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Practice Update

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OCTOBER 2014

Mining tax repeal & other notable tax changes

With the abolition of the mining tax from 1 October 2014, a number of other tax measures have come into force:

- ◆ Abolition of the company loss carry-back concessions from 1 July 2013.
- ◆ Reduction of the instant asset write-off for small business entities from \$6,500 to \$1,000 – that applies from 1 January 2014*.
- ◆ Abolition of accelerated depreciation (of up to \$5,000) for motor vehicles from 1 January 2014*.

Note(): It is important to note that the changes to the depreciation rules for small business entities (e.g., the immediate write-off threshold reducing to \$1,000) applies to assets first 'used' or 'installed ready for use' from 1 January 2014.*

ATO launches voice authentication

The ATO says that they need to ask the caller to verify their identity in about 75% of the 8 million calls it receives each year.

Australians contacting the ATO by phone will now be given the choice to record a short "voiceprint" that can be used to verify their identity for future calls.

A voiceprint is a digital representation of the sound, rhythm, physical characteristics and patterns in a voice.

The ATO believes that this will provide a more

secure, more convenient call experience and will speed up the authentication process, therefore reducing the time taxpayers need to spend on the phone to the ATO.

Project DO IT – the ATO's amnesty for offshore tax avoiders

The ATO has advised that over 100 disclosures have already been received, with total additional income disclosed of over \$12 million.

The ATO has also received almost 200 expressions of interest from taxpayers who intend to lodge a disclosure but are seeking more time to finalise the details.

The take-up of the disclosure offer has been slow and steady, but the ATO has anecdotal feedback that a lot of taxpayers are getting their affairs in order before filing, especially where their arrangements are complex.

The ATO is currently in the process of writing directly to taxpayers that may be in a position to avail themselves of the disclosure initiative to encourage disclosure.

How 'bitcoins' are treated for tax purposes

Editor: Bitcoin is a software-based online payment system, which the US Treasury has called a "decentralised virtual currency". The media often refers to Bitcoin as a cryptocurrency or digital currency.

The ATO has issued a guidance paper, basically stating that bitcoin transactions are treated as barter transactions with similar taxation consequences.

As far as record-keeping is concerned, the ATO says that businesses should keep records of:

- the date of the transaction;
- the amount in Australian dollars;
- what the transaction was for; and
- who the other party was (even if it is just the bitcoin address).

Tax scammer warning

The ATO has issued another warning to the community to be aware of fraudulent scammers as they target people lodging their income tax returns by the 31 October deadline.

Chief Technology Officer Todd Heather said that *“People should also be aware of a nasty phone scam where taxpayers are threatened with arrest if they do not pay a fake tax debt over the phone.”*

Why it's sometimes worthwhile taking on the taxman

Editor: Where 'special circumstances' exist, taxpayers can get relief from the 'non-commercial loss' provisions in the income tax law.

Effectively, what this 'relief' means, is that a taxpayer can claim losses, (often) incurred in farming, in the year they are made, rather than having to wait until the venture turns a profit.

Case

For the 2010 to 2014 income years, the taxpayer applied to the Commissioner for relief from the 'non-commercial loss' provisions.

The ATO refused to accept that 'special circumstances' existed, even though:

- ◆ the taxpayer's olive grove: was in a region that was drought declared for much of the time and it was plagued by the Olive Lace bug from 2000 onwards; and
- ◆ in late 2009, his wife, who had project management skills, an agribusiness education and extensive experience as an oil maker and blender, underwent major surgery and was only expected to be back working at 100% by 2014.

Editor: Strangely, the AAT Member was not too complimentary to the tax officers who decided that none of these circumstances were 'special'. In fact, he found that they had taken a "regrettably inattentive approach".

Importantly, he found that drought and the pest infestation were special circumstances.

As to the taxpayer's wife, he found that as she was a highly qualified member of the team and an experienced oil maker and blender, her illness constituted a special circumstance.

On balance, the AAT Member decided the taxpayer should be granted the relief from the non-commercial loss provisions for the 2010 to 2013 income years, but not the 2014 income year, when the taxpayer's wife was finally expected to be back full-time.

Lost super climbs to \$14 billion

New statistics released by the ATO reveal that more than \$14 billion in lost super is waiting to be claimed.

“There's over \$6 billion of super, sitting in accounts where funds have not been kept up-to-date with changes to personal details,” said Mr Shepherd.

“It's easy for this to happen because when people get married or move house, the last thing on their mind is updating their name and address details with a super fund.”

An additional \$8 billion in super is sitting in accounts that have not received a contribution in five years or more.

Visit www.ato.gov.au/superseeker for more advice on how to track down lost and unclaimed super.

GIC and SIC rates for the 2014 December quarter

The ATO has published the 2014 December quarter rates for the General Interest Charge (GIC) and the Shortfall Interest Charge (SIC) as follows:

GIC annual rate	9.63%
GIC daily rate	0.02638356%
SIC annual rate	5.63%
SIC daily rate	0.01542466%

Please Note: Many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the information's applicability to their particular circumstances.