West Moreton Tax Talk 2017

Welcome – Changes Happening

Don't hang up the phone if we answer it with Red Diamond Financial Group. It has been a long time in the making, but we now welcome our financial planning, wealth creation and estate planning business, Red Diamond Wealth to our clients. Over the next few months West Moreton Accounting & Taxaton Services will undergo a face lift and be known as Red Diamond Accounting. We expect all changes to have occurred within the next six months.

What will stay the same – staff, office location, phone & fax numbers, parking, friendly service & sense of humour.

What will be different – business name, email addresses, website & signage.

Keep your eye on any emails that you receive from us so you can save our new email address and delete our old one.

These exciting new services will include all your personal insurance needs - life, TPD, trauma and income protection. We will also be offering a brokerage service for loans - main residence or investment properties, plant & equipment and vehicles. You will also be able to get us to initiate various methods of wealth creation through shares, managed funds and various investment platforms.

We are also currently helping clients with advice on aged care needs and are considering the next step - estate planning and what your wishes may be after you are no longer with us. More on this additional service will be available on our website.

We also welcome Bridgette to our staff this year. She will join Deb as your welcoming party and help with all issues relating to client administration. Karen Wright has moved to a bookkeeping role, she joins Ann in attending to all of your bookkeeping needs.

Early Appointments

We will again have the office open four nights a week as well as Saturdays (Jul to Sep). You will need to check with the reception team, which night your accountant is working when booking your appointment.

Thank you to all those clients that have already booked in their tax return appointments. So, please put down your newsletter (for a moment) and call us on 3281 2422 if you need an appointment before the end of September. Hopefully, this way you will not be disappointed if your preferred choice is not available to you.

Drop Off or Send your Tax Information

Due to the very high demand for our services during the first four to five months of the financial year we try our best to get client appointments to suit their needs - day, night or Saturdays. Each accountant has their own work patterns – some may start earlier, finish later, work an extra hour here and there. If your appointment is several weeks away, it is a good idea to drop your information into our office. There is every chance that we will be able to get to it before your appointment and therefore it will be partially completed by your allocated time, making processing time shorter. Please feel free to ask for your forms to be sent out to you and drop or send your paperwork into us before your appointment.

Processing Dates

The ATO will update their systems on Saturday 23 June and Sunday 24 June 2017. Processing of returns is due to start from 7 July 2017 and refunds are expected to start 18 July 2017.

Black Economy Taskforce

The Government is extending the taxable payment reporting system (TPRS) currently in place for the building and construction industries to those businesses using contractors in the courier and cleaning industries with effect from 1 July 2018. The TPRS is a transparency measure and its introduction has resulted in improved contractor compliance. Under the TPRS, businesses are required to report payments they make to contractors (individual and total for the year) to the ATO. This measure brings payments to contractors in the courier and cleaning industries into line with wages, which are reported to the ATO. Businesses in these industries will need to ensure that they collect information from 1 July 2018, with the first annual report required in August 2019.

Extended Audit Activities

The Government will provide $32 million for one year of additional funding for ATO audit and compliance programs to better target black economy risks. This funding was to expire on 30 June 2017. Under this measure, a further year of funding will be provided for the ATO's 'Strengthening Foundations' and 'Level Playing Field' programs. 'Strengthening Foundations' focuses on businesses with a turnover between $2 million and $15 million that have disengaged from the tax system. The 'Level Playing Field' program involves audit, review and intensive follow up and targeting of small businesses with turnover below $2 million. These programs are directed at changing black economy and related behaviours such as non-lodgement, omission of income and non-payment of employer obligations.

The Government will act to prohibit the possession, manufacture, distribution, use or sale of electronic point of sale ("POS") sales suppression technology and software. This technology and software allows businesses to understate its income by untraceably deleting selected transactions from electronic records in POS equipment. This income is then omitted from the information reported to the ATO giving a lower than actual income and therefore lower tax paid.

HELP Repayments

From 1 July 2018, income thresholds and rates for repayment of HELP debts will be revised. A new minimum threshold of $42,000 will apply with a 1% repayment rate and a maximum threshold of $119,882 with a 10% repayment rate. This is a substatantial decrease to minumun and maximum thresholds.

Home Owners

Homeowners who sell their property after 1 July 2018 for more than $750,000 will be required to obtain a Clearance Certificate on sale of their property certifying that they are not a foreign resident. If this certificate is not obtained, a withholding tax of 12.5% will be withheld on sale by the solicitors to the ATO. Please contact us for guidance, if this is applicable.

GST & Property Developers

From 1 July 2018, purchasers of newly constructed residential properties or new subdivisions will be required to remit the GST directly to the ATO as part of settlement. Under the current law (where the GST is included in the purchase price and the developer remits the GST to the ATO), some developers are failing to remit the GST to the ATO despite having claimed GST credits on their construction costs. As most purchasers use conveyancing services to complete their purchase, they should experience minimal impact from these changes.

