

Chapell & Associates

MONEY MATTER\$



June 18, Issue 20

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End Of Financial Year Due Dates

- Payment summaries & group certificates are due to be lodged with the ATO by **14 August 2018** and provided to staff by **14 July 2018**
- Payroll Tax annual summary and adjustments are due on **21 July 2018**
- All Superannuation for 2017/2018 must be paid by **28 July 2018**
- 2018 income tax returns where 2017 tax returns were lodged late/not lodged are due on **31 October 2018**

Federal Budget 2018—Explained

Happy New Financial Year—another year, another Federal Budget. We thought that it might be helpful to give you a summary of the points / changes from the 2018 Federal Budget.

INDIVIDUALS

- Personal Tax Rates—from 1 July 2018, the 32.5% tax bracket

threshold will be increased from \$87,000 to \$90,000. With the plan after seven years to only have four tax brackets, with the majority of taxpayers on a marginal tax rate of 32.5% (let's see if this plan does eventuate).

- A new non-refundable Low and Middle Income Tax Offset will be introduced from 1 July 2018

for anyone earning under \$90,000. The maximum benefit will be \$530, and will cut out for those with a taxable income above \$125,333 per annum.

- The government announced that it will not proceed with the previously proposed increase in the Medicare Levy from 2% to 2.5% of taxable income from 1 July 2019.

- Deductions denied for vacant land—from 1 July 2019, the government will deny deductions for expenses associated with holding vacant residential or commercial land, including interest incurred to finance the acquisition of the land. Deductions for expenses associated with holding the land will now only be available once a building has been constructed on the land and is available to be rented.

Tax Rate	Income Threshold	
	Currently 2017/18	Proposed 2018/19
0%	\$0—\$18,200	\$0—\$18,200
19%	\$18,201—\$37,000	\$18,201—\$37,000
32.50%	\$37,001—\$80,000	\$37,001—\$90,000
37%	\$80,001—\$180,000	\$90,001—\$180,000
47%	\$180,001 +	\$180,001 +

BUSINESSES

- Small Businesses—The immediate tax deduction for each assets costing up to \$20,000 for small business has been extended to 30 June 2019.
- The Government will expand the contract payment reporting system to three additional industries: security providers and investigation services, road freight transport, and computer system design and related services, with the first annual report required in August 2020.

SUPERANNUATION

- The maximum number of allowable members in new and existing self-managed superannuation funds and small APRA funds is proposed to be increased from four to six from 1 July 2019.
- An exemption is proposed to be introduced from 1 July 2019 from the work test for voluntary contributions to superannuation, for people aged 65-74 with superannuation balances below \$300,000, in the first year that they do not meet the work test requirements. Currently the work test restricts the ability to make voluntary superannuation contributions for those aged 65-74 to individuals who self-report as working a minimum of 40 hours in an 30 day period in the financial year.
- The annual audit requirement is proposed to be changed to a three-yearly requirement for self-managed superannuation funds (SMSFs) whom have a history of good record-keeping and tax return lodgment compliance.
- Currently trustees are required to formulate, review regularly and give effect to an investment and insurance strategy for all SMSF's, this will be extended to include a retirement income strategy for fund members.
- SMSF's ATO supervisory levy is set to increase from 1 July 2018, however the new fee levy has not been released.



Don't Leave Your Tax Returns Until The Last Minute



Rental Properties

Please remember that travel expenses relating to inspecting, maintaining or collecting rent for a residential rental property will be disallowed from 1 July 2017 (being the 2018 financial year).



Child Care Subsidy

From the 1 July 2018, the Child Care Rebate and Child Care Benefit will be replaced by the Child Care Subsidy ("CCS"). The CCS will be paid directly to the child care provider (rather than the family), with parents only required to pay the difference.



In order to be eligible for the CCS you should submit a Child Care Subsidy Assessment by 2 July 2018 with Centrelink. Please keep in mind to qualify you must have created a my.gov.au account, linked it to Centrelink and then you will be able to complete the subsidy assessment.

There are three factors that will determine how much CCS a family will receive:

1. Combined Family Income

The following table shows the percentage of child care fees the government will contribute, based on a family's combined income:

Combined Family Income	Subsidy Rate
Up to \$66,958	85%
Over \$66,958 to under \$171,958	Gradually reducing to 50%
\$171,958 to under \$251,248	50%
\$251,248 to under \$341,248	Gradually reducing to 20%
\$341,248 to under \$351,248	20%
\$351,248 or more	0%

2. Activity Test

In two parent families, both parents, unless exempt, must meet the activity test. The amount of the subsidy paid is based on the hours of activity the parent with the least number of hours works. The table shows the hours subsidised based on the activity of the parent who works the least number of hours.

Step	Hours of Activity*	Maximum number of hours of subsidy per child*
1	8 hours to 16 hours	36 hours
2	More than 16 Hours to 48 hours	72 hours
3	More than 48 hours	100 hours

* Per fortnight

Recognised activities

A broad range of activities will meet the activity test requirements, including:

- paid work, including leave
- doing unpaid work in the family business
- an approved course of education or study
- paid parental leave, including maternity leave
- training courses for the purpose of improving the individual's work skills or employment prospects
- being self employed
- volunteering
- actively looking for work

3. Service Type

The maximum hourly rate the government will subsidise is based on the type of child care service. From July, the hourly rate cap will be as follows:

Service Type	Maximum hourly rate cap
Centre Based Day Care (Long Day Care and Occasional Care)	\$11.77
Family Day Care	\$10.90
Outside School Hours Care (Before, After and Vacation Care)	\$10.29
In Home Care	\$25.48 (per

Single One Touch Payroll

As per our prior newsletter, a reminder that Single Touch Payroll starts from 1 July 2018 for employers with **20 or more employees**.

