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Geraghty

accountants



MAY 2015

NEWSLETTER

ISSUE 15

Peter's Perspective

At this time of year it is critical to review your taxation affairs so that come 30th June, all is in order. It is also critical to review your salary sacrifice arrangements to ensure that they are still relevant to your salary level, superannuation contributions etc. If possible, you should adjust these as necessary to avoid the prospect of paying superannuation excess contributions tax. Please make contact with either Myself, Donna, Karyn or Brenden to discuss your end of year tax planning.

Once again, we at The Abbey, have enjoyed catering to your various financial, taxation, self-managed superannuation, corporate services and investment advice needs. We also appreciate the many referrals that you have sent us through the last twelve months. Please be reassured that these referrals are treated with the utmost respect.

Unfortunately, or fortunately depending on varying perspectives, I was not in the country when Joe Hockey brought down his second budget. Myself, my wife and some dear friends were overseas to run the Prague Marathon, and then indulging in a sightseeing holiday. I received various emails and was able to keep abreast with budgetary developments. If your business turnover is under \$2 million, then there is some good news for you, but there is no real change for the average taxpayer.

The more you travel, the more you realise that we live in a very special place in the world. We might have some difficulties, but nothing in comparison to many countries. We want better hospitals, better roads and better schools, but the only way we can accomplish these things is through efficient government and an equitable tax system. Both sides of politics need to actually take the politics out of the equation to achieve this.

I will take this opportunity to thank you, our treasured clients, and to thank my staff who truly work with me. It has been a great year.

I look forward to seeing you, either for tax planning now or in the new financial year, which is only a few weeks away.

Cheers, Peter.

Important: This is not advice. Clients should not act solely on the basis of material contained in this newsletter. Items herein are general comments only and do not constitute or convey advice per se. Changes in legislation may occur quickly and we therefore recommend that our formal advice be sought before acting in any area. This newsletter is issued as a helpful guide to clients and for their private information. Therefore, it should be regarded as confidential and not be made available to any person without prior approval.



2015/2016 Federal Budget

Federal Treasurer Joe Hockey recently handed down his second budget. There were not many new changes of substance relating to individual tax payers. Most of the changes were targeted at helping small businesses and increasing workplace participation. As the government had promised ahead of budget night, there were no new changes to superannuation, which will offer some certainty to self-funded retirees.

If we have learnt anything from past Budgets, it is that nothing is certain until the legislation passes through Parliament. The final version of the measures may differ to the announcements made in the Budget. We only have to think back to last year's Budget and announcements such as the co-payment for medical visits and changes to university funding, as examples of significant measures that have not seen the light of day.

Individuals

Personal income tax rates and thresholds					
2014/2015		2015/2016 & 2016/2017		2017/2018	
Tax Rate (%)	Income Range (\$)	Tax Rate (%)	Income Range (\$)	Tax Rate (%)	Income Range (\$)
0	0 - 18,200	0	0 - 19,400	0	0 - 19,400
19	18,201 - 37,000	19	19,401 - 37,000	19	19,401 - 37,000
32.5	37,001 - 80,000	33	37,001 - 80,000	33	37,001 - 80,000
37	80,001 - 180,000	37	80,001 - 180,000	37	80,001 - 180,000
47	180,001 +	47	180,001 +	45	180,001 +

The table above includes the 2% "temporary budget repair levy" for those in the highest tax bracket. For a period of three years from 1 July 2014, the highest marginal tax rate of 45% will be increased to 47%. Once you add the 2% Medicare Levy, it will be 49%.

Work related car expenses

There are currently four methods of calculating work related car expense deductions. From the 2015/16 income year, The '12% of original value' method and the 'one-third of actual expenses' method will be removed. These methods are rarely used, so this is not a great loss.

The 'cents per kilometre' method will also be changed by replacing the current three tiered system, based on engine size, with one rate set at 66 cents per kilometre to apply for all motor vehicles. According to the Government, these changes will "*better align car expense deductions with the average costs of operating a motor vehicle*".

The fourth, 'logbook' method of calculating expenses will be retained. These changes should not affect any leasing and salary sacrifice arrangements.

Zone Tax Offset to exclude 'fly-in fly-out' and 'drive-in drive-out' workers

From 1 July 2015, 'fly-in fly-out' and 'drive-in drive-out' (FIFO) workers will no longer be eligible for the Zone Tax Offset (ZTO) where their normal residence is not within a 'zone'.

Those FIFO workers whose normal residence is in one zone, but who work in a different zone, will retain the ZTO entitlement associated with their normal place of residence.