Medicare Levy Changes

The Government will increase the Medicare levy low-income thresholds for singles, families, seniors and pensioners from the 2017 income year. The threshold for singles will be increased to $21,655. The family threshold will be increased to $36,541 plus $3,356 for each dependent child or student. For single seniors and pensioners, the threshold will be increased to $34,244. The family threshold for seniors and pensioners will be increased to $47,670 plus $3,356 for each dependent child or student.

From 1 July 2019, the Government will increase the Medicare levy from 2% to 2.5% of taxable income. Other tax rates that are linked to the top personal tax rate including fringe benefits tax and excess non-concessional contributions tax and certain lump sum super payments that attract the levy may also be impacted, such as disability benefits paid to people under preservation age. The current exemptions from the Medicare levy will also remain in place.

Retirees Downsizing

Individuals aged 65 or over will be able to contribute the proceeds of downsizing from the sale of their principal home (if they've owned it for at least 10 years) up to $300,000 (or $600,000 for couples) into superannuation from 1 July 2018. This is over and above existing concessional and non-concessional caps. However, if you or your partner receives the age pension, this could cause your entitlements to be reduced. These non-concessional contributions will be in addition to those currently permitted under existing rules and caps and they will be exempt from the existing age test, work test and the $1.6 million balance test. This measure reduces a barrier to downsizing for older people and may enable more effective use of the housing stock by freeing up larger homes for younger, growing families. At this stage, it is unclear how this measure will affect the assets test for aged pension purposes.

Rental Property Owners

From 1 July 2017, residential investment properties that were acquired from Budget night on 9 May 2017 will have different depreciation deductions. If purchased as a house & land package, there will be no changes to investors as they will be the original owners of the asset.

If purchasing existing dwellings, there will be no claims on plant and equipment items acquired with the property. These items are usually fixtures that can be 'easily' removed from a property such as dishwashers, furniture and curtains. These changes will apply on a prospective basis, with existing investments grandfathered. Plant and equipment forming part of residential investment properties as of 9 May 2017 (including contracts already entered into at 7:30pm (AEST) on 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. Investors who directly purchase plant and equipment for their residential investment property after 9 May 2017 will be able to claim a deduction over the effective life of the asset. However, subsequent owners of a property will be unable to continue to claim deductions for plant and equipment purchased already in the property. These items will instead be reflected in the cost base for CGT purposes for subsequent investors. This is an integrity measure to address concerns the ATO has that some plant and equipment items are being depreciated by successive investors in excess of their actual value.

Also from that date, investors will be unable to deduct travel expenses related to inspecting, maintaining or collecting rent for a residential rental property. This is an integrity measure to address concerns that many taxpayers have been claiming travel deductions without correctly apportioning costs, or have claimed travel costs that were for private travel purposes. This measure will not prevent investors from claiming a deduction for costs incurred in engaging third parties, such as real estate agents, for property management services. The new rule around travel expense deductions applies to all property investors, including SMSFs, family trusts and companies.

Tax Breaks Small Businesses

The government will extend the $20,000 immmediate write off by 12 months to 30 June 2018. However, the Government has proposed to extend the concession for businesses with an aggregated annual turnover less than $10 million in the 2018 financial year. Assets valued at $20,000 or more (which cannot be immediately deducted) can continue to be placed into the small business simplified depreciation pool (the pool) and depreciated at 15% in the first income year and 30% each income year thereafter. The pool balance can also be immediately deducted if the balance is less than $20,000 over this period. Further, the current ‘lock out’ laws for the simplified depreciation rules (these prevent small businesses from re-entering the simplified depreciation regime for five years if they opt out) will continue to be suspended until 30 June 2018.

From 1 July 2018, the immediate deductibility threshold and the balance at which the pool can be immediately deducted will revert back to **$1,000**. The 5% tax discount for small businesses (capped at $1,000) continues again this year. It will increase to 8% in the 2018 year. It is not available if you have a Personal Services Income Business – eg a contractor that works for one business and has no staff or does not pay rent.

PAYG Summaries & Annual Report

Don’t forget, we can check your end of year PAYG Summaries prior to distributing them to employees. This will confirm that the amounts are correct and agree with your accounts and amounts declared at W1 & W2 in your BAS’s. These are due for distribution to your employees by 14 July 2017. All copies and the summary must be sent to the ATO by 14 August 2017. For those clients in the building and construction industry the Taxable Payments Annual Report is due to the ATO by 28 August 2017. For clients where we help prepare your BAS, we need all your information by 21 July 2017.

CGT for Small Business

The Government will amend the small business CGT concessions with effect from 1 July 2017 to ensure that the concessions can only be accessed in relation to assets used in a small business or ownership interests in a small business. This proposed amendment is targeted at taxpayers who are able to access these concessions for assets which are unrelated to their small business.