You will report payments such as salaries and wages, pay as you go (PAYG) withholding and superannuation information from your payroll software each time you pay your employees.

Single Touch Payroll will be expanded to include employers with 19 or less employees from 1 July 2019.

The effect of single one touch payroll removes the opportunity to change owners wages for tax purposes. For example, the owner pays himself a wage and the business experiences a net loss for the financial year. Previously we have been able to change and amend the wages to become drawings through the owners loan account. Unfortunately, such change is not possible anymore, and means that it would be wise to consider your business performance more regularly, so that weekly / fortnightly wages can be altered for the remainder of the financial year.

Quote of the Day!

Due to taxation, politicians find it increasingly difficult to reconcile their net incomes with their gross habits

FBT on Commercial Vehicles

In March 2018, the ATO clarified the requirements for a vehicle to be deemed to be 100% commercial and therefore exempt from fringe benefits tax. In particular, the ATO defined how the use of a commercial vehicle for business and private purposes will affect whether it is exempt from FBT.



The following now applies to all commercial vehicles:

1. If the vehicle is provided to an employee to complete their work duties, all reasonable steps need to be taken to limit private use and measures must be in place to monitor private use.
2. If the employee uses the vehicle to travel
 - i. Between home and work, any diversion between home and work can add no more than 2km to the ordinary length of that trip;
 - ii. No more than 750km can be added for private use per FBT year (1 April to 31 March);
 - iii. No single journey for private purpose can exceed 200km.

If any vehicle falls outside the above restrictions, then you can only claim motor vehicle expenses for that vehicle on a percentage used method. Whereby we claim a percentage of the total costs incurred on the vehicle. To determine the percentage used for business purposes a log book will need to be maintained for 3 months every 5 years, or when a new vehicle is purchased.

Asset Valuations and your Self Managed Super Fund

If your self managed superannuation fund ("SMSF") holds assets you may have received a request from us to provide a market valuation for the assets held. We do this because the SMSF Legislation requires assets to be shown in the financial statements at their market value.

So, you ask, how do I obtain a market value for the assets held in my superannuation fund?

Cash at Bank

The value of your cash holdings is as detailed on your bank statements.

Listed Assets

We obtain the market value for shares listed on the ASX, Managed Funds and Commodities such as gold, from our software or information that is freely available on the internet.

Property

When valuing a property, you can use a qualified independent real estate agent who will provide you with an estimated value of the property at little or no cost. However, if the property is a commercial property, which is leased to a related party, then it will need to be valued by a qualified independent valuer. Remember to ask for the market valuation in writing.

You can also value the property yourself, though to do this, you must use reasonable methods and document how this was done.

Investment in Unlisted Entities

When valuing an investment in an unlisted entity, such as a Pty Ltd company, unlisted Unit Trust or Discretionary Trust you will need to obtain a copy of the financial statements for that entity and review performance of the entity and the market value of the underlying assets. This may involve paying an independent valuer to provide a formal valuation.

Art, Collectables & Personal Use Assets

The SMSF Legislation now requires art, collectables & personal use assets held in superannuation funds to be insured, so the insured value is a good starting point when ascertaining a value for these assets. However, if the asset was recently purchased you are also able to use the purchase cost.

If you have any questions regarding valuing assets held in your superannuation fund, we are here to help.



Small Business Company Tax Rate

From the 2017-18 financial year, companies with turnover of less than \$25 million will be taxed at 27.5%. The table shows the proposed plan to get the company tax rate down to 25%.

An effect of the lower company tax rate that is not talked about is, franked dividends paid from these companies have franking credits at 27.5%, down from 30%.

What does this mean? It means that the franked, or 'taxed' component of the dividend is now less, which may result in increased tax payable for the shareholders.

Income Year	Turnover Threshold	Tax Rate for Company under the threshold
2017-18	\$25m	27.5%
2018-19 to 2023-24	\$50m	27.5%
2024-25	\$50m	27.0%
2025-26	\$50m	26.0%
2026-27	\$50m	25.0%

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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

Aoife's Pregnant with number 2

Please join us in congratulating Aoife Kilroy and her husband, Ronan, on the exciting news that they are expecting their second baby. Aoife is due at the start of October 2018. We wish them all the best for the exciting times to come. We are sure CJ will love being a big brother.

Not Aoife



Website—Update

I hear you all ask, 'How is the website going? Is it up and running? Is it live on the internet yet?' The answer is, we are nearly there, we are just ironing out the final bits and pieces and hope to be 'live' in the next 2-3 months.

Farewell Una

We are very sad to announce that at the end of April, we said goodbye to Una Wrynn from our office.

Una has decided to move back home to 'sunny' Ireland with her family. We wish her all the best and success. Her bubbly personality will be missed around the office.



Staff Event—Holey Moley

As part of one of our yearly team building events, we all participated in 18 holes of putt-putt golf at the new mini golf course, Holey Moley.

We all had a lot of fun, and even more when it is at Greg's expense— when he doesn't win or loses too many balls.

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, which 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.