2015/2016 Federal Budget - Continued

Families

Child care measures

A new single Child Care Subsidy (CCS) will be introduced from 1 July 2017, and will replace the current child care fee assistance provided by the Child Care Benefit, Child Care Rebate and the Jobs, Education and Training Child Care Fee Assistance payments.

Eligibility will be linked to a new activity test to better align receipt of the subsidy with hours of work, study or other recognised activities. Families meeting the activity test with annual incomes up to \$60,000 (2013-14 dollars) will be eligible for a subsidy of 85% of the actual fee paid, up to an hourly fee cap. The subsidy will taper to 50% for eligible families with annual incomes of \$165,000.

All child care subsidies and support will remain linked to immunisation requirements which from 1 January 2016 will be strengthened under the Government's 'no jab, no pay' policy. The only exemption to this policy will be on medical grounds.

Removing Double-Dipping from Parental Leave Pay

The Government will remove the ability for individuals to effectively 'double-dip' when applying for the Government's Parental Leave Pay (PLP) scheme. Currently there is nothing preventing an individual from accessing Government assistance from the PLP in addition to any parental leave entitlements offered to them by their employer. The changes will apply from 1 July 2016.

Pensioners

Changes to assets test thresholds and taper rates

As announced prior to the Budget, the Government is proposing significant changes to the assets test for determining pension eligibility. The proposed change will restore the existing taper rate of \$1.50 pension reduction for every \$1,000 above the relevant threshold, to the pre 2007 level of \$3.00 for every \$1,000 of assets above the threshold.

The measure will take effect from 1 January 2017, in place of the 2014 Budget measure currently in the Senate, to index pensions from 1 January 2017 solely to CPI increases. As such pensions will continue to be indexed by the greater of CPI and the Pensioner and Beneficiary Living Cost Index plus benchmarked to a percentage of Male Total Average Weekly Earnings. Importantly all people affected by the scaling back of the maximum asset threshold will be guaranteed eligibility for the Commonwealth Seniors Health Card (CSHC) or Health Care Card, which provides the same concessional access to pharmaceuticals as given to those on the pension.

The table below outlines the current and proposed thresholds:

Projected Thresholds from 1 July 2017	Current		Proposed	
	Asset threshold	Cuts off	Asset threshold	Cuts off (estimated)
Single homeowners	\$202,000	\$755,000	\$250,000	\$547,000
Couple homeowners	\$286,500	\$1,151,500	\$375,000	\$830,000
Single non-homeowners	\$348,500	\$922,000	\$450,000	\$747,000
Couple non-homeowners	\$433,000	\$1,298,000	\$575,000	\$1,023,000



2015/2016 Federal Budget - Continued

Small Business

Small businesses, with an aggregated annual turnover of less than \$2 million, will be eligible for the following concessions:

Reduction in tax for small businesses

From 1 July 2015, small business taxpayers operating via a corporate structure will benefit from a reduction in the company tax rate, from the current 30% to 28.5%. Whilst the level of corporate tax is reduced, the manner of paying franked dividends to shareholders is unchanged. The maximum rate of franking credit able to be paid will remain at the current 30% level.

An additional concession is being provided to small businesses operating through an unincorporated business structure (eg through a partnership or trust). Provided that business has aggregated turnover of less than \$2million, individuals (eg partners in a partnership) will be eligible for a 5% discount on the tax payable on the business income received. This discount is capped at \$1,000 per individual each year and will be provided via a tax offset (rather than a reduction in the level of income assessed).

Accelerated depreciation for small business taxpayers

Small business taxpayers will have the ability to claim an immediate tax deduction for assets that cost less than \$20,000, if purchased and installed ready for use between Budget night (7:30pm AEST on 12 May 2015) and 30 June 2017. This replaces the low cost asset write off threshold of \$1000 that was in place prior to budget night.

Whilst this measure doesn't reduce the actual amount outlaid for these items, the accelerated depreciation will result in a greater tax benefit up front for these small businesses.

Immediate deductibility for new business for certain start up costs

Currently, when a new business is established, some of the costs associated with the setup of that business are eligible for deduction over a period of five years. From 1 July 2015, the laws will be amended to allow these businesses to claim an immediate deduction for a range of professional expenses associated with starting a new business. The expenses allowed for immediate deduction will include certain professional, legal and accounting costs.

Capital gains tax relief for small businesses that change entity structure

The Government will amend existing CGT provisions to allow a small business to change legal structure without attracting a CGT liability – ie will provide roll-over relief. This provides an opportunity for those who set up a small business in a way that does not allow them to maximise small business CGT concessions on the future sale of eligible assets from that business, or on sale of the business itself. This will apply from 1 July 2016

FBT exemption for work related electronic devices

Currently, an exemption from fringe benefits tax is available where an employee salary packages (or an employer provides) a portable electronic device (eg mobile phone, iPad, laptop etc). This exemption is currently available for multiple devices only when the devices perform substantially different functions.