The small business CGT concessions will continue to be available to small business taxpayers with aggregated turnover of less than $2 million or business assets less than $6 million.

Super Savings for First Home Buyers

The Government will encourage home ownership by allowing first homebuyers to ‘build a deposit’ inside their existing superannuation fund. These voluntary superannuation contributions of up to $15,000 per year ($30,000 in total) can be contributed by first homebuyers from 1 July 2017. The contribution must be within existing concessional and non-concessional caps. Concessional contributions and earnings are taxed at 15% in the fund.

These contributions can then be withdrawn, along with associated deemed earnings, for a first home deposit, from 1 July 2018 onwards. Concessional contributions and earnings that are withdrawn will be taxed at the taxpayer’s marginal rate less a 30% offset, providing an incentive that will enable first homebuyers to build savings more quickly for a home deposit. Note that both members of a couple can take advantage of this measure to buy their first home together. Any non-concessional contributions (‘NCCs’) withdrawn will not be taxed.

Example – Ross (not using his super for his first home deposit) (marginal tax rate of 34.5%) saves $6,550 after tax ($10,000 gross) from his salary each year into a bank account and earns 2% interest and declares the interest in his tax return each year and pays his tax on the earnings. After 3 years of savings, he has a deposit of $20,169.

Sarah (using the First Home Super Saver Scheme) (marginal tax rates of 34.5%), save $10,000 through a salary sacrifice each year to her super fund under the FHSSS. After 3 years of savings, she has a deposit of $26,756 for her first home. If this is a couple saving together, this would be $53,512.

Pensioner Concession Cards

Pensioners who lost their Pensioner Concession Card entitlement due to the assets test changes on 1 January 2017 will have their card reinstated. If your Pensioner Concession Card entitlement is reinstated, you'll have access to a wider range of concessions than those available with the Health Care Card, such as subsidised hearing services. Your Pensioner Concession Card will be automatically reissued over time with an ongoing income and assets test exemption. You'll also retain the Commonwealth Seniors Health Card, ensuring you continue to receive the Energy Supplement.

Superannuation Contributions

Non Concessional Contributions (NCC)

These amounts are usually after tax money placed into your super fund. (Not taxed). From 1 July 2017, this allowable amount has been reduced from $180,000 to $100,000 per year. The bring forward rule for contributions has changed and there are further transitional rates. Please ask for further details. The new limit will be indexed in $10,000 increments.

Concessional Contributions (CC)

These are amounts usually either paid by your employer, contributing extra funds through salary sacrificing your wage, or; if you are in business, you contribute and claim a tax deduction for your contributions. (All taxed at 15%). We are finding that our clients, whose contributions exceed these limits, are being assessed by the ATO for the surcharge (additional tax) at the time their tax return is lodged, rather than through a later amendment as was done in the past. From 1 July 2017 the cap for these contributions a member can make will decrease to $25,000 per annum regardless of age. You may need to check your contributions and adjust your salary sacrifice before the next financial year starts.

Division 293 Threshold Reduced

Division 293 imposes an additional tax of 15% on an individual Concessional Contributions (CC) for an income year (excluding some Employee Compulsory Contributions ECC's), if their adjusted taxable income for the year exceeds $300,000. The Government has amended the threshold from $300,000 to $250,000, with effect from 1 July 2017.

Where a liability for the additional 15% arises, the Commissioner must issue a notice of assessment to the individual stating the amount of their assessed Division 293 tax for an income year. The amount so stated is payable by the individual and not by their fund. However, an individual is able to apply to have the funds released from their superannuation fund to pay the Division 293 tax. Note that the 15% Division 293 tax applies in addition to the 15% tax payable in the fund.

Unused Concessional Cap Carry Forward

From 1 July 2018, if a taxpayers' superannuation balance is less than $500,000 and they do not use their CC of $25,000, the unused amount can be carried forward for up to five years.

Removal of the Pension Exemption for Transition to Retirement Income Stream (TRIS) Assets.

Currently where a taxpayer receives a TRIS, the income derived from the assets supporting the TRIS is tax-exempt.

From 1 July 2017, the income derived from the assets supporting the TRIS will no longer be regarded as tax-exempt. These will attract a further 15% tax.

$1.6 Million Balance Cap

This is a very involved area which cannot be covered in depth in this newsletter. This will start to affect tax payers where their super balances exceed $1.4 million. Please contact us directly if you would like further details on this matter.

Thanks Again

We have now implemented a new system where clients will have the choice to be able to sign all returns electronically. This will be set up prior to your appointment. Please have access to your email at this time.

If you wish your tax deduction for audit insurance to be in this financial year, you must pay it prior to 30 June 2017. If you don't wish to participate please follow the instructions on the "Client Decline Form" to avoid further unnecessary follow-ups.

We again look forward to seeing you all shortly – Meggs, Heather, Karen S, Deb, Karen W, Ann, Carmel, Megan and Bridgette.