JUNE 2017 NEWSLETTER

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$20,000 INSTANT ASSET WRITE-OFF EXTENDED FOR SMALL BUSINESS UNTIL 30/6/2018

DO YOU HAVE EMPLOYEES??

If you or your business has employees and you pay more than $7,500 in wages annually, you must have a current WORKERS COMPENSATION POLICY. You are also required to lodge an actual wages declaration each year.

Is your policy up to date?

Farm Management Deposits

From 1 July 2016, the following changes apply to FMDs:

- The maximum amount that can be held in FMD's has increased to $800,000 (previously $400,000).
- If your primary production property is experiencing severe drought, you can access your FMD within 12 months of making the deposits.
- You cannot claim a deduction for FMD's if your non-primary production income is more than $100,000.
- Any FMD deduction you claim cannot be more than your taxable primary production income for the year.

RAA Government Grants & Loans

$15,000 Natural Disaster Relief Scheme Grants

Just a reminder, the RAA are providing assistance in the form of a recovery grant to primary producers affected by the floods in August 2016. The local government areas eligible include Bland, Bogan, Forbes, Lachlan, Narromine, Parkes and Warren Shires. If you are eligible you can receive a grant up to $15,000 per farm enterprise. **Applications for assistance close on 19 June 2017**.

Inland Storms & Floods

A grant of up to $10,000 per farm enterprise is available for clean-up and immediate restoration costs to all eligible primary producers in certain Upper Lachlan Local Government areas. **Claims for assistance close 23 June 2017**

NSW Farm Innovation Fund

Loans up to $250,00 per **project** are available to eligible farming enterprises to meet the cost of carrying out permanent capital works that fall into four main categories Preparedness, Environmental, Farm Infrastructure and Natural Resources.

Further information can be found at www.raa.nsw.gov.au or contact our office.

Also check with your Local Land Services Office as further grants may be available to you.

Make your life easier for the end of financial year

If you are in business the following checks should be made to help meet your year end compliance obligations:

- ☐ Ensure your **bank account is reconciled** at 30 June 2017
- ☐ Prepare a list of **accounts receivable/debtors** (people who owe you money) as at 30 June 2017 and write off any bad debts
- ☐ Prepare a list of **accounts payable/creditors** (people that you owe money) as at 30 June 2017
- ☐ Record your **livestock numbers** and/or do a **stock take** on 30 June 2017
- ☐ Prepare your employees **PAYG Payment summaries** and ensure they reconcile to what you have paid and reported on your BAS's to the ATO for the year. A copy of your PAYG Summaries should be given to your employees by **14 July.** You then need to prepare and lodge your annual PAYG Summary with the ATO soon after.

Tax Planning—what you can do before 30 June

What can you do to reduce your tax and the tax paid by your business? The answer is quite a bit, but it takes planning pre 30 June. Here are some of our tax tips:

Timing is everything

Accelerate deductions

For businesses, if your cash flow is good, pay for any expenses you have before the end of the financial year to claim a deduction. The $20,0000 instant asset write-off is also available enabling your business to claim a 100% depreciation deduction for depreciating assets purchased during the year. For further details refer to the last page.

For individuals, it's a good time for charitable giving.

Making Contributions to Super

If you want to claim a tax deduction in the 2017 financial year, your superannuation fund must receive your contribution by 30 June 2017. For personal superannuation contributions the 2016/17 concessional limit is $30,000 for those under 50 years and $35,000 for those between 50 and 75 years after satisfying the work test for those over 65 years. Remember your employment superannuation guarantee counts towards this cap, so to avoid excess contributions tax remain within these limits. **Written acknowledgement** from your fund is required for personal contributions you intend to claim before the date of lodgment of your personal tax return.

Defer income

Subject to cash flow requirements, consider delaying the issue of invoices and or receiving cash/debtor payments until after 30 June 2017. This spans to investment income also, if practical arrange for the contract date for the sale of capital gains tax assets to occur after 30 June 2017.

