSL**), Student Financial Supplement Scheme (**SFSS**), Student Start-up Loan (**SSL**), ABSTUDY Student Start-up Loan (**ABSTUDY SSL**) and Trade Support Loan (**TSL**) debts.

The repayment rate is based on what is called 'HELP repayment income'. This is effectively the sum of your taxable income, net exempt foreign employment income, reportable fringe benefits, reportable superannuation contributions and total net investment losses.

HELP repayment income – 2024–25	Repayment rate %
Below $54,435	Nil
$54,435–$62,850	1.0
$62,851–$66,620	2.0
$66,621–$70,618	2.5
$70,619–$74,855	3.0

HELP repayment income – 2024–25	Repayment rate %
$74,856–$79,346	3.5
$79,347–$84,107	4.0
$84,108–$89,154	4.5
$89,155–$94,503	5.0
$94,504–$100,174	5.5
$100,175–$106,185	6.0
$106,186–$112,556	6.5
$112,557–$119,309	7.0
$119,310–$126,467	7.5
$126,468–$134,056	8.0
$134,057–$142,100	8.5
$142,101–$150,626	9.0
$150,627–$159,663	9.5
$159,664 +	10

Super and ETP Thresholds

Relevant superannuation and ETP (employment termination payment) thresholds for the 2024–25 financial year are listed below.

	2024-25
Concessional contributions cap for individuals aged under 75 years	$30,000
Concessional contributions cap for individuals aged 75+ years	Only mandated employer contributions
Non-concessional contributions cap	$120,000
Transfer balance cap	$1,900,000
CGT cap amount	$1,780,000
Low rate cap amount/ETP cap amount	$235,000
Defined benefit income cap	$118,750
Untaxed plan cap amount	$1,705,000
ETP life benefit cap amount	$245,000
ETP life benefit whole of income cap amount	$180,000

ETP death benefit cap amount	$245,000
Division 293 threshold	$250,000
Bona fide redundancy/early retirement scheme payment - base tax-free amount - each completed year of service	 $12,524 $6,264
Co-contribution lower income threshold	$45,400
Co-contribution upper income threshold	$60,400

Note:

- To deduct a personal superannuation contribution, an individual aged 67–75 years must be 'gainfully employed' for at least 40 hours in any 30-day period in the income year.
- Remember that if you accessed your superannuation early in response to the COVID-19 pandemic, you can choose to re-contribute those amounts by 30 June 2030 without them being counted towards your non-concessional contributions cap. The choice must be made in the approved form and given to your superannuation fund before you make the re-contribution.

Pensions and Annuities – Minimum Drawdown Amounts

The minimum drawdown amounts for 2024–25 are set out in the table below.

Age	Minimum drawdown
Under 65	4%
65-74	5%
75-79	6%
80-84	7%
85-89	9%
90-94	11%
95+	14%

If you receive more than the minimum drawdown amount, you can recontribute these amounts if you are eligible to make superannuation contributions (subject to other rules or limits such as contributions caps).

Tip!

Speak to Vlassis & Co before making any decisions affecting your superannuation.

From the ATO

Pay less Capital Gains Tax (CGT)

You can reduce the capital gains you've made by offsetting them with any capital losses, including from previous years. This will reduce your CGT bill. You need to use losses you've carried forward from previous years before using any current year losses. If losses from previous years reduce your current year gains to zero, you can carry over any remaining losses to offset future gains for as long as you need.

You can choose which gains to offset. The only exception is the gains you make from collectables, such as artwork, jewellery and antiques. You can only use a capital loss from collectables to offset a capital gain from collectables.

Think carefully about which gains you want to offset first. Starting with gains that are not eligible for the CGT discount will help reduce your CGT as much as possible.

You cannot offset a gain with a loss you've made from certain assets, including:

- personal use assets, such as boats or furniture;
- CGT exempt assets, such as cars and motorcycles;
- collectables that cost you $500 or less (if they cost more, the loss can only be offset against gains from collectables).

Tip! Talk to Vlassis & Co if you have capital losses.

Let's Talk Record Keeping

The ATO is encouraging taxpayers to consider what work-related expenses they will be looking to claim for the 2024–25 income year, and what records they will need to substantiate those deductions.

Keeping good records can reduce the cost of managing your tax affairs and ensure you can claim all expenses that you are entitled to.

Generally, you won't know at the start of the financial year exactly what you can claim come tax time, but you can set yourself up for success by checking what work-related expenses you can claim, what records you will need to prove them, and making a plan to store those records for when you'll need them.

Records can be kept as a paper version, an electronic copy or a true and clear photo of an original record. You can use any electronic device or app to keep your electronic records. However, the ATO recommends backing up your electronic records regularly.

