# Tax News - February 2019

## Summary of Federal Labor's Tax Policies

The Australian Labor party's major tax policies for the upcoming Federal election may be summarised as follows:

- Introduce rules to limit negative gearing based on a global deduction basis. It will apply for all investment income not on an asset or asset class basis (existing assets will be grandfathered);
- Halve the capital gains discount from 50% to 25% (existing assets will be grandfathered);
- Raise the top marginal tax rate by 2% from 45% to 47%;
- Deny imputation credit refunds to super funds, including those in pension phase, and individuals where the total tax payable is less than the imputation credits, except for certain individuals that receive a government pension or allowance;
- Tax discretionary trust distributions to adults at a minimum rate of 30%;
- Limit deductions for the cost of managing tax affairs to $3,000 for all individuals, self-managed superannuation funds, trusts and partnerships. Companies would still be allowed to make uncapped deductions for such costs; and
- Provide accelerated depreciation in the form of the Australian Investment Guarantee.

## ATO Increases Home Office Running Expenses Fixed Hourly Rate

Instead of claiming actual expenses for heating, cooling, lighting, cleaning and depreciation of furniture, taxpayers are entitled to claim a fixed rate for each hour worked at home.

The ATO has increased the home office running expenses hourly rate to 52c per hour, up from 45c per hour, effective from 1 July 2018.

To claim using this method, taxpayers are required to keep records of actual hours spent working at home for the year, or keep a diary for a representative four-week period to show the usual pattern of working at home.

Taxpayers need to separately work out claims for all other running expenses including:

- phone and internet expenses
- computer consumables and stationery
- decline in value on computers or other equipment

## ATO Focuses on Business Cars and FBT

The ATO has announced that it will be contacting tax agents on behalf of business clients that have been identified as having cars registered in their business name and are not lodging an annual fringe benefits tax (FBT) return.

A car fringe benefit occurs where a business owns or leases a car and makes it available for an employee's private use. This includes garaging the car at or near an employee's home and making it available for private use.

Note that company directors are also employees for FBT purposes.

**New Laws Remove Tax Deductibility for Certain Non-Compliant Payments**

To further combat the black economy, new laws apply from 1 July 2019 that will remove tax deductions for certain payments where the payer has not complied with the pay as you go (PAYG) withholding and reporting obligations for that payment.

The new laws apply to the following types of payments:

- salary and wages, commissions, bonuses or allowances to an employee;
- directors' fees;
- to a religious practitioner;
- under a labour hire arrangement; and
- for a supply of services where the service provider has not quoted their ABN.

Deductions will be denied for the above payments where the payer has failed to either:

- withhold the amount from the payment; or
- report the amount via their BAS .

There are specific exemptions to these rules:

- s supplier of goods or real property has failed to provide their ABN (these rules only apply to service providers);
- an employer honestly mistakes an employee for a contractor and didn't withhold PAYG from the payments as an ABN was provided; and
- the taxpayer has voluntarily notified the ATO of a mistake before an audit or compliance activity has commenced.

Interestingly, the new laws won't deny a tax deduction where no actual payment of the withholding amount has been made to the ATO.