CLIENT NEWSLETTER

Albany
June 2017

OFFICE UPDATE

Welcome back Lucinda – again!

We were very excited to welcome Lucinda Bell back to our team in early April. Lucinda will be familiar to many of our clients, having started at RSM in 2009 in reception and soon working her way up to our superannuation team.

Welcome back Lucinda!

Lucinda left us for a short time to work at Westpac in Merredin then returned again in 2012.

Lucinda and her partner Allan left Albany in late 2013 and Lucinda joined our Perth superannuation team. In January 2014 Lucinda and Allan welcomed Eliza to their family.

Following the retirement of Wendy Dickson from our office in late March this year, Lucinda took the opportunity to move back to her home town again and has been a great help to our superannuation team in helping them through their lodgement program pre-June.

Lucinda and Allan are now expecting their second child in August this year so we look forward to meeting the new addition to the RSM family and also to having Lucinda return to the office after her maternity leave.

WA Property Lawyers

We've moved up in the world

With the growth of our business over the past few years we were running out of space in our office.

In April we took over some additional floor space directly upstairs from our existing office. Our administration and superannuation team remain in the downstairs office and our tax team have moved upstairs. We also have a large function room upstairs where we can meet with larger groups or hold workshops and conferences.

We look forward to welcoming our clients and associates to this new space. With a functional kitchen, teleconferencing facilities and room for up to 30 people, this space is also available for use by our clients and associates. Please contact our reception for more information.

Welcome WA Property Lawyers

As part of our office expansion, we welcomed the team from WA Property Lawyers to share some office space with us in April. Lawyer Sarah Wright is a Great Southern local and is in the office Monday–Wednesday each week. Eden Coad and Corinne Adams also work from Albany office on a regular basis.

We look forward to working alongside the team from WA Property Lawyers in the years to come.

ZONE NEWS

We are pleased to announce that two of our team members were recently promoted at the Partners Meeting in Gold Coast in May.

Jimmy Smit from Katanning has been elected as a Principal.

Jo Gilbert from Albany was invited to be a Partner.

Both of these roles are effective from 1 July 2017 and are a sign of the success of our Great Southern Zone and the faith that the partner group has in our Zone.

We wish both Jimmy and Jo all the best for their future at RSM Australia.

Find us on Facebook for all Albany office news and updates.
RSM Australia (Albany, Western Australia)

RSM

FEDERAL BUDGET 2017-18

By Con Paoliello

The Rocky Horror Budget: "It's just a jump to the left, and a step to the right."

A dearth of pre-Budget leaks left the Australian public shivering with antici... pation for the Honourable Scott Morrison's delivery of Budget 2017-18, his second as Treasurer.

Taking his cue from former Foreign Minister Alexander Downer, the Treasurer channelled his inner Dr Frank N Furter by taking a "jump to the left" this evening and delivering a centre-left "tax and spend" budget.

With an emphasis on themes of fairness, security, and opportunity, key 2017-18 Budget initiatives focussed on housing affordability, securing funding for the National Disability Insurance Scheme (NDIS) and spending on infrastructure. Whilst the Rocky Horror Picture Show movie had Dr Frank N Furter making unwelcome advances on average couple Brad and Janet, it is likely that the average Australian will generally welcome the essential services being delivered by the Government in Budget 2017 – 2018. The average Australian will "put their hands on their hips" with respect to the increase in the Medicare levy to 2.5% and the accelerated Higher Education Contribution Scheme repayments, however they are likely to at least appreciate that the funding will go towards better education, training, support for the disabled and more affordable housing.

> In this regard, the Government's mantra could be "Don't dream it, be it."

Foreign investors, foreign workers and multinational organisations are the "Frankenstein" that the Treasurer is seeking to prevent from leaving the castle, or at least not leaving without paying their fair share of tax. For foreign owners of residential property, the Treasurer has introduced:

- a charge for properties that have been vacant for at least six months per year;
- changes denying access to the main residence CGT exemption from 9 May 2017;
- an increased CGT withholding rate to 12.5% (up from 10%); and
- a reduced CGT withholding threshold of $750,000 (down from $2 million)

Changes to the skilled visa rules to target genuine labour market shortfalls, and a levy on Australian businesses that do employ foreign workers are sure to hit Australian businesses.

