ACCRUE®
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Newsletter

June 2017

WELCOME TO THE ACCRUE JUNE 2017 NEWSLETTER. IN THIS EDITION, WE COVER THE FOLLOWING:

HIGHLIGHTS FROM THE 2017 FEDERAL BUDGET

Please note that the items contained within the Budget will not 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 2019, the government will increase the Medicare Levy from 2% to 2.5%
- The Medicare Levy low-income thresholds will increase from 1 July 2017. The increased thresholds will be:

singles	$21,655
families	$36,541
single seniors and pensioners	$34,244
family seniors and pensioners	$47,670

RESIDENTIAL PROPERTY INVESTORS

Limiting plant and equipment depreciation deductions to outlays actually incurred

- From 1 July 2017, the government will limit depreciation claims on plant and equipment to outlays actually incurred by investors in residential properties
- The measure will only apply in respect of residential properties purchased after budget night 9 May 2017
- Investors who purchase plant and equipment items for their residential property after 9 May 2017 will be able to claim depreciation on those items
- The measures only apply to residential investment properties but the Government is yet to clarify whether this applies to newly constructed properties
- Does not impact the ability to claim the building write off allowance

No deduction for travel expenses for residential properties

- With effect from the 1 July 2017 the government will disallow deductions for travel expenses related to inspecting, maintaining or collecting rent for a residential property.
- Costs incurred in engaging third parties (i.e. real estate agents) to perform these tasks, will continue to be tax deductible
- This measure will apply irrespective of when the property was purchased

SMALL TO MEDIUM BUSINESS – FROM 1 JULY 2017

$20,000 Instant Asset Write-Off Extended

- The Budget includes a further 12-month extension of the $20,000 instant asset write-off for businesses with turnover of up to $10 million, until 30 June 2018
- The small business CGT concessions will continue to be available to small business taxpayers with aggregated turnover of less than $2 million or assets of less than $6 million

FIRST HOME SUPERANNUATION SAVER SCHEME

- The government will allow First home buyers to 'build a deposit' for their first home inside their superannuation fund
- From 1 July 2017, voluntary superannuation contributions of up to $15,000 per year, and $30,000 in total, can be contributed by first homebuyers. The amounts contributed must be within existing concessional and non-concessional caps. (i.e. from 1 July 2017 $25,000 and $100,000 respectively)
- Voluntary concessional contributions will be taxed in the superannuation fund at the rate of 15%, as will earnings
- From 1 July 2018 onwards, amounts contributed can be withdrawn, along with the associated deemed earnings, for a first home deposit. The maximum amount that can be withdrawn is $30,000 plus deemed earnings. The deemed earning rate is 4.78%
- Concessional contributions and earnings that are withdrawn will be taxed at the taxpayer's marginal tax rate less a 30% offset
- When non-concessional contributions are withdrawn, they will not be taxed
- Both members of a couple can take advantage of the measure

SUPERANNUATION

Downsizing family home – Superannuation Contribution

- From 1 July 2017, the government will allow persons aged 65 or over to make a non-concessional superannuation contribution of up to $300,000 from the proceeds of selling their home
- The non-concessional contribution will be in addition to those currently permitted under the existing rules and caps and they will be exempt from the existing age test, work test and the $1.6 million balance test
- The measure applies to the sale of the principal residence owned for the past 10 years or more
- Both members of a couple will be able to take advantage of the measure in respect of the same property
- The amount contributed may exceed the net sales proceeds received from the sale of the property
- The amount contributed to superannuation will count towards the Age Pension Assets Test

MEASURES AFFECTING THE GST REGIME

GST on New Residential Property Transactions

- From 1 July 2018 purchasers of newly constructed residential properties or new subdivisions, will be required to remit the GST directly to the ATO as part of settlement
- Developers will still need to declare the GST in their BAS returns but will receive a GST credit for the GST paid

GST & Digital Currency

- From 1 July 2017, the government will align the GST treatment of digital currency (i.e. Bitcoin) with money. Digital currency is currently treated as intangible property for GST purposes. The measure will ensure purchasers of digital currency are no longer subject to GST

CONTRACTORS IN THE COURIER AND CLEANING INDUSTRIES

- With effect from 1 July 2018 the government will extend the taxable payments reporting system ('TPRS') to contractors in the courier and cleaning industries. The TPRS already operates in the building and construction industry. Under TPRS, businesses are required to report payments they make to contractors (individual and total for the year) to the ATO
- Businesses in these industries will need to ensure that they collect contractor information from 1 July 2018, with the first annual reporting required in August 2019

THINGS TO CONSIDER BEFORE 30 JUNE 2017

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 2017 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 2017 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.

