CLIENT NEWSLETTER

Albany | June 2018

ULTRA MARATHON

Albany Accountant Georgia Kidman (centre, back) completed the Margaret River Ultramarathon with her family team 'Just Kidding'.

Georgia's Mum, Aunty and two sisters Josie and Marcia ran a total of 101 miles over the weekend event – that's 162.5km! No mean feat – congratulations!

GREAT SOUTHERN ZONE ONE DAY EQUESTRIAN EVENT

Heather Henderson (right) from the Albany Office and daughter Rachel recently competed in and each took out overall class winner in the Great Southern Zone One Day Equestrian Event. A huge effort – with show jumping, dressage and cross country challenges involved. Well done mother and daughter team.

NATIONAL DIRECTOR OF AGRIBUSINESS

Congratulations to Cameron Taylor, our Director of the Great Southern, who was recently appointed National Director of Agribusiness. This is a great achievement by Cameron, and also for our Katanning Office and the Great Southern Zone.

With 24 regional offices throughout five states, RSM Australia have a massive commitment to and investment in the future of Australian Agriculture. Cameron heads up RSM's National Ag team to ensure our farmers get the best possible service, advice and success, and has a talented crew from all over Australia to deliver this.

Congratulations to Cameron from all of us throughout the Great Southern Zone!

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM

MAKING TAX TIME EASIER

To make tax time as smooth as possible for both our clients and our office, we are introducing TWO new systems this year:

1. ONLINE BOOKINGS

You can now book an appointment with Georgia Kidman or Jodie Sounness at your convenience through our website! It is an easy way to select the type of service you require at a time that suits you.

Albany is the first RSM office in the nation to trial the link so please give it a go! We also need your feedback so we can improve the service and determine if it will be rolled out company wide.

1. Go to rsm.com.au
2. Select **Who we are**,
3. Select **Our Offices**,
4. Then click on the **Albany** Pin
5. Then select **BOOK APPOINTMENT ONLINE**

https://cloud.rsm.com.au/microsoftbookings.html

2. ONLINE YEAR END CHECKLIST

Following on from a successful trial last year, we will now be rolling out our online Year End Checklist to all of our clients for the 2018 financial year tax returns.

In late June you will receive an email from our office with a link to an interactive checklist. The features of this include:

- Type livestock numbers directly into the form and closing stock calculations are done for you
- Attach PDF's of documents that you need to send to your accountant, including bank statements, private health statements, tax invoices
- Save the form and return later to complete
- Submit the form on line and this will be received directly in our office
- No need to then post paper copies of source documents

We know there will be some clients that still wish to receive their checklist in paper form. These can be requested directly from Fiona Burdett in our office and will be posted on request once the email checklist has been sent to everyone.

TAX PLANNING 2018

As the end of the financial year approaches it is now the final month to review your tax position and consider end of year tax planning options. These can vary depending on your personal circumstances, and we recommend you contact your accountant if you have any questions.

Business Entities

Review income recognition

Most businesses operate on the accrual basis and income is recognised in the period when constructively received. The taxpayer has done everything required to earn the income and your right to the funds is indisputable. You should only invoice this month for jobs that are completed by 30 June, leaving any incomplete jobs to be billed in the next financial year.

Taxpayers who use the simplified tax system accounting method (STS) since 2006/2007 generally recognises income when received and expenses when payment is made.

Bring forward deductions

Small business entities (annual turnover of less than $10 million) can enjoy a concession that's not available to larger businesses in paying expenses in advance for a period of no longer than twelve months. If cashflow permits, you may want to consider prepaying expenses such as rent, interest expense, leases, accounting fees and subscriptions.

Employee superannuation guarantee payments

Superannuation contributions for employees are only tax deductible when paid, not when there is an obligation to pay, like other expenses. Once your final wage payments for the year are prepared you can calculate and pay the accrued superannuation prior to 30 June 2018.

Small business assets – instant asset write-off

Capital assets costing less than $20,000 excluding GST) can be immediately written off.

Assets costing $20,000 or more will be depreciated in the small business general pool. The rates applicable are 15% in the year acquired and 30% of the opening written down value in the second and subsequent financial years.

