

Many Australians invest in property, financial markets and other assets

The ATO's data matching and information exchange capabilities continue to evolve and now cover many capital transactions and investment revenue streams, both here and overseas.

It is therefore more important than ever to report investment income including from overseas, maintain accurate records, correctly calculate capital gains or losses on disposal and to ensure you comply with the various rules and concessions available to investors.

Rental properties

The ATO has received a large boost in funding to close the \$8.7 billion individuals tax gap. Part of its focus is to ensure taxpayers are returning all rental income as well as claiming only the rental property expenses to which they are entitled. Some of this additional funding will go to improving the checking of claims in real time, additional audits and prosecutions.

The ATO receives details from Airbnb and other providers which will be data matched against tax returns. From this year, the ATO will receive details of your deductions data from your tax agent or myTax, and a multi-property rental schedule for individuals may be available this year and will be mandatory in 2020.

The ATO's most recent random checks of rental claims found 90% contained an error and it plans to double the number of audits on rental deductions.

Owners of rental properties that are being rented out or are ready and available for rent can claim immediate deductions for a range of expenses, such as:

- interest on investment loans
- land tax
- council and water rates
- body corporate charges
- insurance
- repairs and maintenance
- agent's commission
- gardening
- pest control
- leases (preparation, registration and stamp duty)
- advertising for tenants

Landlords may be entitled to claim annual deductions for the declining value of depreciable assets and capital works deductions spread over a number of years.

Remember that landlords are no longer allowed travel deductions relating to inspecting, maintaining or collecting rent for a rental property.

Further, deductions for the depreciation of plant and equipment for residential real estate properties are limited to outlays actually incurred on new items by investors in residential real estate properties. For example, for properties acquired from 9 May 2017, landlords can no longer depreciate assets that were in the property at the time of purchase. However, should they purchase a new (not used or refurbished) asset, they can depreciate that asset.

Plant and equipment forming part of residential investment properties as of 9 May 2017 will continue to give rise to deductions for depreciation until either the investor no longer owns the asset, or the asset reaches the end of its effective life.

Ensure that interest expense claims are correctly calculated, rental income is correctly apportioned between owners, claims for costs to repair damage and defects at time of purchase are depreciated and that holiday homes are genuinely available for rent.

Contact Collins Hume to clarify if your expenditure is repairs and maintenance and can be claimed immediately or improvements, which can be claimed over time.

Gains or losses from cryptocurrencies

The ATO matches transaction data from digital exchanges, so it is more important than ever to ensure cryptocurrency gains and losses are correctly reported.

If you either currently are or have been involved in acquiring or disposing of cryptocurrencies in the past, you need to be aware of the income tax consequences. These vary depending on the nature of your circumstances.

One example of cryptocurrency is Bitcoin. The ATO's view is that Bitcoin is neither money nor Australian or foreign currency. Rather, it is property and is an asset for capital gains tax (CGT) purposes.

Other cryptocurrencies that have the same characteristics as Bitcoin will also be assets for CGT purposes and will be treated similarly for tax purposes. However, if you are considered to be trading cryptocurrency, the income will be ordinary income.

A person involved in cryptocurrency transactions needs to keep appropriate records for income tax purposes. If you have dealt with a foreign exchange or cryptocurrency, there may also be taxation consequences for your transactions in the foreign country.

Capital Gains Tax (CGT) planning

Careful planning should be undertaken in planning the timing of the disposal of appreciating assets which may trigger a capital gain. In this context, it is important to recognise that CGT is triggered when you enter into a contract for the sale of a CGT asset rather than on its settlement.

This is particularly important where the entry and settlement of the contract straddle year-end. In these circumstances, it may be preferable from a cash flow perspective to defer the sale of the CGT asset to the subsequent year where other relief may be available, such as a capital loss sold on another asset.

Take care to ensure that an eligible asset is retained for the 12-month holding period required under the CGT discount, and to recognise that the CGT discount is not available to the extent that any capital gain accrued after 8 May 2012 and you were a foreign resident or temporary resident at any time after that date. Keep proper records of all your investments for at least five years after a CGT event occurred.

The end of the financial year often sees the promotion of investment products that may claim to be tax effective. If you are considering such an investment, seek independent advice from Collins Hume before making a decision.



Resi property and non-residents

The *Treasury Laws Amendment (Reducing Pressure on Housing Affordability Measures No. 2) Bill 2018* proposed that the Australian home of a non-resident for tax purposes, including Australian expatriates, will no longer have access to the capital gains tax main residence exemption on disposal. The Bill lapsed when the election was called and it is unclear whether it will be re-introduced.

Got foreign investments?

Australian residents with overseas assets need to include any capital gains or capital losses made on those assets in your tax return and may have to include income received from overseas interests in your tax return. You can 'receive income' even if it is held overseas for you. If you receive foreign income that is taxable in Australia and you paid foreign tax on that income, you may be entitled to an offset.

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