CLIENT NEWSLETTER

DECEMBER 2016

IDEAS

INSIGHT

UNDERSTANDING

SEASON'S GREETINGS FROM RSM

KATANNING OFFICE UPDATE

In August Marie Van Blommestein completed her studies for the very difficult CA programme. We congratulate Marie upon achieving high marks.

This year the RSM Katanning staff Christmas party was held in Margaret River. Staff members participated in team building exercises including the challenge of caving, then relaxed that evening enjoying dinner at Leeuwin Estate.

Cindy Paganoni

In September we welcomed accountant Cindy Paganoni back into the RSM team on a part time basis. Cindy worked for RSM for a couple of years around 2004 leaving to raise her family on the farm at Broomehill. She now has three children and we are happy to have Cindy back in a professional role.

In July RSM said farewell to our national chairman Kim Hutchinson who was in the role for sixteen years. We now welcome our new national chairman Jamie O'Rourke to the helm. Like Kim, Jamie grew up in the country and learned the ropes in our regional offices.

Our office will be closed for the Christmas break from 3pm on 23 December 2016 to 3 January 2017.

SUPERANNUATION AND BUDGET REFORMS COMING 1 JULY 2017

On 9 November 2016 the Fair and Sustainable Superannuation Bill 2016 passed both the House of Representatives and the Senate. This bill enacted many of the announcements made on budget night 2016 regarding superannuation.

From 1 July 2017 concessional contributions will be capped at $25,000, down from the current $35,000 for over 50's and $30,000 for those under 50. There was some good news in that the 10% rule will be removed for those who receive employer mandated contributions. For example, from 1 July 2017 if you receive $10,000 as employer superannuation guarantee 9.5% contributions you will then be able to make an additional contribution of $15,000 which you can claim as a deduction for in your personal tax return.

As long as your member balance is under $1.6m you can also make a non-concessional contribution of $100,000. If your member balance is over this limit you will be unable to make this contribution.

Unfortunately one of the announcements from budget night has been dropped. People who are aged 65 years or older at 1 July 2017 will still need to pass the work test to be eligible to make contributions. This is a declaration to state that you have worked at least 40 hours in a 30 day period.

For the financial year ended 30 June 2017, the existing caps still apply. This means that you can make up to $35,000 as a concessional / employer contribution depending on your age, as well as $180,000 as a non-concessional contribution.

RSM

DEALING WITH THE IMPACT OF FROST

A lot of our farming clients were affected by frost, and we understand the financial and emotional impact this will have on the farm and the family. There are a number of things you can do to deal with the effects of frost:

- Act early if frost damage had a serious financial impact
- Contact your banking institution as soon as possible to start working through your situation and secure financial arrangements for next season
- Prepare a budget and future business plan to help you make important decisions for next year
- Develop a written plan of your proposed actions and review it as your situation and circumstances change
- Every farmers situation is different, so base your action plan and decisions to suit your own circumstances
- Organise a tax planning meeting with your accountant to discuss your tax situation. There are a number of tax planning strategies we can implement, including possibly varying your PAYG instalments.
- Assess the personal and emotional impact. Frost can trigger feelings of depression, grief and loss. Maintain contact with family, friends and colleagues and seek professional advice if necessary.

We at RSM are here to support you in any way we can, so please give us a call if we can be of any assistance. If you feel that you require urgent support please contact Lifeline 13 11 14

WORKING HOLIDAY MAKER REFORM (BACKPACKER'S TAX)

Imagine you are a humble traveller from afar and you have come to Australia with all the right visa's to experience all there is to experience in Australia. You find yourself on a farm during the perfect season for picking fruit avoiding all the snakes and spiders (apparently they're poisonous). All is going well until tax time arrives, you self-assess and discover you are a non-resident for tax purposes and you now have to pay 32.5% tax on your Australian source income from the first $1.

Well there is some good news. As of the 5th of December the Working Holiday Maker Reform, commonly referred to as the Backpacker's Tax, has received Royal Assent with changes to come into effect as of 1 January 2017.

What this means is, if and while you meet the criteria of a working holiday maker your taxable income is now subject to new tax rates. For taxable income less than $37,000 the new rate is 15%, see the table below for all the rates.

Taxable Income	Tax Rate
Less than $37,000	15%
Exceeds $37,000 but does not exceed $87,000	32.5%
Exceeds $87,000 but does not exceed $180,000	37%
Exceeds $180,000*	45%

**Does not include temporary budget repair levy.*

To meet the criteria of a working holiday maker, you are an individual holding one of the following temporary visas:

- Subclass 417 (working holiday) visa; or
- Subclass 462 (work and holiday) visa.

A working holiday maker may also be an individual who holds a bridging visa permitting the individual to work in Australia if:

- The bridging visa was granted under the Migration Act 1958 in relation to an application for one of the visas referred to above;
- The Immigration Ministers decision on that application is yet to be made; and
- The most recent visa, other than a bridging visa, held by the individual was a subclass 417 (working holiday) visa or subclass 462 (work and holiday) visa.

If a working holiday maker only qualifies for part of the year then only the income during the time they qualified is subject to the above rates; as for the balance of the time, they will need to self-assess on a full year basis whether they are subject to the resident or non-resident tax rates.

There is also mention that employers may need to register with the commissioner if they employ working holiday makers, however, this hasn't been refined or rolled out so it is a case of watch this space.

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