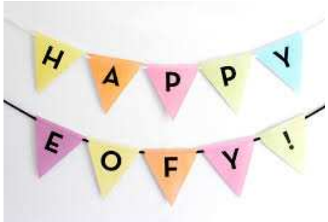
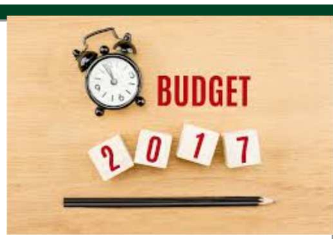
Chapell & Associates
MONEY MATTER$



June 17, Issue 18

Inside this Issue

Federal Budget 2017— Breaking down the Budget



Happy New Financial Year—wow how fast another year rolls by. We thought that it might be helpful for us to give you a summary of the issues from the 2017 Federal Budget.

- Personal Tax Rates—no change, except the 2% budget deficit tax will cease at the end of the 2017 financial year. This applies to individuals who earn over $180,000;
- Medicare Levy—will increase from 2% to 2.5% from 1 July 2019. Remember this is charged on top of the marginal tax rates;
- Higher Education HELP Debt Repayment Changes—the government is lowering the repayment threshold from $54,869 (with a 4% repayment rate) to $42,000 (with a 1% repayment rate) from 1 January 2018, meaning students begin paying back their HELP loans sooner;
- No Deduction for Residential Rental Property Travel Expenses—Travel expenses relating to inspecting, maintaining or collecting rent for a residential rental property will be disallowed from 1 July 2017;
- Restriction on Depreciation Deductions for Residential Rental Properties—From 1 July 2017, the Government will limit "plant and equipment" depreciation deductions to outlays actually incurred by investors in residential rental properties. This means that new owners of a property will be unable to claim deductions for plant and equipment purchased by a previous owner of that property;
- Company Tax Rate—currently for the 2016 financial year, small businesses with a turnover of less than $2 million had a reduced tax rate of 28.5%. From 1 July 2016, being this 2017 financial year, small businesses with a turnover of less than $10 million will now have a reduced company tax rate of 27.5%. With the government still planning to have the tax rate reduced to 25% by 1 July 2026 for all companies;
- Small Business Threshold Measure—this increase now defines small businesses with a turnover of less than $10 million (increased from $2 million), which allows more businesses to access the simplified trading stock rules and simplified depreciation rules, including the ability to immediately write off assets costing less than $20,000;
- Instant Write Off—the $20,000 instant asset write off, previously set to finish on 30 June 2017, has been extended into the 2018 tax year;
- Extension of Payment Reporting—Currently the Taxable Payments Reporting System (TPRS) applies mainly to the Building and Construction industry, this has now be extended to couriers and cleaners;
- First Home Buyers Scheme—a new scheme to save up for a house deposit enables first home buyer taxpayers to utilise a 15% tax rate (please refer to page 2 Superannuation Changes);
- Businesses to Pay Levy on Certain Skilled Visas — Under the new Temporary Skills Shortage visa employers (with a turnover of less than $10 million per year) will have to pay an upfront levy of $1,200 for each foreign worker they employ each year and make a one-off payment of $3,000 for each foreign worker sponsored for a permanent employer nomination scheme;
- Foreign Property Owners—From 9 May 2017 foreign investors are being slugged with an extra charge for properties left vacant—meaning if the property is not occupied and not genuinely available on the rental market for at least 6 months of the year, there will be an annual charge;
- They are also denying foreign and temporary tax residents access to the capital gains tax main residence exemption, as well as they'll now have to pay the capital gains tax when they sell it;
- No Major New Superannuation Measures, which is a welcome relief as all the major reforms (which are discussed in detail on the next page) were created in 2016 are set to start on 1 July 2017.

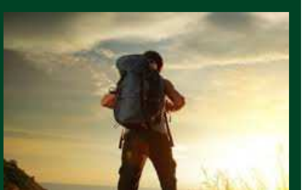
End Of Financial Year Due Dates

- Payment summaries & group certificates are due to be lodged with the ATO by **14 August 2017** and provided to staff by **14 July 2017**
- Payroll Tax Annual summary and adjustments are due on **21 July 2017**
- All Superannuation for 2016/2017 must be paid by **28 July 2017**
- 2017 income tax returns where 2016 tax returns were lodged late/not lodged are due on **31 October 2017**

Don't Leave Your Tax Returns Until The Last Minute

Out of Pocket Medical Expenses Rebate Ceased

A friendly reminder that unfortunately the Government removed the out of pocket medical expenses rebate as of 30 June 2015.