Stocktake

To correctly report closing stock an accurate physical stocktake should be performed at 30 June. Any obsolete stock should be identified and written off and old stock written down. Trading stock can be valued at the lower of cost, market value and replacement value for tax purposes. This includes livestock and produce ready for sale, such as wool and grain, for farmers.

The cost of purchasing trading stock is not deductible until the stock is sold as that is when it can be included in the cost of goods sold.

Small business entities with a difference between opening and closing stock of less than $5,000 can choose not to do a physical stocktake.

Review debtors
Before year end ensure any unrecoverable doubtful debts are written off. Bad debts may only be written off after there has been a genuine attempt at recovery of the debt. At the time of writing of bad debts consider any GST adjustments.

Accelerated depreciation Primary Producers
Primary producers can claim immediate deductions for water facilities and fencing assets, while fodder storage assets can be claimed over three income years (a third of the cost in each year).

Small business entities can claim under this method or choose to apply the immediate write-off for items that cost less than $20,000 or add them to the small business general pool if above this amount.

Farm management deposits
Primary producers looking to shift income from good years to bad to deal with adverse conditions can claim deductions for farm management deposits (FMD) made in the year of the deposit. On withdrawal the amount of the deduction previously allowed is included in the taxpayer's assessable income.

Many conditions apply including having no more than $100,000 in non-primary production income, must be a primary producer, deposits are held by a single individual, the minimum is $1,000 and the maximum is $800,000. The deposit must be held for at least twelve months to be deductible except in certain circumstances.

Individuals

Superannuation concessional contributions
From 1 July 2017 the 10% employment income test that prevented many taxpayers from claiming a deduction for personal superannuation contributions was removed giving greater access to tax deductible contributions. This benefits those who couldn't access salary sacrificing through an employer or those that are part employed with income from business or investments.

The current concessional contribution cap for all members, regardless of their age, is $25,000. To qualify and claim the deduction a notice of intent to claim must be received and accepted by the superannuation fund before the lodgement of the member's tax return or 30 June 2019, whichever occurs first.

Contributions must be received by the fund before 30 June 2018. Members aged 65 and over need to meet the work test and those aged 75 and over are restricted to superannuation guarantee and downsizer contributions.

SINGLE TOUCH PAYROLL – THE TIME IS NOW!

Single Touch Payroll (STP) is here for substantial businesses (i.e. employers with 20+ employees) and is on its way for all other businesses as of 2019.

So what does this single biggest payroll reporting change in Australian history mean for you and your business?

The Australian Government has initiated a change that will require employers to report payments such as wages, pay as you go(PAYG) withholding and super information directly from their payroll software or payroll service provider to the ATO. Currently all Australian business with 20+ employees will need to use this reporting system from 1 July 2018 and businesses with 19 or less from 1 July 2019.

The system aims to eliminate both the need to report employee related PAYG withholding in activity statements throughout the year or provide employees with payment summaries at year end.

Under this process, electronic accounting software used by businesses would automatically report payroll information to the ATO each pay cycle. This process will automate the exchange of information from the employer to the ATO and then to other government departments such as Department of Human Services.

What you need to do to be STP ready...

- Review (or engage new) payroll software - STP will require either an upgrade or change of your payroll system. Alternatively, you could use the services of a third party to report on your behalf. So the time to review is now. Avoid the last minute panic!
  Remember that payroll is only one component of your business software, and as such it is the perfect time to review all processes to ensure your systems meet current reporting requirements and your business needs. Depending on your business needs, there may be benefits changing to a cloud-based accounting program– they are economical, easy to use and provide real time information. We are here to assist you in identifying any limitations with your current software and/or helping implement and train you in a new program.

Whilst the deadline for all employers is 2019, you can opt in to STP earlier to streamline your ATO reporting and access new online forms.

The ATO are making substantial changes and we encourage all our clients to engage with their RSM Accountant and support staff to stay informed of all updates, and help with any the issues that may arise. Please contact your local office to make an appointment to discuss how these changes will affect your business.