The ATO has also published information on its website busting some common myths concerning records, deductions and work-related expenses.

Bank statements

In most cases, a bank or credit card statement on its own won't be enough evidence to support a work-related expense claim. You will need written evidence (usually a receipt) that shows the supplier, the cost, the date of purchase, the date the document or receipt was produced, and the nature of the goods or services being claimed.

Claiming more than $300 of work-related expenses

If your total claim for work-related expenses is more than $300, you must have written evidence to support all those claims.

If your total claim for deductible work expenses is $300 or less, you can claim a deduction without written evidence (such as a receipt), but you must be able to show that you spent the money and how you calculated the amount being claimed.

No automatic deductions

While some deduction types don't require receipts (such as laundry expenses), some kind of record may still be necessary. For any work-related expense claim, you need to meet the three golden rules:

- You must have spent the money yourself and were not reimbursed.
- The expense must directly relate to earning your income.
- You must have a record to prove it (usually a receipt).

If the expense was incurred for both work and private purposes, you claim a deduction only for the work-related portion.

You cannot claim a deduction if your employer pays for the expense or reimburses you for it. If the ATO thinks your employer may reimburse you for an expense, they may check with the employer.

Non-work related expenses

There are a few expenses you can claim as a deduction even though they do not relate to your work. These include:

- gifts and donations;
- expenses related to earning income from investments;
- personal superannuation contributions;
- income protection insurance; and
- the cost of managing your tax affairs.

When you claim a deduction, you need to keep records that show you incurred the expense.

Your Tax Residency

If you are coming to Australia or going overseas, you may need to work out your residency for tax purposes.

The rules for tax purposes are not the same as the rules used by the Department of Home Affairs. This means you:

- can be an Australian resident for tax purposes without being an Australian citizen or permanent resident; or
- may have a visa to enter Australia but are not an Australian resident for tax purposes.

The four tests to determine an individual's residency are:

- the resides test;
- the domicile test;
- the 183-day test;
- the Commonwealth superannuation test

Only one test needs to be satisfied for an individual to be an Australian tax resident.

Resides test

The primary test of tax residency is called the *resides test* (or the ordinary concepts test). If you reside in Australia, you are an Australian resident for tax purposes and you do not need to apply any of the other residency tests.

It is not always obvious if someone satisfies this test. For example, there have been cases where a person lives and works overseas but their connection to Australia is still strong enough to make them a resident for tax purposes. That could be the case if the individual regularly visits Australia (e.g. to see their family), owns property here and maintains a bank account here (although each case turns on its own particular facts and circumstances).

Some of the factors that can be used to determine residency under the resides test include:

- physical presence;
- intention and purpose;
- family ties;
- business or employment ties;
- maintenance and location of assets;
- social and living arrangements.

Working holiday makers are unlikely to satisfy this test.

Domicile test

You are an Australian resident if your domicile is in Australia unless the ATO is satisfied that your permanent place of abode is outside Australia.

A domicile is a place that is your permanent home by law. For example, it may be a domicile by origin (where you were born) or by choice (where you have changed your home with the intent of making it permanent).

183-day test

This test is commonly applied to individuals arriving in Australia. You will be a resident under this test if you are actually present in Australia for more than half the income year, whether continuously or with breaks, unless it is established that your usual place of abode is outside Australia, and you have no intention of taking up residence here.

Commonwealth superannuation test

This is the simplest test. If you are a member of the Commonwealth Superannuation Scheme (**CSS**) or Public Sector Superannuation (**PSS**) scheme (but not the Public Sector Superannuation accumulation plan (**PSSap**)), you (and your spouse and children aged under 16 years) are a resident of Australia regardless of any other factors.

Tip!

Talk to Vlassis & Co if you are uncertain whether you are a tax resident of Australia. The answer could make a significant difference to your annual tax bill.

Tax and Superannuation Schemes

The ATO is warning taxpayers about tax avoidance and tax evasion schemes. These range from mass-marketed schemes advertised to the public, to boutique or specialised schemes tailored for specific taxpayer circumstances. Some are marketed to individuals and others to large private groups and public companies.

Schemes typically involve one or more of the following:

- reducing a participant's taxable income;
- increasing their deductions against their income;
- increasing offsets;
- inflating refunds;
- avoiding tax and other obligations entirely; and
- accessing super benefits before meeting a condition of release.