SUPERANNUATION CHANGES

Contributing to your superannuation fund

i) From 1 July 2017, the amount you can contribute to your superannuation fund and claim as a tax deduction (concessional contribution) will be limited to $25,000. This applies to everyone.

ii) The amount you can contribute to your superannuation fund, where you do not claim a tax deduction will be reduced to $100,000 (down from $180,000). The pull forward rules will still apply. *<u>However</u>*:

iii) If your non-concessional contribution will take your member balance over $1.6 million dollars, then you will only be permitted to make a non-concessional contribution up to the $1.6 million limit.

iv) If you have more than $1.6 million in your fund, you will no longer be allowed to make non-concessional contributions to your fund.

v) If you have less than $500,000 in your superannuation fund, you will be allowed to make catch-up concessional contributions to the fund starting from 1 July 2017. This means you can contribute over $25,000 to catch up a prior year where you contributed less than $25,000.

vi) You will be able to claim an 18% tax offset on superannuation contributions, up to $3,000, which you make on behalf of your spouse, provided their income is less than $37,000.

vii) First home buyers will be able to salary sacrifice or voluntary contribute, to a maximum of $15,000 per year, up to a total balance of $30,000 into superannuation, provided total amount voluntarily contributed doesn't exceed contribution limits. Which can then be withdrawn early from their superannuation funds for their first home. Enabling them to utilise the 15% tax rate .

viii) From 1 July 2018, a person aged 65 or over can make a non-concessional contribution of up to $300,000 from the proceeds of selling your home (principle residence). However, you must have owned the residence for the past 10 years or more.

ix) If your combined income (taxable income plus superannuation) is over $250,000 (down from $300,000) then you will be liable to pay the Division 293 tax. Which is an extra 15% on your superannuation contribution.

x) From 1 July 2017, funds in a Transition to Retirement (TRIS) income will be taxed.

The $1.6 million Cap

From 1 July 2017, the Government has limited the amount a person can have in their superannuation pension fund to $1.6 million.

Your pension balance is the portion of the superannuation fund where you draw your pension income from. Until now, any income earned on your pension balance was tax free. The government has now limited the portion of the superannuation fund that is tax free to $1.6 million. This does not mean that you need to withdrawal money from your superannuation fund to bring the pension balance down to $1.6 million dollars. Any balance over $1.6 million dollars will be added to your accumulation balance and earnings from these funds are taxed at 15%.

Superannuation is a complex area that has a lot of different nuances. We strongly suggest that if you are concerned with any of the matters raised above, or you have any questions, that you contact your financial advisor or our office to discuss.

Changes to the 'backpacker tax'

On 1 January 2017, tax rates changed for working holiday makers who are in Australia on a 417 or 462 visa.

What does this mean for you?

If you employ a working holiday maker on a 417 or 462 visa:

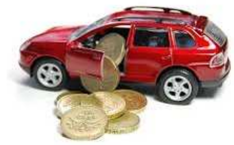
- You must register with the ATO so you can withhold the correct amount of tax.
- You should withhold 15% from every dollar earned up to $37,000, and apply foreign resident tax rates for income over $37,001.
- If you don't register you need to withhold at the foreign resident tax rate of 32.5% from the first dollar earned.
- If you employed a working holiday maker before and after 1 January 2017, you need to issue two payment summaries for this financial year:
  - > one for income earned up to 31 December 2016;
  - > one for income earned from 1 January 2017 (using gross payments type H).

Joke of the Day!

Why do accountants make good lovers?

They're great with figures

Making 'cents' of car allowance



Changes to car allowances mean if you are paying your employees a car allowance in excess of 66c per kilometre, you need to withhold tax on the amount you pay over 66c.

If you haven't been doing this since July 2015, you should begin to withhold tax on the amount you pay over 66c and advise your employees.

What if your employees think that not withholding until now might result in them getting a tax bill?

Depending on the amount you've paid them, this shouldn't have a significant impact on their tax for the year. But you inform your employer that you can withhold more tax from their pay for the remainder of the financial year to cover the shortfall.

Why do I have to provide my spouse's income details in my tax return?

It's a question we often get asked by clients. So we've taken the time to explain why.

Within your Income Tax Return, you must make a legal declaration whether you had a spouse during the year; where you answer 'yes' to this question the ATO then requires a number of spouse income labels to be completed.

Spouse income details are required as a range of tax obligations, concessions and government benefits, eg Family Tax Benefits and Private Health Insurance Rebates are assessed using *family* income, rather than individual income. To accurately assess these entitlements, it is necessary to provide information about your spouse's income in each others tax return.

Your income and your spouse's incomes are not added together or aggregated or even averaged for Income Tax purposes. You are solely assessed for Income Tax on your Taxable Income. It's merely the other obligations, concessions and Government benefits that these measures apply to.

Even when these things don't apply to you or your family, you are still required to provide details of your spouse's income.

We aren't trying to be painful or difficult, but rather just comply with what is required so that we are able to complete your Income Tax Return accurately and you are not incorrectly paid a benefit or assessed for additional liabilities.