Minimum Pension Drawdown

If you are drawing a pension (TRIS or ABP) from your superannuation fund then you need to ensure that you have withdrawn at least the minimum pension payment required for the 2016/2017 year by the 30 June 2017. Contact us if you are unsure of the minimum pension amount to be withdrawn

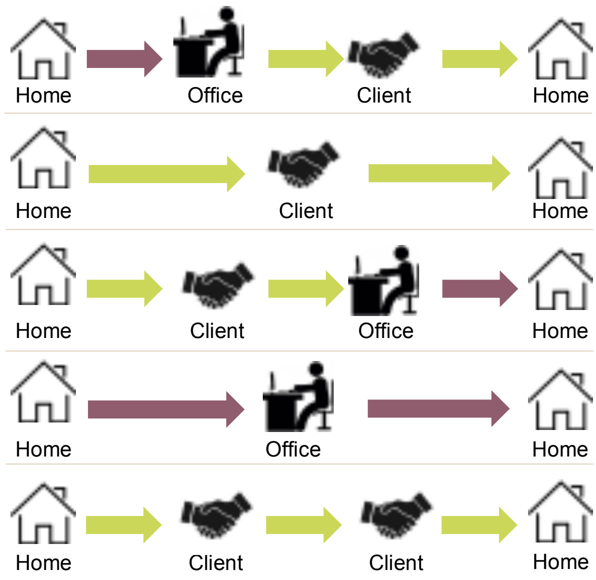
Tax Planning Strategies for Small Business clients

With effect from the 1 July 2016, the aggregated turnover threshold to quality as a Small Business Entity (SBE) increased from $2 Million to $10 Million. Therefore, many more business can now take advantages of the tax planning opportunities available to SBE taxpayers. Those planning opportunities include the following:

- Immediate deduction for depreciable items that have a GST – exclusive cost of less than $20,000
- Where a purchased depreciable item has a GST-exclusive cost greater than $20,000, concessional depreciation rates apply. 15 in % in the first year and 30% each year thereafter
- An SBE can claim an outright deduction for prepaid expenses where the period that the prepayment relates does not exceed 12 months and the period ends before the end of the next income year. Examples of expenses that could be prepaid include: leases of motor vehicles, rent of premises, interest on loans and business trips

LOG BOOKS AND WORK-RELATED CAR TRAVEL

Once a log book has been completed it is valid for five years. If you have a log book that was completed in the 2011/2012 year, or earlier, you will need to have completed a new log book before 30 Jun 2017 for it to be valid and used in determining car deductions for the 2016/2017 year. When completing a log book, it is important to understand which trips are business related and which are private.



Above is a summary of the common trips undertaken by both employees and business owners. The green arrows represent business related travel and the purple arrows represent private travel. Note that the trip from home to work, will in most cases always be private.

ATO TARGETS

Rental Properties

Rental properties continue to remain on the ATO target list. The ATO will focus on ensuring all rental income is declared and where a property is used partly for private purposes (i.e. holiday home), that the correct proportional claim is made in respect of property expenses. The claiming of expenses where a property is not genuinely available for rent is also of concern to the ATO.

Properties rented to family members at below 'market rental' and the property is negatively geared, are also targets of the ATO. Large rental property repair and maintenance claims could also come under ATO scrutiny.

ATO's use of benchmarking to target the cash economy

The ATO are increasingly using industry benchmarking data as a way of identifying businesses whose financial performance has strayed from the norm, possibly pointing to under reported income or incorrect expense claims.

The ATO uses data aggregated from business tax returns and activity statements to determine profiles of businesses and industries. A business with financial results materially different from their industry benchmark, may receive a 'please explain' letter from the ATO. A full list of the ATO benchmarks is available from the ATO Website.

The sharing economy

The ATO is devoting resources to ensure taxpayers who derive income from providing sharing services comply with their income tax and GST obligations, given the massive growth in Australia's sharing economy. In particular, the ATO will be data matching information provided by third parties (i.e. banks) to detect undeclared income derived from various sharing economy services including Uber and Airbnb. The payment systems for the majority of these sharing services are automated, with no cash changing hands. This makes these transactions easily traceable for ATO data-matching purposes.

Social Media and the Tax Man

In recent times, as part of the ATO's data matching techniques the ATO are now targeting social media. The ATO is able to trawl through social media sites such as Facebook or Instagram to establish consistency between lifestyle and taxation returns.

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 has been reviewing the 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.

SUPERANNUATION CONTRIBUTION CAPS

For the year ended 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. The non-concessional cap limit is $180,000 with the possibility of making non-concessional contributions of up to $540,000, assuming the 3 years bring forward contribution rule has not been triggered in either of the prior two years and the individual is aged under 65 years.

From 1 July 2017, the concessional contribution cap is $25,000, irrespective of the age of the individual. The non-concessional cap limit is $100,000 with the possibility of making non-concessional contributions up to $300,000, assuming the 3 years bring forward contribution rule has not been triggered in either of the prior two years and the individual is aged under 65 years.

Please contact your financial adviser or us at Accrue if you are considering making a large non-concessional contribution prior to 30 June 2017.

CASH BASIS FOR REPORTING GST

Did you know that from 1 July 2017 **businesses with turnover less than $10 million** can elect to account for GST on a cash basis or alternatively pay GST by way of instalments

Previously this cash basis of GST reporting, was only available to businesses with turnover of less than $2 million. Changing from non-cash to the cash basis of GST reporting requires some considered thought and planning. If not done in a planned way the business could end up remitting GST on sales revenue collected after 1 July 2017 that had been invoiced and reported in a prior GST reporting period.

Contact us here at Accrue if you have any questions or need some help with making the change.

Disclaimer
Many of the comments contained in this Newsletter are general in nature and anybody intending to apply the information to practical circumstances should contact our office in order to receive advice specific to your circumstances.

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