# BUSINESS AND TAX NEWS

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## Simpler BAS for small business

The ATO have introduced a simpler BAS to take effect from 1 July 2017 to help reduce GST compliance costs for small businesses.

From 1 July 2017, small businesses will only need to report GST on sales (1A); GST on purchases (1B) and Total sales (G1) on their BAS. Businesses will no longer need to report export sales (G2), other GST free sales (G3), Capital purchases (G10) and Non-capital purchases (G11).

Newly registered small businesses will have the option to report less GST information on a simpler BAS from 19 January 2017. Small businesses registering from 19 January 2017 will need to do the following:

- Where 'quarterly' GST reporting cycle is selected when registering for GST, you will need to select 'Option 2: Calculate GST quarterly and report annually' on your first BAS.

- For those who select a 'monthly' GST reporting cycle at registration, you can insert '0' at G2, G3, G10 and G11 on your BAS.

- Where 'annual' GST reporting cycle was selected at registration, you can leave G2, G3, G10 and G11 blank on your Annual GST Return.

## How do franking credits work?

Franking credits are tax credits passed on to Australian company shareholders when a franked dividend is paid.

Franking credits can be used by shareholders to reduce their income tax in the year the dividends are received. Depending on their level of income, some shareholders may receive their franking credits back as a tax refund when they lodge their income tax return.

When a company distributes fully franked dividends, the dividends and the franking credits are included in the taxable income of the shareholder. For example, an individual who owns shares in a company receives a fully franked dividend of $700 from the company. The dividend statement says that there is a franking credit of $300 (the tax the company has already paid). At the end of the financial year, the individual must include $1,000 (the $700 dividend + the $300 franking credit) in their taxable income.

The tax for an individual is calculated using marginal tax rates, so it varies depending on their level of income. If the individual's marginal tax rate is 19 per cent they would have to pay $190 tax on the dividend income, but because the company has already paid $300 in tax (the franking credit), the individual would receive a refund of the difference, which is $110.

Where the individual's marginal tax rate is higher than the company rate, the individual may have to pay top-up-tax when they lodge their income tax return.

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## CGT Exemptions for depreciating assets

The disposal of a depreciating asset may incur capital gains tax (CGT) if the asset has been used for a non-taxable purpose (i.e. private purposes).

However, there are a number of CGT exemptions that may apply to a capital gain or capital loss made from the disposal of a depreciating asset:

### Pre-CGT assets

You disregard a capital gain or capital loss from a depreciating asset if the asset was acquired before 20 September 1985.

### Small business entity assets

If you are a small business entity you disregard a capital gain or capital loss from a depreciating asset and you can deduct an amount for the depreciating asset's decline in value under the small business entity capital allowance provisions for the income year in which the balancing adjustment event occurred.

### Personal use asset

If a depreciating asset is a personal use asset (one used or kept mainly for personal use and enjoyment, eg boat, caravan, etc), you disregard any capital loss from CGT event K7. You also disregard a capital gain under CGT event K7 from a personal use asset costing $10,000 or less. This means that any profit from the sale of a personal use asset costing more than $10,000 may need to be included in assessable income.

### Collectables

Collectables may include artwork, jewellery, antiques over 100 years old, coins, rare books, postage stamps and first day covers.

You disregard a capital gain or a capital loss from a depreciating asset that is a collectable costing $500 or less. Note that a capital loss from a collectable can only be offset against capital gains from the sale of other collectables.

## Maximising your tax return with your rental property

When it comes to rental properties, there are a number of smart tips that can help you maximise the return on your investment through your tax return. As we know, every dollar can help.

To maximise your tax deductions you should ensure that you keep records of all your rental property expenditure. Some expenditure is deductible in full, including rates, insurance and repairs. Expenditure for things like new carpet, dishwashers and curtains may not be claimable upfront depending on their cost, and may need to be depreciated and claimed over a number of years.

If you are keen to look at renewable energy for your investment property, items like solar hot water systems and solar panels are also able to be depreciated. You will need to be mindful of accounting for any government rebates and solar credits received. Many properties are eligible for a construction cost write-off depending on the property's age, and property improvements may also provide additional tax deductions. We recommend you speak to your accountant about any possible claims.

As with any investment, to increase your chances of success it is wise to seek advice early. For investment properties, you may wish to speak to:

- A reputable real estate agent – to purchase a quality property, find reliable tenants and manage the property.
- A Solicitor – to attend to the initial conveyancing on the property.
- A Valuer/Quantity Surveyor – for depreciation reports and valuations.
- An Accountant – to provide initial advice regarding ownership structures and percentages, and CGT advice when it is time to sell.

If you have ever thought of owning an investment property, or would like to know more about maximising your tax advantage, our team are always happy to help so please give us a call and ask how.