

CLIENT NEWSLETTER

Katanning | June 2018



OFFICE NEWS

WELCOME TO THE TEAM

In January, we welcomed two new accountants to the Katanning office.

Caroline House is from Kojonup and Ashleigh Clark from Boyup Brook, both with family farming backgrounds. Caroline has a couple of years' experience in accounting and taxation at a previous firm and is currently working through her CA. Ashleigh graduated from Curtin University last year and is learning fast.

In April we said goodbye to Bernard Naude, who was enticed back to the city to specialise in tax services in our Perth office.



RECENT MILESTONES

A few of our staff have celebrated some milestones with RSM this year! Ben attained 15 years on the 15th January, Marie achieved 10 Years on the 29th January and Kellie celebrated 10 Years on the 5th May 2018. Congratulations guys!

INTERNATIONAL NETBALLER

Our office globetrotter Kellie visited Christchurch New Zealand in April for the Golden Oldies Netball Festival, where she along with other Katanning & Narrogin locals played lots of rounds of netball. It's always encouraging to see our staff being involved in local groups representing the Great Southern around the world!



Above: Kellie in the centre wearing the GA bib and celebrating a good game.

CAROLINE'S ROTTNEST SWIM

Our newly recruited Accountant, Caroline House participated in the SunSmart Busselton Jetty Swim and Rottnest Channel Swim in February. Her Rottnest team of four were determined to finish despite the shark scare. They finished the 19.7km swim in an extraordinary time of 6 hours! In preparation for the Rottnest swim Caroline participated in the 3.6km swim around the Busselton Jetty and completed it in just over 1 hour! A magnificent accomplishment on both swims.



Caroline swimming her leg in the Rottnest Swim.

STAFF SOCIAL/COMMUNITY INVOLVEMENT

Here in the Katanning office we have many staff who contribute to the community by helping out with volunteer work, or being a part of group organisations. Cameron is a board member of the GSDC, and member of Rotary and the Katanning Project Advisory Group. Jimmy and Ben are involved in the KRBA and Caroline is the coordinator of Southern Dirt Young Farmers. Both Dianne and Ashleigh are volunteer Ambulance officers and Ashleigh also volunteers for netball umpiring on the weekends. And then we have our gym fitness girls Marie and Amanda who are fitness class instructors at the Rec Centre. It is great to see so many of our staff members get out and about outside of work and help out in the community!

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.

However in Katanning it's business as usual as Cameron maintains his normal client practice with great support from the local RSM team.



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

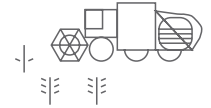
Currently, once an individual turns 65, a work test of 40 hours in a period of not more than 30 days is required to be met in order for contributions to be made to superannuation.

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.

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.

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