Superannuation Contribution Caps

Contribution Type	**2016/17**	**2017/18**
Concessional (if under 50 years)	$30,000	$25,000
Concessional (if turning 50 years or older)*	$35,000	$25,000
Non-Concessional Cap #	$180,000	$100,000

* Subject to the work test # Subject to the $1.6 million transfer balance cap

This area of superannuation is changing from 1 July 2017 and there are rules and regulations in place that must be considered before making superannuation contributions. This is factual information only.

Have you used Company monies to pay your personal expenses?

It's common for business owners to take cash out of their business or for the business to fund some personal expenses through the year – these appear in the shareholder loan account. If this has occurred, it is important that these debts are either repaid by 30 June or you can declare dividends to pay any outstanding shareholder loan accounts. Otherwise a formal loan agreement is needed.

Without taking action, the ATO will treat any outstanding amount as a deemed dividend taxable in the hands of the shareholder at their marginal tax rate.

SuperStream

From 1 July 2016 all employers must be SuperStream compliant. If you have 19 or fewer employees, or a turnover of less than $2 million a year, you can use the ATO's free Small Business Super Clearing House to meet your employer superannuation obligations. This can be accessed at

https://sbsch.gov.au.

Tax deductions for car expenses

There are only 2 methods available from 1 July 2015 to claim car expenses being :

- Cents per kilometre method up to a maximum 5,000 kilometres.
- Logbook method. A logbook needs be prepared for 12 continuous weeks and represent your travel through the year. Each logbook you keep is valid for five years.

ATO Penalties increasing

From 1 July 2017 if you fail to meet your tax and lodgement obligations the fine you may receive is increasing from $180 to $210 per penalty unit.

Investment Property: Pre And Post 30 June

Anyone with investment property in Australia is probably feeling a little edgy with all the recent media attention on deductions, affordable housing and negative gearing. We take a look at some of the key tax issues for investors pre and post 30 June:

No more deductions for travelling to and from your investment property

The days of writing-off the costs of travel to and from your residential investment property are about to end. From 1 July 2017, the Government intends to abolish deductions for travel expenses related to inspecting, maintaining or collecting rent for a residential rental property.

Depreciation changes and how to maximise your deductions now

Investors who purchase residential rental property from Budget night (9 May 2017, 7:30pm) may not be able to claim the same tax deductions as investors who purchased property prior to this date. In the recent Federal Budget, the Government announced its intention to limit the depreciation deductions available.

Investors who directly purchase plant and equipment - such as ovens, air conditioning units, swimming pools, carpets etc., - for their residential investment property after 9 May 2017 will be able to claim depreciation deductions over the effective life of the asset. However, subsequent owners of a property will be unable to claim deductions for plant and equipment purchased by a previous owner of that property. If you are not the original purchaser of the item, you will not be able to use the depreciation rules to your advantage. This is very different to how the rules have worked up to now with successive owners being able to claim depreciation deductions.

Investors will still be able to claim capital works deductions including any additional capital works carried out by a previous owner. This is based on the original cost of the construction work rather than what a subsequent owner paid to purchase the property.

Business as usual for pre 9 May investment property owners

If you bought an investment property recently, are about to renovate or have not had a depreciation schedule completed previously, you should consider having one completed.

As a property gets older the building and items within it wear out. Property owners of income producing buildings are able to claim a deduction for this wear and tear. Depreciation schedules are completed by Quantity Surveyors and itemise the depreciation deductions you can claim.

Deductions for older properties

Investors in older properties may still be able to claim depreciation costs. This is because a lot of the items in the house will not be the same age as the house or apartment. Hot water systems, ovens, carpets, curtains etc., have probably all been replaced over time. Additional works, extensions or internal refurbishments may also be deductible.

Record Keeping and capital gains tax

The rules can be complicated where your property has been used as your home and then rented out or vice versa. To minimise any potential capital gains tax liability on eventual sale we recommend you keep records of your expenditure while the property was your home as these may be able to reduce the capital gain, if any, on sale. The same applies if the property has been used as your holiday home.