From 1 April 2016, where this device is provided (or packaged), this exemption will be available across all such devices that are primarily used for work purposes (ie multiple devices). This change recognises that with the evolution of technology, there is an increasing level of similarity in functions that can be undertaken by items such as smart phones, tablets and some laptops.



2015/2016 Federal Budget - Continued

Other Changes

Tax Residency of Temporary Working holiday makers

Income tax residency rules will change for those in Australia on temporary working holiday visas. Currently, if they are in Australia for more than six months, these individuals are classed as a temporary residents and gain advantage of the resident tax free thresholds and marginal tax rates. From 1 July 2016, they will now be classed as non-residents which means they will pay tax from the first dollar at 33%.

HELP (HECS) Repayments for Aussie Expats

From 1 July 2016, university leavers with a Higher Education Loan Program (HELP) debt, who move overseas for more than six months, will be required to register with the ATO and make repayments towards their HELP debts. The repayment requirement will apply from 1 July 2017 and will apply to those with worldwide income above the HELP repayment threshold (currently \$53,345).



Accelerated depreciation for primary producers

From 1 July 2016, all primary producers (eg farmers) will be able to claim an immediate deduction for the capital cost of fencing and water facilities, and claim depreciation over a shorter period of three years for capital expenditure on fodder storage assets (such as silos and tanks used to store grain and other animal feed).

Whilst this measure doesn't reduce the actual amount outlaid for these items, the accelerated depreciation will result in a greater tax benefit up front for these primary producers (rather than having that benefit spread out over an extended period, in some cases up to 50 years).

What Didn't Change in the Budget

- No changes to Dividend Imputation.
- No changes to Negative Gearing.
- No changes to GST on imported goods costing less than \$1,000.
- No changes to Superannuation.

Change is coming to Geraghty Accountants.

It is an exciting time at Geraghty Accountants as Donna and her husband Peter are expecting their first child in September. We are currently searching for Donna's replacement while she is on maternity leave and will endeavour to ensure that her clients continue to receive the same attention to detail that Donna has provided for so many years.





Don't forget to lodge your BAS!

The Australian Taxation Office is no longer mailing out paper activity statements for the majority of taxpayers whose activity statements are lodged electronically. This includes Business Activity Statements (BAS') and some Instalment Activity Statements (IAS'). This means that you will no longer receive a paper form if we lodge your BAS for you, or if you lodge it yourself using the Business Portal.

We are noticing that a lot of clients are missing their lodgement deadlines because they are no longer reminded by receiving the form in the mail. We are encouraging all clients to set up a diary note or other electronic reminder so they remember these deadlines in the future.

SuperStream is here!

SuperStream is a Government reform aimed at improving the efficiency of the superannuation system. Under SuperStream, employers must report super contributions on behalf of their employees by submitting contribution data and payments electronically in accordance with the SuperStream standard. All superannuation funds, including SMSFs, must receive contribution details electronically in accordance with this standard.

Employers with 20 or more employees should already be working under the SuperStream system.

Employers with less than 20 employees need to start using the system from 1 July 2015. These employers need to start collecting the following information now from their employees, or their super funds:

- Unique superannuation identifier (USI) for large super funds.
- ABN for Self Managed Superannuation Funds (SMSFs).
- Super funds' bank account details.
- Super funds' electronic service address.

Most accounting software packages have released upgrades to cater for SuperStream and once you have collected the information above, you should start setting up your software ready for 1 July. If your business uses a superannuation clearing house provider you should contact them and ask what they need from you before 1 July.

MyGov and missing ATO Tax Assessments

We have had a few instances lately where our clients have not received their Notice of Assessment from the ATO after we have lodged their Income Tax Returns. This has been the result of them registering for the Federal Government's MyGov online service (www.my.gov.au).

It seems that once an individual has registered for this service, and linked the ATO to their account, all future Notices of Assessment will be sent directly to them electronically via MyGov. A copy of the assessment will not be sent to our office. There is not necessarily anything wrong with this, but we just wanted to make you aware that in these situations we will not be able to check the correctness of your assessments against our estimates, as we always do with those we receive.

ATO Scam Emails

We are seeing a marked increase in the number of fake emails recently. These emails claim to come from the ATO and usually offer a tax refund. Generally, they link to a bogus ATO website asking for personal and credit card details. These emails can differ in their appearance and level of sophistication, but will generally state that you are eligible for a refund and instruct you to click on a link to submit a form to receive it. If you receive any correspondence from the ATO that you are unsure about, please contact us first before taking any action.