CLOUD ACCOUNTING SOFTWARE – WHERE TO NEXT FOR FARMERS?

By Jo Gilbert

With the improvement in data speeds and availability in regional areas, what was previously a slow progression toward Cloud accounting in the agricultural sector has now in recent months been happening at a much faster pace.

Cloud accounting packages have been in the market for a few years now but with people wanting to be able to access their data from off farm or in the paddock and the growing popularity of paperless offices, farmers are finding that being able to access their accounting data and store invoices in the Cloud provides them with much greater flexibility around their administration process.

With the introduction of Single Touch Payroll from 1 July 2018 (for larger employers) and 1 July 2019 (for the majority of our farming clients), now is the time to assess your current software and ensure that you are able to meet all of the requirements of this new system.

Beware the pitfalls though!

If you're looking for a Cloud accounting package that has the same functionality as your current desktop package and one that has been designed by farmers for farmers, you won't have much luck. Cloud accounting packages can be likened to an iPhone. You buy the subscription to the Cloud software and much like an iPhone allows you to make phone calls and set your alarm clock, the real functionality of an iPhone comes through the various applications that you load on to your phone – from social media, to messaging, to games, all of these "apps" make your iPhone a one-stop shop and therefore an integral part of our lives.

In a similar way, your Cloud accounting package will allow you to reconcile and code your bank statements, lodge your BAS and pay your employees and turn your basic Cloud accounting package in to a much more powerful business management tool.

But it's not designed specifically for farmers!

That's where some of the Cloud "add-ons" come to the fore.

One area that farmers have been looking at in recent months is a budgeting add-on.

Desktop farm accounting packages have a farm budget integrated into the software. This budget can be either a simple line-by-line budget or a more complex set of worksheets to build a budget.

Currently there are no Cloud accounting packages that have a detailed budget module embedded within them. Some have a spreadsheet type tool but this does not provide much ability to budget at a detailed level. So whilst it is not possible to prepare farm budget within the Cloud accounting package itself, a budget add-on does allow you to do this. A Cloud budget add-on links directly to your Cloud accounting package so that at any time you can see exactly where you are at compared to budget.

Your budget can be at a simple line-by-line level, using last year's actuals as a starting point and generating a new budget out of this.

Otherwise there is the option to track your budget via income generation source. If you wish to budget on a crop-by-crop or livestock type level, you can keep track of the income generated from these sources and the variable costs associated with each of these sources. General overheads such as rates, telephone etc can then be budgeted on a global level.

Seasonal variability sees farmers needing to review their budgets and forecast ahead for the remainder of the year to monitor indicators such as peak debt levels. As many would know, a budget set in February 2018 may have assumed a much higher rainfall year to date than what most farmers across the State have seen, so that budget may already be out of date where crops have not all been planted as early as they have in recent years.

The ability to run live budget-actual variance reports at any time during the year allows for good decision making in tougher times and allows a farmer to adjust their expectations based on current conditions.

If you would like to know how these Cloud packages can work within your business, speak to your Accountant who will be able to give you a demonstration of the available options.

SUPERANNUATION

As Australians we just love our slang and abbreviations. Bottlo, Servo, Maccas? As superannuation accountants we are happier than a pig in mud as everywhere we turn there is another abbreviation, TRIS (Transition to Retirement Income Stream) and ABP (Account Based Pension) just to name a couple. Well we have another one for you TBAR.

Total Balance Account Reporting or TBAR for short does not sound too intimidating, but it is. In its most general sense, if your Total Superannuation Balance (regardless of how many accounts or funds you may be involved with) is greater than $1 million you will be on quarterly reporting.

But what do we report? Another abbreviation you may have heard thrown about is TBC. This is your Transfer Balance Cap and is the maximum amount of money you could have spent purchasing an Account Based Pension. Currently this is capped at $1.6 million. The ATO want detailed information on any transaction that impacts this cap within a short period of time. This will force people to deal with their superannuation now instead of leaving it till the last minute.

So the ATO want to know any activity that impacts on your TBC via TBAR but only if you have an ABP?

Say that three times over really fast and not exactly.

