

CLIENT NEWSLETTER

Albany
July 2016



STAFF NEWS

In early June, the Albany office welcomed Georgia Kidman to the team. Georgia grew up in Newdegate and has family links to Albany and Mount Barker – including being a first cousin to Heather Henderson in our office! Georgia is a qualified accountant and is part-way through her studies towards her CPA qualification. Georgia will oversee all of our individual tax returns practice (ie Ezitax) as well as a number of small business clients. Georgia also has a keen interest in cloud accounting packages so is looking forward to assisting our clients maximise the potential of cloud accounting technologies in their businesses.



With another financial year behind us, a few of our staff took the opportunity to have a break and head north to warmer climates. Dean Carnaby went fishing up north yet again for two weeks and Jo Gilbert headed to Kalbarri with her family for the school holidays.

In July, the RSM team got together in Perth to celebrate our annual Dinner Dance. At this time we also took the opportunity to recognise milestone events for our staff. This year we were delighted to celebrate Dean Carnaby's 25 years with RSM. Dean started his career with us in Kondinin and then moved to Albany office. Since then he has maintained his links with the Kondinin area and returns there on a regular basis. We congratulate Dean on this milestone.

Changes to Family Tax Benefit from 1 July 2016

There are changes being made to Family Tax Benefit that may affect some of our clients from 1 July 2016.

There is nothing you need to do if you are affected by any of these changes–your payment will change automatically. It is important that you are aware of how your payment will be affected so you can adjust your budget.

Family Tax Benefit (FTB) Part B

If you are a member of a couple and your youngest child is 13 years of age or over, you will no longer be paid FTB Part B.

If you are a single parent, grandparent or great grandparent carer, your FTB Part B will not be affected by these changes.

If you are a grandparent or great grandparent carer, you should have been registered as a grandparent carer before 1 July 2016 to ensure your FTB Part B continues to be paid.

Large Family Supplement

Large Family Supplement will no longer be paid.

Farm Management Deposits

The following three changes to the Farm Management Deposits (FMD) Scheme, are commencing on 1 July 2016:

- Increasing the maximum amount that can be held in FMDs by a primary producer from \$400,000 to \$800,000.

- Allowing primary producers experiencing severe drought conditions to withdraw an amount that has been held in an FMD for less than 12 months, without affecting the income tax treatment of the FMD in the earlier year. However, this is only available for some categories of primary production.
- Allowing amounts held in an FMD to offset a loan or other debt relating to the FMD owner's primary production business. It will be up to banks to determine if they will offer FMD offset accounts and how they are set up and operated. Primary producers will need to hold their loan and an FMD with the same financial institution to take advantage of this change.

To be eligible for the FMD scheme, you must be:

- Carrying on a primary production business at the time you make a deposit
- Be an individual (including as a partner in a partnership or beneficiary of a trust) – companies and other entities are not eligible (Note: FMDs cannot be made by two or more people jointly)
- Have taxable non-primary production income not exceeding \$100,000



There are other conditions and eligibility criteria for the FMD scheme, so please consult with your accountant to make sure you are eligible.

Scams targeting clients

We are aware of various scams where our clients have been contacted via emails, SMS or phone calls from individuals pretending to be either the ATO or another government agency. These scams can be very convincing and many individuals fall victim to these each year.

To avoid becoming a victim, it is important that you know some of the common characteristics of a scam.

Scam communications:

- Are unsolicited
- Pushy and can be intimidating, threatening arrests or penalties if payment for an unknown tax debt is not made immediately
- Demand payment in full and in some instances via unconventional means such as iTunes cards, cash transfers or gift vouchers
- Ask you for your personal or financial information or to confirm information they pretend they have
- Are often poorly worded, containing spelling and grammatical mistakes
- May promise you a tax refund in exchange for a payment or personal information
- May contain an attachment or fake links requesting you to lodge a form – opening these attachments or links can cause you to download spyware or a virus

How to report a scam

If a scammer or someone claiming to be from the ATO has contacted you and you are unsure of the legitimacy, let us know.

