

Welcome to the Accrue June 2016 newsletter. In this edition we provide:

- Highlights from the Budget
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- ATO targets for 2016 & 2017
 - Reminders

Highlights from the Budget

Please note that none of the items contained within the Budget will become law until the Budget is passed by the House of Representatives and the Senate and signed by the Governor General.

Individuals

- From 1 July 2017 the government proposes lowering the superannuation contribution cap to \$25,000 per annum for all people up to age 75.
- From 1 July 2016, the middle personal income tax rate threshold will be increased from \$80,000 to \$87,000.
- The 10% rule is to be abolished in relation to deductible personal superannuation contributions making it easier for all taxpayers to maximise their concessional contributions cap.
- There's no change in the negative gearing rules



Small to Medium Business – from 1 July 2016

- Sole Traders: Unincorporated businesses turning over less than \$5M per annum will be eligible for an 8% personal income tax “discount” (currently 5%). The unincorporated tax discount remains capped at \$1,000. The unincorporated tax discount will continue to increase to a final rate of 16% by 1 July 2026.
- Company Tax Cuts: Companies with a turnover of up to \$10M per annum will be liable for a tax rate of 27.5%. This cut is part of the government’s “10-year enterprise tax plan”, which will involve phased-in company tax cuts for all companies by 2026-27.
- The Budget includes an extension of the \$20,000 instant asset write-off and other tax concessions for businesses with turnovers of up to \$10M.
- Businesses with turnovers of under \$10M will be able to access benefits such as accelerated depreciation for eligible equipment and simplified stock rules (businesses will now have the option to avoid an end of year stocktake if the value of the stock is changed by less than \$5,000).
- Companies with turnovers of under \$10M will also be eligible for Fringe Benefits Tax (FBT) concession and immediate deductibility of professional expenses. There are exemptions for car parking and portable electronic devices.
- The government is also proposing cash bonuses for employers that offer internships and hire eligible young jobseekers.
- No change in the CGT rules, however the key turnover figure for CGT small business concessions remains at \$2M.
- Businesses with turnovers less than \$10M will be able to elect to account for GST on a cash basis.

Highlights from the Budget

Superannuation – from 1 July 2017 unless otherwise stated

- The budget tightens superannuation contribution rules for individuals.
- Currently, a superannuation fund pays no tax on the income it earns on investments that are supporting pension payments. The government announced restrictions will be placed on the amount that can be held in the pension phase of superannuation. The proposed limit is \$1.6M. Amounts in excess of this will need to either be withdrawn from super, or may be retained in an accumulation account with investment earnings being taxed at 15%. This proposal is retrospective, in that people already drawing income from a pension that has a value of more than \$1.6M as at 1 July 2017, will need to transfer the excess over \$1.6M back to an accumulation account.
- There will be a decrease in the adjusted taxable income threshold at which the 30% tax applies to concessional contributions, from \$300,000 to \$250,000
- The government has introduced a lifetime non-concessional contribution cap of \$500,000, which takes into account all contributions made on or after 1 July 2007. The lifetime cap will replace the existing annual cap on non-concessional contributions [*ie. \$180,000 per annum or \$540,000 over three years*] and comes into effect from budget night, 3 May 2016.
- Investment earnings derived by a super fund that is paying a transition to retirement pension (TRIS) will be taxed in the super fund at a rate of 15%, instead of the current 0%.

Superannuation will be made more flexible by a number of measures, including:

- People with superannuation balances of less than \$500,000 will be able to carry forward unused concessional caps for 5 years. This will let people with broken career patterns catch up on their super savings.
- People aged 65-74 will no longer have to satisfy a work test to make superannuation contributions.
- Superannuation will be changed by introducing a low income tax superannuation tax offset of up to \$500 for people earning less than \$37,000, to avoid situations in which low income earners pay more tax on superannuation contributions than on their wages. This measure will replace the low income superannuation contribution when it expires on 30 June 2017.
- Spouse tax offset will be extended to allow more families to support each other in accumulating superannuation – income threshold for receiving spouse lifted from \$10,800 to \$37,000.

