

Division 7A

Accounting firms should be educating clients about the significant increase in repayments for division 7A loans this financial year and outlining potential strategies for dealing with these loans, according to ChangeGPS chief executive David Boyar and executive director Timothy Munro.

Speaking in a ChangeGPS webinar this week, Mr Munro said with the Div7A interest rate increasing from 4.77 per cent last financial year up to 8.27 per cent from 1 July 2024, this is a significant impact on some clients.

"For many years we've had very little change in the rate. You may have your clients in a holding pattern of minimum annual repayments but this is a significant increase," said Mr Munro.

For a \$200,000 Div7A loan the minimum payment for the 2023 financial year would have been \$34,276. The minimum repayment for the 2024 year will now be \$38,223.

"That's an increase of close to \$4000 in minimum annual repayments," said Mr Munro.

Given the many clients often don't pay the minimum annual repayments on these loans out of their wages, they may need a larger trust distribution or a dividend out from a company so that they can make that repayment, he said.

Mr Munro said accountants may also want to speak to clients about paying down these in a shorter time period.

"There are clients in some industries that do really well in some years and not so well in other years. It's really important in those good years to look at what you can do to pay down these Division 7A loans," he said.

"Remember tax planning isn't just about reducing tax, it's also about helping clients understand when they have to pay tax and the cashflow consequences."

Mr Munro said after discussing the impact of higher repayments for these loans, his clients with positive cash flow have decided that paying down these loans faster is the best option.

Tax debt

The ATO has clearly stated they are reviewing claims relating to Motor Vehicle expenses (logbooks required), rental expenses (all receipts/invoices and clarification of repairs vs capital), Division 7A loans (agreements and calculations reported correctly), s100a trust issues (distribution minutes

and audit trail of payments) and documentation for any such claims.

Data matching, including the gig economy, is evolving daily and requires taxpayers attention to ensuring they have the correct substantiated records available should it be requested.

Notice of visa data-matching program

The ATO has registered notice of its visa data-matching program, to acquire visa data from the Department of Home Affairs for 2023-24 through to 2025-26. This will allow the ATO to ensure tax and super reporting obligations are met, make refinements to risk across the visa categories, identify new approaches to fraud, cancel ineligible ABNs and support compliance activities.

Consider CGT when disposing assets

The ATO has issued a reminder to taxpayers to consider CGT when disposing assets such as shares, crypto, managed investments or properties. Where a home has been used to produce income, such as renting out all or part of it, including through websites like Airbnb or Stayz, or running a business from home, CGT applies when selling and not the full main residence exemption.



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ATO activity on SG ramps up

The ATO is responding more rapidly to late SG payments by employers as it expands the use of its data-matching capabilities, a technical expert cautions.

The Tax Office has started undertaking more proactive action on employers who fail to pay super guarantee (SG) payments on time or lodge super guarantee charge statements following the rollout of Single Touch Payroll (STP) Phase 2 and the expansion of the ATO's data-matching programs, according to Insyt chief executive Darren Wynn.

The technical consultant said he is hearing increased instances of the ATO undertaking audit activity in regard to SG payments and issuing reminders to businesses to pay SG and lodge their super guarantee charge statement in much shorter periods than previously.

The ATO now have the detail to drill down and work out during the year what quarters people have been late paying their super and not lodging their super guarantee charge statements."

In an update last week, the ATO announced it would soon be expanding the use of information reported through Single Touch Payroll by employers and information reported by super funds through the Member Account Transaction Service.



Cents per Kilometre

The cents per kilometre method:

- uses a set rate for each kilometre travelled for business
- allows you to claim a maximum of 5,000 business kilometres per car, per year
- doesn't require written evidence to show exactly how many kilometres you travelled (but we may ask you to show how you worked out your business kilometres, for example diary records)
- uses a rate that takes all your vehicle running expenses (including registration, fuel, servicing and insurance) and depreciation into account.

The cents per kilometre deduction rate for motor vehicle expenses is now 85 cents per kilometre, commencing 1 July 2023.

Finance, Mortgages & Loans

In this environment of rising interest rates, it is important to get help from an expert broker. No Fuss Home Loans strive to simplify the loan process, listen to your needs and offer sound and friendly advice.

No Fuss Home Loans will provide you with a FREE report outlining relevant lenders and products to suit your situation. There is no obligation to commit and there are no fees payable by you for our service. Contact our office or Kathy direct.



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With a decade of experience in the industry, Duo Tax Quantity Surveyors is an Australian owned company who assists investors with their tax depreciation, property valuation, and quantity surveying needs for their residential or commercial investment properties.

Feel free to contact our office or contact George direct on 1300 185 498 or 0481 948 009.



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Important upcoming dates

Lodge and pay October 2023 monthly activity statement electronically by 21 November 2023

Lodge and pay September 2023 quarter activity statement electronically by 25 November 2023

SGC Charge Statements for the September 2023 quarter due for lodgement by 28 November 2023

Financial planning

We have an association with Mia Taylor from Evalesco (part of the Australian Advice Network) whom can assist with all your financial planning needs. They provide a more personal service and empower Clients not only in terms of wealth strategies but are also mindful we need healthy and happy lives.

Feel free to contact our office to arrange an initial appointment.

Mia Trott

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