

Practice Update

Please read this update
and contact this office
if you have any queries

OCTOBER 2015

GST on all (taxable) online transactions from 1 July 2017

The (now former) Treasurer recently announced that the States and Territories had unanimously agreed in principle to reduce the GST threshold on imported goods and services (currently at \$1,000) to zero.

The new arrangements will apply from 1 July 2017.

He said that he had put forward a proposal that relies on a vendor registration model as a method of collecting the GST.

As goods would not be stopped at the border, administering a vendor registration model would have a relatively low cost.

Non-residents (overseas suppliers) will be the ones who charge, collect and remit the GST for digital and physical products.

As is the case in Australia, only vendors with an Australian turnover of at least \$75,000 will need to register and charge the GST.

services and intangibles, which exceed a given threshold in a 12-month period, to New Zealand-resident consumers.

The paper proposes that there would be a wide definition of "services", which would include digital services (such as video, music, and apps and other software downloads).

It would also include traditional services such as consultancy fees for legal, accounting, engineering, and other services.

At the present time there is no proposed start date, although the NZ government may decide to align their start date with Australia's proposed start date for GST on imports under \$1,000 of 1 July 2017.

Holiday rentals under the microscope

The ATO has advised that it is sending letters to taxpayers in approximately 500 postcodes across Australia, reminding them to only claim the deductions they are entitled to, for the periods a holiday home is rented out, or is genuinely available for rent.

They advise that, to avoid making mistakes on their tax return, property owners should:

- keep accurate records to ensure they declare the right amount of rental income and have evidence for claims made; and
- only claim deductions for the periods the property is rented out, or is genuinely available for rent.

NZ changes to GST imports to affect our exporters

Editor: In a similar fashion, the New Zealand government has issued a discussion paper, entitled "GST: Cross border services, intangibles and goods", the upshot of which is to levy GST on imports under the current threshold of NZ\$400.

The proposed rules would require offshore suppliers to register and return GST, when they supply

If a property is rented at below market rates, for example to family or friends, claims for deductions must be limited to the income earned while rented.

Credit and debit cards data-matching program

The ATO has announced that it will conduct a data-matching program on credit and debit card transactions for the 2012/13 and 2013/14 years.

Data will be collected from the following financial institutions:

- ◆ American Express Australia Limited;
- ◆ Australia and New Zealand Banking Group Limited;
- ◆ Bank of Queensland Limited;
- ◆ Bendigo and Adelaide Bank Limited;
- ◆ BWA Merchant Services Pty Ltd;
- ◆ Commonwealth Bank of Australia;
- ◆ Diners Club Australia;
- ◆ National Australia Bank Limited;
- ◆ St George Bank; and
- ◆ Westpac Banking Corporation.

Based on previous programs, it is estimated that over 8 million records will be acquired, relating to over 940,000 merchants. These records are linked to approximately 90,000 individuals and 850,000 non-individuals.

Taxpayers can apply to the ATO for a market value ruling

The ATO has issued an information sheet to help taxpayers get their property valuations right.

They say that practitioners or their clients can apply for a market value private ruling, by either:

- asking the ATO to provide a valuation (they will be required to pay for the work of the valuer); or
- providing the ATO with a valuation and asking them to confirm it – this generally costs less, provided the valuation meets the ATO's requirements.

There are several advantages to requesting a market value private ruling, as opposed to obtaining

a private valuation, as a market value private ruling:

- gives the client greater certainty about their tax matters;
- is binding advice that the client can rely on;
- is completed by a professional valuer and the client can be involved in the selection and appointment of that valuer; and
- removes the risk of providing the ATO with a valuation that does not meet its requirements, which could lead to further costs for the client.

ATO warns about doing your own valuation
According to the ATO, taxpayers who undertake their own valuations – or use valuations from people without adequate qualifications – risk incorrectly reporting their tax, and may be liable to pay administrative penalties.

However, taxpayers who use a qualified valuer or equivalent professional for taxation purposes will generally not be liable to a penalty if they have provided the valuer with accurate information should the valuation ultimately prove to be deficient.

Pay GST instalments quarterly and report annually

Editor: The ATO has advised that practitioners and their clients can opt to pay GST quarterly, and only report annually.

This option is available to all businesses with a turnover of \$2 million or less.

If a business elects to take this option, it pays a quarterly GST instalment that the ATO works out (the taxpayer can vary it) and reports its actual GST information annually on an Annual GST return.

Editor: If you would like to discuss this option, please call our office.

GIC and SIC rates for the 2015 December quarter

The ATO has published the 2015 December quarter rates for the General Interest Charge (GIC) and the Shortfall Interest Charge (SIC):

GIC annual rate	9.14%
GIC daily rate	0.02504109%
SIC annual rate	5.14%
SIC daily rate	0.01408219%