Using Bob from Bob's Superannuation Fund as an example, he has a balance of $300,000 in his SMSF, $500,000 with GESB and $250,000 with AustralianSuper. In this case Bob's Total Superannuation Balance is $1.05m and he is on quarterly reporting. But wait, all the other members of Bob's SMSF are also on quarterly reporting.

Using this example. Bob will need to provide us with his superannuation balances at other financial institutions. If he doesn't, he will run the risk of getting a breach and having his SMSF deemed non-compliant. But Bob does not have an Account Based Pension. As Bobs wife Jane is receiving a pension and is still making contributions we would report that Bob has no transactions but Jane may have bought another pension.

Detailed information will be sent to all clients shortly . This topic is incredibly complex and the information pack we will send out covers the basics and step by step instructions for you to follow. If you have questions please contact the Albany office on 9841 2766.

This is an exceedingly brief introduction to TBAR. Now about that Bottlo?

FEDERAL BUDGET 2018–19

SMALL-TO-MEDIUM BUSINESS

Further extension of the instant asset write-off

Small Business Entities (SBEs) with aggregated annual turnover of less than $10 million will enjoy immediate deductions for capital purchases not exceeding $20,000 for a further 12 months until 30 June 2019.

SBEs which have the cash flow to make these equipment purchases will benefit from a lower tax bill in the year they make the purchase.

Deductions for wages and contractors may be denied

In a measure to bring transparency into the cash economy, deductions will be denied for businesses who do not withhold PAYG when there has been a requirement to do so, as well as denying deductions where no PAYG has been withheld for contractors who have failed to provide an ABN.

Business owners paying wages are now compelled to ensure they are complying with the PAYG withholding regimes for employees and contractors or will be unable to claim their expenditure as a deduction.

INDIVIDUALS

- **Introduction of a low and middle income tax offset (LMITO) of up to $530**
- **Changes to the income tax rate brackets over a seven year period**
- **Baby boomers will be encouraged to stay in the work force for longer**

Tax rate changes:

Rates	01 July 2018–19 to 2021–24	01 July 2022–23 to 2023–24	1 July 2024–25 onwards
0.0%	$0–$18,200	$0–$18,200	$0–$18,200
19.0%	$18,201–$37,000	$18,201–$41,000	$18,201–$41,000
32.5%	$37,001–$90,000	$41,001–$120,000	$41,001–$200,000
37.0%	$90,001–$180,000	$120,001–$180,000	No longer applicable
45.0%	$180,001+	$180,001+	$200,001+

Superannuation

There are several changes to the way superannuation is to be administered which, cumulatively, will have a significant impact upon individuals with low-balance super account(s). These measures will take effect from 1 July 2019.

The Government proposes restrictions on fees and other costs on low-balance super accounts. The restrictions include:

- Fees to be capped at 3% on super accounts with balances less than $6,000
- Exit fees banned for all transfers of superannuation account balances
- Introduction of an opt-in rule on insurance policies
- provided to members who are less than 25 years old and have a super account with a balance of less than $6,000
- Strengthening of the ATO-led consolidation regime to require the transfer of all inactive superannuation accounts with a value of less than $6,000 to the ATO to protect them from further fee erosion

This raft of amendments to the administration of low-balance superannuation account balances are aimed at preserving small balance accounts.

OTHER CHANGES FOR INDIVIDUALS

Government aged pension

With effect from 1 July 2019, Australians on an aged pension will be able to increase their Pension Work Bonus from $250 per fortnight to $300 (up to $7,800 per year) without impacting their pension. This will apply to self-employed individuals as well as employees.

Youth Allowance

The parental income test for regional students will be increased from $150,000 to $160,000 and a further $10,000 for each additional student/child.

Medicare Levy

The proposed Medicare Levy increase from 2.0% to 2.5% will not proceed.

Imputation credits

The Government has reaffirmed its support for the current refundable imputation (franking) credit regime.

SUPERANNUATION

Full refund of imputation credits maintained

Imputation credit refundability

The Treasurer confirmed that no changes would be made to the refund of excess imputation credits. This position is at odds with current Labor Party policy of disallowing refunds of excess imputation credits (with some exemptions).