Large multinational organisations will also need to consider the implications of the extension of the Multinational Anti-Avoidance Law (MAAL) to interposed partnerships and foreign trusts, as well as the implications of the OECD BEPS action item relating to hybrid mismatches.

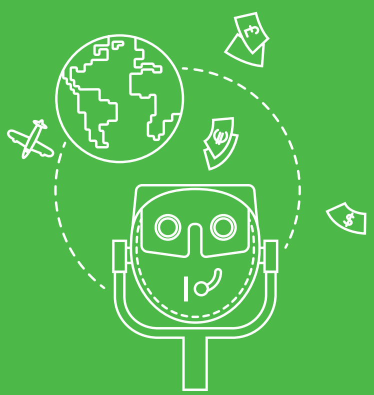
Australian resident property investors were also on the Federal Treasurer's dance card. Whilst there is once again no changes to negative gearing or the 50% CGT discount for residential rental properties, from 1 July 2017 travel costs relating to inspecting, maintaining or collecting rent for a residential property will no longer be tax deductible. In addition, rental property owners will only be able to claim depreciation on plant and equipment they purchase themselves, reducing the ability for investors to use a quantity surveyor's report to claim deductions for prior owners' expenditure on assets within the property.

Small businesses with turnover of less than $10 million received a 12 month extension to the instant write off for assets costing less than $20,000, with this measure being retained until 30 June 2018. Other than this measure, small business owners asked for nothing in Budget 2017-18, and seemingly received it in abundance from the Treasurer.

The Treasurer also reaffirmed the Government's 10 year plan to reduce the corporate tax rate to 25%. With US President Donald Trump aspiring towards a 15% corporate tax rate for the US, the Government needs to remind the Opposition that we are no longer in the Junior Chamber of Commerce, and that Australia's high corporate tax rate could quickly see us become uncompetitive in the global economy.

Changes to allow first homeowners to salary sacrifice amounts into superannuation to save for a home deposit will be welcomed by those seeking to establish a foothold into the buoyant East Coast property market.

Successive Federal Budgets have failed to deliver the significant tax reform that the Australian business community yearns for and, in that regard, this Budget has not let us down. **So let's do the time warp again!**



IDEAS AND INSIGHT, COLLABORATION AND UNDERSTANDING.

BUSINESS PARTNERSHIP: EASY TO GET IN, SOMETIMES PAINFUL TO GET OUT

By Jim Adamson

As the saying goes " If you fail to plan, then you plan to fail! "
Not enough planning goes into starting a business partnership prior to its commencement.

There are two essential agreements to put in place before starting a business partnership:

Firstly, a business plan communicates objectives, expectations and outcomes.
The plan usually covers all aspects of the business – the customer, suppliers, financial requirements, equipment, environment and commercial regulations. However, whilst this covers the business, what about the relationship between the partners themselves and their individual expectations of the other partners?

The second essential agreement is the partnership agreement.
A business partnership is no different to any other relationship – it consistently needs to be nurtured, reviewed, amended, accommodated, appreciated and acknowledged. And partnership breakdowns are no different to any other relationship breakdowns. They need to be managed effectively to minimise exposure to risk, legal and accounting costs and mental wellbeing. Good business relationships don't happen by luck or chance. It takes an innovative, imaginative, organised, disciplined approach combined with good old fashioned hard work. Don't assume your business is someone else's responsibility. Take Proprietorship. If you don't care – no one else will.

Ignorance of what the other parties may be doing in the business is not an excuse.
If you are financially involved in a business and have given Guarantees, you need to be fully aware of what is happening with the day to day operation of the business. There needs to be transparency. There is no point after the event saying–

> "I didn't know what was going on."
> "I trusted my partner."
> "I thought he was doing the right thing."

The partnership agreement should specify obligations, duties, responsibilities, profit sharing rates, how partners will be remunerated and who will ultimately be in charge.
The Agreement should cover the following areas; death, disagreements and conflicts, (and how these conflicts should be managed), divorce, disability and succession. What happens when a partnership comes to an end or one partner wants to leave? How will partnership assets be valued? How will payment be made and over what time period?