For phone scams you should:

- Hang up immediately
- Call the dedicated scam reporting line 1800 008 540 between 8am–6pm EST, Monday to Friday

For email scams you should:

- Refrain from clicking on links or opening attachments
- Forward the email to ReportEmailFraud@ato.gov.au

Urgent Reminder – SuperStream Compliant by 28 October 2016

SuperStream is a Government initiative aimed at improving the efficiency of the superannuation system. Under SuperStream, from 1 July 2016 all employers must be registered and make super contributions on behalf of their employees by submitting payments electronically in a consistent and simplified manner. The deadline has been extended to 28 October 2016.

What you need to do

Employers can meet SuperStream obligations by either using:

- A software solution that conforms to SuperStream
- A service provider who can arrange SuperStream compliance on your behalf

Your options may include:

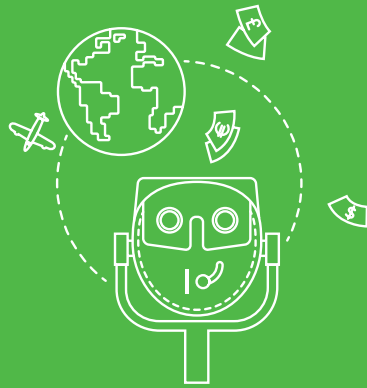
- Upgrading your payroll software
- Using an outsourced payroll or other service provider
- Using a commercial clearing house; or, for employers with 19 or fewer employees, using the free Small Business Superannuation Clearing House (go to www.sbsch.gov.au)
- Contact your current employee superannuation fund – they may also have an electronic channel they manage or can make transitional arrangements for you.

You will need to collect and store additional information about funds in order to send them contributions in accordance with the SuperStream standard.

This includes the following new information:

New information required	Fund Type
Fund's ABN	All funds
Bank account details	SMSF's
Electronic service address	SMSF's
Employee Tax File Number (TFN)	All funds

For further information, please go to www.ato.gov.au/super/superstream/employers/employer-checklist--a-step-by-step-guide or contact your accountant.



IDEAS AND INSIGHT, COLLABORATION AND UNDERSTANDING.

Federal Budget 2016 summary

A quick recap of last year's budget

A reminder of the tax incentives that were introduced in the 2015 Budget which now apply:

- Immediate deduction for assets costing less than \$20,000 (exc GST) purchased up until 30 June 2017. From 1 July 2017 the threshold will reduce to \$1,000.
- Farmers can choose to claim an instant write off for fencing and water facility items.
- Farmers can deduct the cost of fodder storage assets (silos, bins, sheds etc) over three years. Note – to claim the fodder storage deduction the farm must run and trade livestock. The fodder is not for sale but to feed livestock. ie a shed storing hay for sale will not qualify. The ATO will be looking at these claims closely.
- Small businesses that are operating through companies will have their tax rate reduced to 28.5%. (Bucket companies do not qualify).

YOUR GUIDE TO THE 2016/2017 FEDERAL BUDGET ANNOUNCEMENTS

The following guide is a summary of the most significant 2017 Federal Budget announcements. These announcements are still subject to legislation being passed by the new Government

Small to Medium Enterprises

A key announcement was the increase in small business entity turnover threshold from \$2 million to \$10 million dollars from 1 July 2016.

It is quite important to pay attention to the definition of "Aggregated Turnover". Generally, aggregated turnover is your annual turnover plus the annual turnover of any business you are connected with or that is your affiliate.

This will mean that all businesses with an aggregated turnover of less than \$10 million dollars will have access to the following concessions:

- Simplified depreciation rules such as pooling of assets into a general pool and access to increased depreciation rates and amounts as allowable tax deduction.
- Ability to access the immediate deduction for assets

(new or second hand) costing less than \$20,000 (excl GST) up until **30 June 2017**.

- Simplified trading stock rules whereby a year end stocktake is not required if the value of stock has changed by less than \$5,000.
- The option to make PAYG instalments using the ATO instalment amount rather than calculating themselves.
- Option to account for GST on a cash basis rather than an accruals basis.
- More generous Fringe Benefits Tax exemption for work related portable electronic devices (from 1 April 2017)
- Ability to gain a tax deduction for prepayments up to 12 months.
- Option to trial a simpler Business Activity Statement format which is proposed to reduce GST compliance costs.

These changes should reduce the compliance and tax cost for small to medium taxpayers and stimulate spending over the next 12 months with the \$20,000 immediate write-off for depreciating assets being available to more taxpayers.