Superannuation Contribution Caps

For the years ending 30 June 2016 and 30 June 2017, individuals aged 50 years and over have a concessional contributions cap of \$35,000. The cap for those aged under 50 is \$30,000.

Prior to the Budget announcement of the lifetime non-concessional contribution cap of \$500,000, the annual non-concessional contributions cap was \$180,000 with the possibility of making non-concessional contributions up to \$540,000 in any one year by electing to bring forward the maximum contribution amounts from the following two years (if under 65 years of age).

Given the introduction of the lifetime non-concessional contribution cap, **we strongly recommend that no non-concessional contributions are made without first discussing the matter with us.**

Superstream

SuperStream is a government reform which requires employers to make super contributions on behalf of their employees by submitting data and payments electronically. Subject to the commencement dates discussed further below, it will not be possible to make super contributions by cheque.

Employers can either use software that conforms to SuperStream or you can use a service provider who can meet SuperStream on your behalf.

If your business employs 19 or fewer employees and is not already registered for SuperStream it will need to do so prior to 30 June 2016. For those businesses that employ 20 or more employees, the SuperStream requirements are already in place.

The ATO step-by-step checklist to help employers prepare can be found at www.ato.gov.au/superStreamChecklist

Alternatively please contact our office for assistance.

ATO targets for 2016 & 2017

Rental Properties in popular holiday locations

The ATO has advised that it is writing to owners of rental properties in popular holiday locations where the rental income is lower than expected.

The ATO is concerned that these properties may not have been rented out or genuinely available for rent for the entire year. The ATO wants to ensure that the owners have apportioned deductions in an appropriate manner to reflect the periods when the properties have not been made genuinely available for rent or have been used for private purposes.



Work related expenses

The ATO has been looking closely at work-related deductions claims, as the amount of those claims has risen steadily in recent years. Expect the ATO to pay particular attention to car expenses and deductions claimed for the use of home offices, particularly the split of expenses between work and personal use.

The sharing economy

In mid-2015 the ATO were providing detailed guidance to those operating in the sharing economy about what they need to do to comply with their income tax and GST obligations, driven in the part by the high levels of non-compliance among those driving for Uber or renting rooms through AirBnB. Later in the year, the ATO went to Uber to obtain details of drivers operating through the ride-sourcing app. Whether its Uber AirBnB or any of the other sharing economy services, we think that the ATO will be looking closely at those who participate to make sure that the guidance they issued last year is being followed. The ATO was caught unaware by the growth of the sharing economy and has had to play catch-up to avoid being left behind in terms of tax collections and voluntary participation. They'll now want to make up for lost time and ensure their presence is felt.

Undeclared capital gains

As part of the ATO's data-matching program, they have recently received millions of items of data in relation to share and property transactions stretching as far back as 1985, when capital gains tax was first introduced. The ATO will have been scrutinizing that data and matching it with the information contained in tax returns. This is likely to lead to a spike in audits of capital gains that have either been reported incorrectly or not reported at all.

Reminders

Trustee Resolution

It's that time of year again. The trustee of your family/investment trust needs to consider and decide how the income of your trust for the 2016 year is to be distributed on or before 30 June.

Matters that should be considered in formulating your trustee resolution include (but are not limited to):

- Have franked dividends been received during the year
- Are there any adult children that have turned 18 during the 2016 financial year
- Do beneficiaries have HELP debts
- Have you sold any assets resulting in capital gains

If we have not already done so, we will contact you soon to provide assistance with the documentation.

Motor Vehicle deduction method

A reminder that from 1 July 2015 the '12% of original value method' and the 'one-third of actual expenses method' have been removed.

Additionally, from 1 July 2015 the 'cents per kilometre method' has one set rate of 66 cents per kilometre regardless of the engine size. This will replace the three current rates that are set based on engine size.

The 'log book method' will remain the same.

If you travel more than 5,000 business kilometres per year, we strongly recommend that you prepare a 12 week log book to ensure that all options are available to you.