Have regular, open and forthright meetings on how the business is progressing.
All partners should be aware of the financial position of the Business, especially in today's environment of Cloud Accounting. By the time you get your last year's financial statements from your Accountant, perhaps well after the end of the financial year, it may be too late!

Business will evolve and change.
Whether it is the father and son on the family farm or two friends in an engineering business, there is usually implied understanding of what's going to happen, but very little formal communication of how the business might transition and evolve over time. You need to be flexible enough to move with the times but there should be an agreement in place which covers each partner's expectations. The courts are littered with examples of where people have taken their parents, siblings, children or friends to court to claim their rightful dues.

A knowledge and understanding of what each party bring to the business relationship is paramount. Are your values the same, do they have the same work ethic? Ensure everyone is accountable? Do they have integrity? Do you trust them?

Ensure ownership of the business and its assets are owned in the most appropriate structure to protect them from external creditors. Protect your private assets from exposure to the business where possible. Be aware you are liable for all partnership agreements, known and unknown.

It's not possible to elimnate all issues associated with a partnership but with open eyes and carful planning the rewards can be very fruitful and any necessary parting should not be bitter, protracted or costly.
Remember – Today is not too late to put the right Partnership Agreement in place.

Please get in touch for any questions you may have regarding partnership agreements or starting your own business – our experts will be happy to assist you!

SUPERANNUATION REVIEW

By James Rurenga

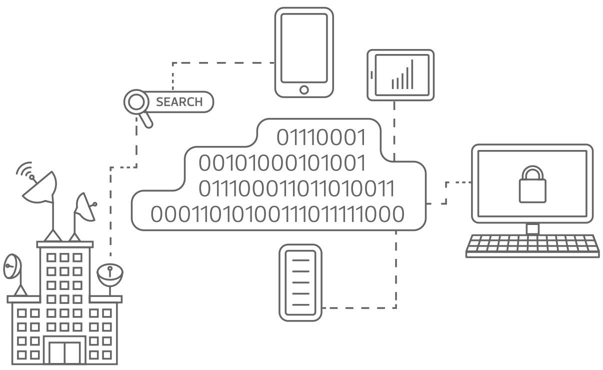
On the world of superannuation the time is upon us to review all of our contributions and pensions for the 2016/17 financial year. All of the recent legislative changes will not take effect until July 2017 making this the last year of the status quo.

For 2016/17 if you are aged 49 or under at 30 June 2016 you are limited to being able to make a concessional contribution of $30,000.00. Likewise if you are 50 or over you can make $35,000.00. If you make a non concessional contribution the most you can deposit into your fund is $180,000.00 or if you use the three year roll forward then $540,000.00. There are conditions to being able to make contributions and your accountant will be able to walk you through these.

By now you should have received your pension drawdown letter for 2017. Please review your paperwork and ensure that all withdrawals are within these caps. If you have not been notified as yet, please contact the Albany superannuation team for advice. Failure to withdraw the minimum will affect the taxable nature of your fund.

Speaking of tax from July 2017 member balances that support a Transition to Retirement Income Stream will now be taxable within the fund in the same way that accumulation balances are currently taxed. If you are under the age of 60 this pension will need to be included in your personal tax return, likewise if you are aged 60 or over the pension will remain tax free in your hands. This means that you will need to ascertain if a TRIS pension is in your best interest. However we will be in contact at a later date if you are affected with these changes.

As with all things superannuation these are what you can do. Proper financial advice should be sought regarding what you should do.



RSM SCHOLARSHIP

Looking for a career in Accounting? We are offering $7500 scholarships to help you transition to university.

We understand how difficult it is to relocate from regional Australia to study and start your career at a city university.

We are offering three scholarships to first year university students who have relocated from a Western Australia regional or rural area to study.

The RSM scholarship provides you with financial support for costs related to your University degree and living arrangements. You will also have the opportunity to gain practical experience through paid employment during your university breaks at our regional offices.

Winners will receive:

- Once off payment of $5,000 upon receipt of your scholarship
- Up to $500 each semester towards the costs of your textbooks
- Paid employment during your university breaks to gain practical accounting experience
- Ability to work with a diverse range of clients in your local area
- Networking opportunities within the industry

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