Death and Superannuation

THE MOST IMPORTANT THING TO TAKE AWAY FROM DEATH AND SUPERANNUATION

The clock starts ticking, on the day your loved one dies. We understand that the last thing you want to think about when you are grieving, especially in the early days, is dealing with the financial affairs of the deceased estate. However, if you are the spouse of the deceased, there are time restrictions in place if you want to pull money out of the superannuation fund, tax free. *Therefore, we strongly recommend that you contact your financial advisor or our office within 2 months of the date of death, so that strategies can be put in place to deal with the financial affairs of the deceased*.

Please note, to provide you with complete advice, information will be required of the breakdown of the Estate (e.g. what assets make up the Estate, and to whom the monies will be distributed to.)

How money is dealt with from a deceased estate is a complex issue, particularly if the deceased estate includes monies/assets from a superannuation fund.

In **very general** terms, funds received from a Deceased Estate that are not from a superannuation fund are tax free.

However, funds from a superannuation fund are different and may be taxed depending on who the money is paid to and when the money is paid out of the superannuation fund.

When funds from a superannuation fund are distributed on the death of a member, who receives the money, and what is being distributed will determine if the distribution is taxed:

i) If the money is distributed to a spouse or dependent, within a set period (6 to 12months), then it is classified as a death benefit payment and is tax free – timing is everything here.

i) If the money is to be distributed to a beneficiary:
In a superannuation fund, member balances are broken down into two balances, a taxed balance or an untaxed balance. The taxed balance is made up of funds that have been taxed when contributed to the fund, the untaxed balance are funds where no tax was paid when deposited into the superannuation fund.

When a non-dependent beneficiary receives money from a superannuation fund, they will:

a) Pay tax on the portion of the distribution from the taxed balance;
b) Pay no tax on the portion of the distribution from the untaxed balance.

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Our Services

- Preparation of Tax Returns
- Preparation of Financial Statements
- SMSF Tax & Audit
- GST & BAS Lodgement
- Tax & Strategy Planning
- Bookkeeping
- Corporate Secretary Management
- Dashboard Reporting
- Due Diligence Review
- Financial Planning

Fee / Rate Rise as at 1 July 2017

Our professional fees as of 1 July 2017 will be, as well as which staff fall into which category:

	Currently $/hr +gst		From 1/7/17 $/hr + gst	
Principal	Greg	$350	Greg	$360
Senior Manager	Tonia	$250	Tonia	$260
Manager Level 2	Tony & Kelly	$220	Tony & Kelly	$230
Manager Level 1	Kacey	$200	Kacey	$200
Senior Accountant	Una	$180	Una & Sherryl	$180
Accountant Level 3	Sherryl	$160	-	$160
Accountant Level 2	-	$140	-	$140
Accountant Level 1	-	$110	-	$120
Assistant Accountant	Aoife	$80	Aoife	$100
Administration Level 2	Michelle & Ingrid	$80	Michelle & Ingrid	$85
Administration Level 1	-	$75	-	$80
Administration	Rebecca	$65	Rebecca	$70

The cost to complete a basic tax return as at 1 July 2017 is now $209.00 (including GST). This price is for those that have a basic tax return. Basic returns include one or two payment summaries, interest, dividends and a couple of deductions. There will be an additional cost if your tax return includes: a Capital Gain, Rental Property or More Complex Tax Issues.

Our rates have remained the same for the past 3 years with only minimal changes. Unfortunately, as staff develop and grow, their professional level changes, so I thought it best to give an updated snapshot of our practice and fees for 1 July 2017 onwards.

Going Paperless—what you can and cannot keep

Each year we try and move to less paper.

All records that you send us, we end up scanning and saving to file. To make this process easier in the future, please feel free to email us your information to do your taxes.

Given both the cost and the delays we suffer with Australia Post, in the next year we will try and move more to emailing you your returns and where possible, utilise our secure Portal for you to sign your returns electronically.

Email communication not only cuts down on paper but gives us and you a nice audit trail of what has been provided.

Don't stress, those of you who still want paper copies are more than welcome.

Fee Reminder

A reminder to our clients that per our engagement letter we charge on a time basis. This means that every contact with our firm is recorded against your account. All time spent liaising with you, the ATO, mortgage brokers, car finance people or anyone else on your behalf is also recorded. At regular intervals we consider the account and issue an invoice.

Further, we have had to introduce payment before lodgement (unless covered by a refund) rule due to a number of clients defaulting on their debts.

Please respect that where an error is made by us, no charge is applied to correct the error. If an error is made by the client or the ATO or any other person, we then have to assist you to correct the error, then charges will apply.

Chapell & Associates is a close knit and friendly team of staff, who all enjoy helping you with your business. We are experienced in all areas of clients advice and all work together to provide you with the best possible outcomes.

When you call, if your usual adviser is not available let us know your question and one of our team members may be able to help you. If they can help they will, then update your normal adviser on any discussions you may have had with them.

However, if you prefer to wait for a call back, then of course leave a message. Thank you for your business, and we look forward to hearing from you all soon.