

# JUST TAX UPDATE

## **EMPLOYER QUARTERLY SUPER REPORTING CEASES**

Employers will be no longer required to report the quarterly super guarantee contributions to employees for contributions made on or after 1st January 2005. Other workplace legislation still requires the information be included on payslips, and funds still need to report annually to members, however the onus of quarterly reporting has been removed. Please keep in mind, that the last contributions that require reporting to employees will be those made in the quarter ending 31<sup>st</sup> December 2004.

Just because the reporting requirements have been lifted doesn't remove the obligation to pay. Employers are reminded that they still need to remit the contributions to the superannuation funds within 28 days of the end of each quarter. Another thing to keep in mind is that from the 1<sup>st</sup> July 2005 employers need to offer employees a choice of superannuation funds. We will tell you more about these rules next year.

## **PAY OFF SOME HECS IF YOU CAN**

The 15% bonus for voluntary HECS repayments of \$500 or more drops to 10% on 1st January 2005. With the introduction of the Higher Education Loan Programme (HELP) on the 1st January 2005, all existing HECS debts will be rolled into HELP from 1st June 2006, and the same rules for compulsory repayments will apply to HELP debts as currently apply to HECS.

Those taxpayers who are likely to pay the remaining HECS debt in their 2005 tax return assessment or intended to make voluntary payments this financial year should try to do so before 1st January 2005. On a time value for money basis, this will be very cost effective. If you have a \$1,000 HECS debt you can clear it by paying \$870.00 before 1<sup>st</sup> January 2005 or by paying \$909.00 before the 2005 tax assessment is raised by the ATO.

## **GST AND HOLIDAY / INVESTMENT HOMES**

Many taxpayers, particularly those contemplating retirement, buy and rent out that nice little investment property down by the beach or near their favourite holiday destination. Often it's rented through the local agent on an overnight, weekly, fortnightly or monthly basis to help cover the costs.

Despite the fact that these houses and units are rented on a short term basis, they do not become commercial residential accommodation, so owners cannot charge GST on the rent or recover GST on the costs incurred including the acquisition cost of the property as well as repairs and maintenance made to the property.

The Full Federal Court recently ruled that the specific use of the premises was irrelevant in determining whether or not they were residential premises. It did not matter if the house or unit was used as:-

- Short term holiday accommodation;
- An office;
- A display home

it was still considered a residential property.

The most important thing was what the premises were designed for. Therefore, if the premises had a kitchen, bedroom, bathroom etc. and were designed to be used for long term residential accommodation then they were considered to be residences. Thus any rent collected for these premises were input taxed and GST could not be recovered on the costs incurred in collecting the rent.

Even when a property manager in the business of renting short term accommodation leases your premises, and then on-rents it to holiday makers, you will still have a residential rental property, and the rental charged to the property manager will still be input taxed.

If the manager rents the entire apartment complex and offers additional services such as:-

- Full or regular servicing
- Use of common areas like games rooms, pools etc.
- Meals, access to restaurants and room service
- Concierge services and check in facilities

These services effectively change the nature of the accommodation operated by the manager from residential rental properties to that of a motel or hotel. However it is only the manager who is offering these additional services and not the owner. All you are renting is a residential apartment designed to be used for that purpose.

If you own a residential rental property and need assistance in relation to the GST issues, please call our office.

The contents of this newsletter are general information only. They are not intended as professional advice and you should consult a qualified accountant or other suitably qualified professional for further assistance before relying on any of the contents.