Income Tax Averaging

From the 2016/17 tax year, primary producers are allowed to opt back into income tax averaging 10 years after choosing to opt out.

Enduring power of attorney (EPoA)

Have you considered what will happen if at some point in the future you were unable to make legal or financial decisions. An 'enduring power of attorney' is a legal document allowing you to appoint someone else to make legal and financial decisions on your behalf even if you lose mental capacity. To be valid, the enduring power of attorney must be granted whilst you still have mental capacity (it is too late after you become incapacitated) to ensure that you can understand the effect of granting this power. Only a trusted person should be appointed and the appointment should be regularly reviewed for its ongoing appropriateness.

You need to talk to your lawyer about this area.

Tax Rates for 2016/17 & 2017/18

The tax rates that apply to individuals who are Australian residents for tax purposes are detailed below:

Taxable income	Marginal tax rate #	Tax Payable #
0 – $18,200	0%	Nil
$18,201 – $37,000	19%	19c for each $1 over $18,200
$37,001 – $87,000	32.5%	$3,572 plus 32.5c for each $1 over $37,000
$87,001 – $180,000	37%	$19,822 plus 37c for each $1 over $87,000
$180,001 and over	45%	$54,232 plus 45c for each $1 over $180,000

The above rates do not include the Medicare levy of 2% or the Temporary Budget Repair Levy of 2% for taxable incomes over $180,000.

The temporary budget levy of 2% on incomes over $180,000 ends on 30 June 2017.

Tax debts to be disclosed to credit rating agencies

From 1 July 2017 the ATO is permitted to disclose to credit rating agencies details regarding the tax debt of certain businesses. It is contemplated that this will affect businesses with a tax debt of over $10,000, which has been owing for at least 90 days and have not made arrangements with the ATO. Companies whose tax debt information is provided to ratings agencies could experience a downgrade in their credit rating, and a taxation debt default can remain on credit file for up to five years.

Accelerated depreciation for primary producers

As announced in the 2015-16 Federal budget, primary produces can:

- Immediately deduct the cost of fencing and water facilities such as dams, tanks, bores, irrigation channels, pumps, water towers and windmills
- Depreciate over three years the cost of fodder storage assets such as silos and tanks used to store grain and other animal feed.

$20,000 instant asset write-off

The government has extended the **immediate deduction for assets that cost less than $20,000 to 30 June 2018**. If your business is registered for GST, the cost of the asset needs to be less than $20,000 exclusive of GST. If your business is not registered for GST, it is $20,000 including GST.

To access the instant asset write-off, your business needs to be a trading business (the entity buying the assets needs to carry on a business in its own right). It also needs to have an aggregated turnover under $10 million.

The $20,000 immediate deduction applies as many times as you like so you can use it for multiple individual purchases. However just be careful of your cash flow and ask yourself does your business really need the asset.

Trusts, timing and getting it right

Trustees (or directors of a trustee company) need to decide on the distributions they plan to make by 30 June 2017 at the latest. It's also important to check your trust deed – most trust deeds require resolutions to distribute trust income to be made by 30 June each year. Decisions made by the trustees should be **documented in writing** by 30 June 2017.

If valid resolutions are not in place by 30 June 2017, there is a risk that the taxable income of the trust will be assessed in the hands of a default beneficiary (if the trust deed provides for this) or the trustee (in which case the highest marginal rate of tax would normally apply).

It's not essential for distributions to be paid by 30 June, but the trustees need to decide on the distributions that need to be made.

Small Business companies tax rates

From 1 July 2016 for small business companies with turnover under $10m their corporate tax rate reduces to 27.5%

Company Records

Failure to adequately maintain a companies books and records could result in a presumption of insolvency and lead to claims against it's directors. Section 286 of the *Corporations Act, 2001* requires a company to retain books and records adequately recording and detailing its financial outcomes, performance and all transactions for a **minimum period of seven years**. The records must be maintained in such a condition that the financial statements could be audited.