Table of Contents

Clothing deductions hung out to dry:

The Australian Taxation Office is closely examining work-related clothing and laundry expense claims of taxpayers submitting their 2017-18 tax returns.

The ATO says that clothing claims are up nearly 20% over the last five years with people either making mistakes or deliberately over-claiming. Common mistakes 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.

What can I claim?

You can only claim a deduction for the cost of buying and cleaning:

- Occupation-specific clothing - for example; the checked pants chefs wear.
- Protective clothing – fire-resistant and sun-protection clothing, safety-coloured vests, non-slip nurse's shoes, rubber boots for concreters, steel-capped boots, gloves, overalls, and heavy-duty shirts and trousers, smocks and aprons you wear to avoid damage or soiling your ordinary clothes during your income-earning activities, and

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- Unique, distinctive uniforms – clothes that are designed and made for the employer and not publicly available - like shirts with a company logo.

Just because your employer requires you to wear a suit, this does not mean you can claim the cost of the suit or its cleaning.

If you claim a $150 on clothing and laundry expenses, just be aware that you might be asked to prove these expenses.

Company tax change in limbo:

While the Government introduced a Bill to Parliament back in October 2017 which seeks to change the rules in this area, the Bill is still not yet law. As a result, it looks like we will need to apply the existing provisions for determining company tax rates and maximum franking rates (which are based on whether the company carries on a business), but also to be aware that the position might change if and when the Bill passes through Parliament.

Under current rules, a company would be subject to a 27.5% tax rate if it carries on a business (which could include investment activities as long as there is a genuine expectation of making a profit) and the aggregated turnover of the company and certain related parties is less than $25m.

1 July 2018 Personal income tax cuts:

New personal income tax rates come into effect from 1 July 2018. The top threshold of the 32.5% personal income tax bracket will increase from $87,000 to $90,000. Dovetailing into the tax bracket change is the introduction of the Low and Middle Income Tax Offset for those with taxable incomes up to $125,333. The offset is a non-refundable tax offset that you receive when you lodge your income tax return.

If your annual taxable income is $80,000 in 2018-19, then the personal income tax changes provide an annual tax reduction of $530 per year. If your annual taxable income is $120,000, then the changes give you an annual reduction of $215.

New minimum pay rates from 1 July 2018:

New award wages and allowances come into effect from 1 July 2018. If you're an employer, it's important that you are aware of the new rates and apply them. The Fair Work Ombudsman's online Pay Calculator can help you determine the right rates to apply.

$10k limit on cash payments to business:

One of the interesting approaches to tackling the black economy in the recent 2018-19 Federal Budget was the announcement of a $10,000 limit on cash payments to business.

How will the new rules work?

The cash payment limit targets larger cash payments - typically made for cars, yachts and other luxury goods, agricultural crops, houses, building renovations and commodities - removing the ability of any individual or business to make a single cash transaction of $10,000 or more.

The limit would apply to all payments made to businesses with an ABN for goods or services. The impending restrictions would not apply to private sales where the seller does not have an ABN, or cash payments to financial institutions.

Transactions at or in excess of the $10,000 threshold would need to be made electronically or by cheque. Splitting the payment into smaller amounts either as cash payments or a combination of cash and electronic payments would not be allowed. There would also be restrictions to prevent payment structuring to get around the payment limit.

The Australian limit on cash transactions is intended to apply from 1 July 2019.

$20k accelerated deductions for small businesses extended:

The ability for small business entities to claim an immediate deduction for assets costing less than $20,000 has been extended for another 12 months until 30 June 2019.

From 1 July 2019, the immediate deduction threshold will reduce back to $1,000.

There are no limits to the number of times you can use the immediate deduction assuming your cashflow supports the purchases.

If your business is registered for GST, the cost of the asset needs to be less than $20,000 after the GST credits that can be claimed by the business have been subtracted from the purchase price. If your business is not registered for GST, it is the GST inclusive amount.

Second hand goods are also deductible. However, there are a number of assets that don't qualify for the instant asset write-off as they have their own set of rules. These include horticultural plants, capital works (building construction costs etc.), assets leased to another party on a depreciating asset lease, etc.

If you purchase assets costing $20,000 or more, the immediate deduction does not apply but small businesses have the ability to allocate the purchase to a pool and depreciate the pool at a rate of 15% in the first year and 30% for each year thereafter.