Many Self Managed Super Funds (SMSFs) receive imputation credit refunds which provides additional income to the fund to meet their cash flow obligations.

Increasing maximum SMSF membership to 6

The increase in maximum member numbers of an SMSF will take effect from 1 July 2019.

The maximum number of SMSF members is currently 4, which does provide some limitations for family members.

In order for a fund to be an SMSF, it is necessary that all members are trustees of the fund or directors of the corporate trustee. As is the case for existing funds, any new members will need to be included as a trustee if the membership expands.

The trustee of an SMSF with more than 4 members will generally need to be a company, with all the members a director of the company.

Three yearly SMSF audits

SMSFs are required to be audited each financial year by a qualified SMSF auditor. The significant taxation concessions provided to the superannuation industry require SMSF trustees to comply with applicable legislation and regulations in relation to SMSFs.

SMSF audits will need to be conducted three yearly for SMSF's with good record keeping and compliance history. The exact nature of this proposed change will be subject to industry consultation and apply from 1 July 2019.

Industry consultation on this measure will provide more detail on what constitutes a good compliance record, but it may extend beyond the SMSF itself to the SMSF trustees, requiring them to have good compliance records, and their personal tax affairs in order.

New retiree contributions

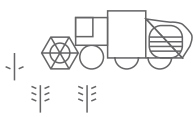
Currently, once an individual turns 65, a work test of 40 hours in a period of not more than 30 days is required to be met in order for contributions to be made to superannuation.

With effect from 1 July 2019, the work test requirement will be removed for retirees for the first year the work test is not met. Personal voluntary contributions will be able to be made to superannuation in that year provided the members balance is less than $300,000.

Contributions from multiple employers

Individuals earning in excess of $263,157 will have the option of opting out of the Superannuation Guarantee system with one employer. Employees currently in this situation generally exceed their concessional contributions cap of $25,000, which ultimately results in an excess concessions contributions tax assessment plus a shortfall interest on the amount of unpaid tax.

INDUSTRIES



AGRIBUSINESS

With the $20,000 instant asset write-off extended to 30 June 2019, small business farmers (annual turnover less than $10 million) will continue to enjoy immediate deductions for any new or second-hand assets costing less than $20,000 (GST exclusive).

There have been no changes to the generous concessions which allow farmers to deduct in full any spending on water infrastructure and fencing and obtain a 3 year write-off for fodder storage assets such as hay sheds.

Many farmers will benefit from the personal income tax cuts to be phased in from 1 July 2018 as well as the cancellation of the proposed Medicare levy increase.

Users of GPS technology will appreciate the investment to improve the accuracy of GPS data to within 10 centimetres, including areas without mobile phone coverage.

Farmers should be aware that announced changes to disallow tax deductions on vacant land do not apply to land where a primary production business is being carried on.

A key 'wish-list' item for the industry is an increase in the thresholds to apply the small business capital gains tax concessions. As land prices have generally risen substantially over the last 10 years, thresholds to access the capital gains concessions have remained static, preventing more and more farming families from accessing the concessions.

Capital gains tax can be a significant impediment to succession planning, with the cost preventing ownership of many farms from passing to the next generation. Farmers will be disappointed to find there has again been no change to the thresholds of $2 million annual turnover or $6 million of net assets.

PROPERTY

Vacant Land – Denying Tax Deductions

Tax deductions for expenses associated with holding vacant land will be denied from 1 July 2019, where the land is not genuinely held for the purpose of earning assessable income. This includes, for example, interest costs and council rates.

Denied deductions cannot be carried forward for use in future income years, but can be included in the land's CGT Cost Base if the amount is ordinarily a cost base element.

It is noted that this measure will not apply to expenses incurred after:

- A property has been constructed on the land, it has received approval to be occupied and is available for rent
- The land is being used by the owner to carry on a business, including a business of primary production

This measure will apply to land held for both residential and commercial purposes.

The measure is intended to increase the supply of vacant land and a reduction in the price of residential housing and commercial property.

61 Peels Place, Albany WA 6330
T (08) 9841 2766
www.rsm.com.au/albany