Tax and superannuation schemes may include complex transactions or distort the way funds are used to avoid tax or other obligations. They may also structure arrangements to:

- incorrectly classify revenue as capital;
- exploit concessional tax rates;
- obscure the source of funds or the relationships between parties;
- illegally release superannuation funds early; or
- inappropriately move funds through several entities, such as a series of trusts including SMSFs, to avoid or minimise tax that would otherwise be payable.

Below are some areas where the ATO has seen arrangements and schemes of concern:

- dividend stripping arrangements;
- unit trust arrangements and unpaid present entitlements;
- receiving payments or assets from foreign trusts;
- reimbursement agreements;
- private company benefits;
- research and development tax incentive;
- residential property purchased through illegal SMSF schemes;
- SMSFs and schemes involving asset protection;
- SMSFs and non-arm's length income (**NALI**);
- financial products;
- employee benefit arrangements of concern;
- activities not correctly classified as a business;
- private use of assets or private pursuits in business; and
- illegal early release of super.

Tip!

Talk to Vlassis & Co before participating in any tax-minimisation scheme. Although not all schemes are illegitimate, you don't want to be involved with a scheme that is.

Self-Managed Super Funds

Lodging the SMSF Annual Return

Do you have a self-managed super fund (**SMSF**)? If so, you must lodge an SMSF annual return, even if the fund does not have a tax liability for the income year.

You can lodge the SMSF annual return:

- electronically using standard business reporting (**SBR**); or
- on the paper form.

Your annual SMSF audit must be finished before you lodge the SMSF annual return. You need information from the audit report to complete the regulatory information on the SMSF annual return.

Lodgment date

An SMSF that prepares and lodges its own annual return must lodge by the applicable date shown in the table below. If more than one date applies to the SMSF, it must lodge by the earliest date that applies to it.

Lodgment date	Self-preparer to whom the date applies	Payment due date (if required)
31 October 2024	• New registrant SMSF • SMSF with one or more annual returns overdue on 30 June 2024 (unless they have been granted a deferral)	1 December 2024
31 January 2025	• SMSF that was a taxable large or medium entity in 2023–24	1 December 2024
28 February 2025	• All other self-preparing SMSFs (unless we have directed you to lodge on a different date)	28 February 2025

Failure to lodge your SMSF annual return by the due date can result in penalties and the loss of your SMSF's tax concessions.

If you use a registered tax agent to prepare and lodge your SMSF's annual return, you should contact your tax agent to find out the due date for lodgment.

For your first year, the due date will be 28 February 2025.

If a due date falls on a weekend or public holiday you can lodge or pay on the next business day.

Have you Appointed an Auditor?

You need to appoint an approved SMSF auditor to audit your fund each year.

They must be appointed no later than 45 days before your SMSF annual return (**SAR**) is due to be lodged.

You must provide all relevant documentation to your auditor so they can perform a financial and compliance audit before you lodge. You'll need to provide their SMSF auditor number (**SAN**) on your annual return when you lodge.

An audit is required even if the fund will pay no tax or is in pension mode. This includes funds that have had no contributions, income or payments made in the financial year.

Your auditor must be independent and registered with ASIC.

Your auditor will advise you of any contraventions of the rules. You as trustee, are responsible for rectifying any contraventions as soon as possible. If you are unable to rectify a contravention you should lodge a voluntary disclosure.

How to Pay the SMSF Annual Return

The tax payable by an SMSF for an income year becomes due and payable on the statutory due date, which is the first day of the sixth month of the following income year. For example, for 30 June balancing funds, the statutory due date is 1 December.

Payment options include BPay, electronic transfer, payment at Australia Post or Government EasyPay. You can also pay by direct debit.

Your payments must reach the ATO on or before the due date. When you use a valid payment reference number (**PRN**), your payment may take up to 4 business days to appear on your ATO account.

General interest charge (**GIC**) will be applied to any outstanding amounts owing after the due date.

KEY TAX DATES

Date	Obligation
23 Sept 2024*	August monthly BAS due
3 Oct 2024	Finalisation due date by payers of PAYG withholding payments reporting through STP for closely held payees
23 Oct 2024	September monthly BAS due Payment of annual PAYG instalment for 2023–24
30 Oct 2024	September quarter BAS due Payment of first PAYG instalment for 2024–25 by quarterly payers
31 Oct 2024	2023–24 income tax return due (unless lodging through a tax agent)
	PAYG withholding annual reports due (no ABN withholding; interest, dividend and royalty payments paid to foreign residents; and payments to foreign residents)
21 Nov 2024	October monthly BAS due
28 Nov 2024	September quarter SG statement and SGC payment due

Note! *This is the next business day as the due day falls on a Saturday or Sunday.

Talk to the team at Vlassis & Co to confirm the correct due dates for your own tax obligations.