This increase does NOT apply to the small business capital gains tax concessions. For these concessions purposes the turnover threshold will remain at \$2 million and the net asset value test will remain at \$6 million.

An Increase in the current tax discount of 5% to 8% was introduced for unincorporated small businesses eg. Partnerships and sole traders. The effective date for this was from 1 July 2016. The maximum cap of \$1,000 still applies.

Cuts to Company Tax Rate

Further reductions in the corporate tax rate to 25% is proposed over the next ten years. Franking credits will be eligible for distribution in line with the underlying tax rate paid by the company.

The following table outlines details of the aggregated turnover thresholds, company tax rates and franking credits applicable to the following years.

Income Tax Year	Tax Rate	Maximum Franking Credits	Annual aggregated turnover threshold
2016/17	27.5%	30%	\$10 million
2017/18	27.5%	30%	\$25 million
2018/19	27.5%	30%	\$50 million
2019/20	27.5%	27.5%	\$100 million
2020/21	27.5%	27.5%	\$250 million
2021/22	27.5%	27.5%	\$500 million
2022/23	27.5%	27.5%	\$1 billion
2023/24	27.5%	27.5%	None
2024/25	27%	27%	None
2025/26	26%	26%	None
2026/27	25%	25%	None

Superannuation Changes

\$1.6 Million Transfer Balance Cap

Introduction of the new lifetime pension commencement cap of \$1.6million.

From 1 July 2017, an individual may not commence a pension in superannuation with a balance of more than \$1.6 million. In addition, for those with existing balances exceeding \$1.6 million, the excess amount will need to be commuted back to accumulation, where the earnings will attract 15% tax.

For those with multiple pensions, it is unclear how it will be decided which pension is converted back to accumulation, potentially undoing years of tax and retirement planning.

Reduction of concessional contributions cap to \$25,000

The 2016/17 Budget sees a return to a lower concessional contribution limit of \$25,000 per member, regardless of age, effective from 1 July 2017. There will be a "catch-up" opportunity for individuals whose superannuation balances is less than \$500,000. Those individuals will be able to catch up unused concessional contributions for a period up to 5 years.

Lifetime Non-Concessional Cap

Commencing from 3 May 2016 and counting contributions back to 1 July 2007, a member is limited to a maximum of \$500,000 after tax contributions in their lifetime. This means that individuals who have already exceeded the recently announced \$500,000 cap during the period 01 July 2007 and 3 May 2016 won't be penalised, however clients need to be aware of the potential excess contribution charges if the cap gets exceeded from 3 May 2016.

This announcement will also limit the ability of individuals to employ the popular 'withdrawal and re-contribution' strategy to minimise the implication of tax on the death benefits of a member.

Transition to Retirement Income Stream & Tax

From 1 July 2017, the tax exempt status of income supporting a Transition to Retirement Income Stream (TRIS) will be removed, resulting in tax of 15% being levied on income in these funds. This is an attempt to remove the tax based strategies behind commencing a TRIS, and return it instead to a measure to help people genuinely moving toward retirement. The changes will also remove a loophole previously allowing members to elect to have their pension benefits taxed as a lump sum.

Individuals

The low-income threshold for the Medicare levy will increase from \$20,896 to \$21,335 for the 2015/16 year. The 2% Budget deficit levy announced in the 2015/16 Budget will cease at the end of the 2016-17 financial year. The Government has proposed to increase the threshold at which the 37% tax rate applies from \$80,000 to \$87,000, with effect from 1 July 2016.

Individuals tax rates

2015/2016 Income Year

Taxable Income	Tax Payable
0-18,200	Nil
18,201-37,000	Nil + 19% of excess over \$18,200
37,001-80,000	3572 + 32.5% of excess over \$37,001
80,001-180,000	17547 + 37% of excess over \$80,001
180,000+	54547 + 47% of excess over \$180,000

Proposed rates for the 2016/2017 (including the 2% temporary budget levy)

2016/2017 Income Year

Taxable Income	Tax Payable
0-18,200	Nil
18,201-37,000	Nil + 19% of excess over \$18,200
37,001-87,000	3572 + 32.5% of excess over \$37,001
87,001-180,000	19,822 + 37% of excess over \$80,001
180,000+	54,232 + 47% of excess over \$180,000

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