Tables

Eligibility for the Superannuation Co-Contribution Scheme - 2014/2015

	If your personal super contribution is:				
	\$1,000	\$800	\$600	\$400	\$200
And your income is:	Your Super Co-Contribution will be:				
\$34,488 or less	\$500	\$400	\$300	\$200	\$100
\$35,988	\$450	\$400	\$300	\$200	\$100
\$37,488	\$400	\$400	\$300	\$200	\$100
\$38,988	\$350	\$350	\$300	\$200	\$100
\$40,488	\$300	\$300	\$300	\$200	\$100
\$41,988	\$250	\$250	\$250	\$200	\$100
\$43,488	\$200	\$200	\$200	\$200	\$100
\$44,988	\$150	\$150	\$150	\$150	\$100
\$46,488	\$100	\$100	\$100	\$100	\$100
\$47,988	\$50	\$50	\$50	\$50	\$50
\$49,488	\$0	\$0	\$0	\$0	\$0

Cents per Kilometre Rates for Motor Vehicles

Cents per Kilometre Method (Claim is limited to a maximum of 5000 kilometres)				
Engine Capacity (cc)		Rate (cents/km)		
Conventional	Rotary	2013/2014	2014/2015	2015/2016
Up to 1600	Up to 800	65.0	65.0	66.0
1601 - 2600	801 - 1300	76.0	76.0	
Over 2600	Over 1300	77.0	77.0	

Private Health Insurance Rebate & Medicare Levy Surcharge Thresholds

Tier	Income Thresholds 2014/2015 & 2015/2016	Private health insurance rebate						Medicare levy sur- charge #
		Under 65		Age 65-69		Age 70+		
		Up to March 2015	April 2015 Onwards	Up to March 2015	April 2015 Onwards	Up to March 2015	April 2015 Onwards	
No tier	Singles: \$0 - \$90,000 Families: \$0 - \$180,000 *	29.04%	27.82%	33.88%	32.46%	38.72%	37.09%	nil
1	Singles: \$90,001 - \$105,000 Families: \$180,001 - \$210,000 *	19.36%	18.55%	24.20%	23.18%	29.04%	27.82%	1%
2	Singles: \$105,001 - \$140,000 Families: \$210,001 - \$280,000 *	9.68%	9.27%	14.52%	13.91%	19.36%	18.55%	1.25%
3	Singles: \$140,001+ Families: \$280,001+ *	0%	0%	0%	0%	0%	0%	1.5

* Family income thresholds increase by \$1500 for each dependent child after the first.



End of Year Checklist

Small Business Taxpayers (Turnover less than \$2 million)

- Defer invoicing until after 30 June, where possible;
- Incur business expenses before 30 June. These expenses do not need to have been paid before 30 June, only incurred (eg. repairs);
- Purchase additional office or workshop consumables (eg. stationery) before 30 June. However to avoid apportionment rules do not purchase more goods than can be used in three months;
- Consider purchasing depreciating assets and software which cost less than \$20,000 (excluding GST) each, as an outright tax deduction is available for these items;
- Consider purchasing depreciating assets costing more than \$20,000 (excluding GST) as Small Business taxpayers are entitled to six months depreciation in the year the asset is purchased irrespective of the date of purchase;
- Prepay expenses for up to 12 months in advance. But note, the period covered by the prepayment must end during the next financial year. Examples of items to prepay include rent, lease payments, interest, travel, training courses, subscriptions and insurance;
- Ensure that all superannuation contributions have been received by the relevant fund before 30 June.

Other Business Taxpayers

- Defer invoicing until after 30 June, where possible;
- Incur business expenses before 30 June. These expenses do not need to have been paid before 30 June, only incurred (eg. repairs);
- Purchase additional office or workshop consumables (eg. stationery) before 30 June. However to avoid apportionment rules do not purchase more goods than can be used in three months;
- Where *low value pooling* is used for depreciating assets, consider purchasing depreciating assets costing less than \$1,000 (excluding GST) before 30 June as 6 months depreciation is available in the year the asset is purchased irrespective of the date of purchase;
- Avoid prepayment of expenses which exceed \$1,000 (excluding GST). Prepayment of these expenses are not deductible in the year incurred and must be apportioned over the time period to which they relate;
- Ensure that all superannuation contributions have been received by the relevant fund before 30 June.

Services We Provide:

- Accounting •Auditing •Taxation •Preparation of Budgets and Cash Flow Projections
- Financial Planning •Self Managed Superannuation Funds •General Business Advice

For copies of this newsletter and our previous newsletters, visit us online at www.geraghtyaccountants.com.au

