David J Gibney
Accountants
FOCUSED FINANCIAL GUIDANCE

May 2016 (Budget) Newsletter

Recently David has completed his RG146 study dominating his weekends over the past 2 years. We have submitted our Limited License application with ASIC which will ensure that the process is as smooth as possible once the Accountants exemption period for giving advice on setting up and closing down SMSE (Self-Managed Superannuation Funds) is over on 30 June 2016. To celebrate and assist a worthy cause, we have decided to donate our time and energy to support the Cancer Council by hosting Australia's Biggest Morning Tea at our office on 26 May between 10am-12pm. This event is open to all our contacts and you don't have to be a client to attend. Our staff members are very competitive and we are already coming up with new ideas for a bake off so you will be in for a gourmet treat! Don't be alarmed, David will be relegated to coffee & tea making duties….. Further details about the function and how to RSVP are below.

With the recent release of the budget, you can imagine what is going to be dominating the articles in this Newsletter edition. Let me remind you that currently the Liberal party is not in control of the Senate and these recommendations are based around the Liberals returning to power after the election on 2 July 2016 so the changes recommended below are not set in stone and should be taken as a guide. Providing they go ahead however, there will be many opportunities available particularly for those in the 65+ age bracket to get money into Superannuation tax effectively. Most changes are effective from 1 July 2017 and will come into play in the 2018 financial year. The items are marked accordingly. Overall the Superannuation changes are positive with the exception of lower tax deductible (concessional) for everyone. There are some great tax planning opportunities available.

Come along to Australia's Biggest Morning Tea (Cancer Council Fund Raiser) on Thursday 26 May between 10am-12pm

Everyone has been touched by cancer - a family member, work colleague or someone in the community that you know. It's not a pleasant disease and it doesn't discriminate based on gender, age or social status. For years we have been attending other people's Biggest Morning Tea events. This year, we're putting on our own version – a "high tea" morning tea. For the cost of a coffee and cake at your local cafe $10 will give you a wonderful selection of goodies, all lovingly hand made. Our in house team of domestic goddesses have decided to showcase our talents in the kitchen and with a vegetarian staff member (Joedy), there are bound to be gluten, vegan, and nut free & savory options available. You can fill out a form on the day to ensure you obtain a receipt from the Cancer Council for the event which will be emailed to you. If you're that impressed with the catering, you can always donate more…. As an incentive, recipes will be available to try our delicacies at home. If you are unable to attend but wish to support, we've set up a direct link page to the Cancer Council website and you can donate directly there. Remember to ask for a receipt if you need one as this process will bypass us and they will be issued directly. Regardless of whether you are a client, supplier, service provider, family member, friend (or just want a sticky beak at our offices) you are welcome to come along and do a bit of networking at the same time as donating towards a great cause. You never know who you might meet! Come along and gather with others within our extended client community. We look forward to hearing that you can attend. Ring us on 5422 6480 with any diet requirements to make sure we get baking!

Targeted personal income tax relief - Changes effective 1 July 2016 (FY 2017)

From 1 July 2016, the government will increase the 32.5% personal income tax threshold from $80,000 to $87,000, thereby reducing the marginal rate of tax on incomes up to $87,000 from 37% to 32.5%.

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Small Business Income Tax Offset (SBITO) - Changes effective 1 July 2016 (FY 2017)

The SBITO discount of 5% will increase to 8% and is available to an individual in receipt of income from an unincorporated small Business Entity (SBE = an aggregated turnover of less than $2 million) and applies to the income tax payable on the business income received from such an entity. The cap of $1,000 per individual for each Financial Year will be retained. In addition access to the discount will be extended to individuals if you have an unincorporated business that has an aggregated annual turnover of less than $5million.

From July 2017

Increasing the Small Business Entity (SBE) turnover threshold - Changes effective 1 July 2016 (FY 2017)

SBE turnover threshold will increase from $2 million to $10 million. This allows for an immediate 100% deduction for an asset purchased costing less than $20,000 until 30 June 2017. Improving the bottom line for all SMEs will provide greater opportunity for employment and growth. These businesses can now account for GST on a cash basis and pay GST instalments as calculated by the ATO.

Abolishing Transition to Retirement Pension - Changes effective 1 July 2017

The option for people under the age of 65 who are still working to have a pension with the amount that can be withdrawn capped at 10% per year has been removed. This is a major change that removes some very tax effective planning options.

Allow catch-up concessional superannuation contributions - Changes effective 1 July 2017 (FY 2018)

From 1 July 2017 for Individuals with Superannuation balances of less than $500,000 they will be able to utilize any concessional limits that they have not reached in the prior 5 years. For example if your superannuation balance is $200,000 on the 30/6/19 and you have made concessional contributions of $15,000 in 2019, $20,000 in 2018 and $20,000 in 2017 you have the ability to contribute $45,000 in the 2020 year. The $45,000 is made up of $25,000 cap for 2020 and $10,000 for 2019, $5,000 for both 2018 & 2017 years when you did not reach the $25,000 cap for concessional contributions in those years. This is especially helpful as people move through different stages – especially for those with children and the expenses that come with their educations or better still as a tax planning option.

Reducing the concessional Contributions Cap - Changes effective 1 July 2017 (FY 2018)

Commencing 1 July 2017, the annual cap on concessional superannuation contributions will be lowered to $25,000. The current allowance of $30,000 for those aged under 50 years and $35,000 for 50+ years will remain until then.

Changes to the contribution rules for those aged 65 to 74 - Changes effective 1 July 2017 (FY 2018)

After 1 July 2017, the current restrictions on people aged 65-74 to make superannuation contributions for their retirement will be removed. The requirement to meet the work test before making voluntary or non-concessional contributions will also be removed.

Tax Deductions for personal superannuation contributions - Changes effective 1 July 2017 (FY 2018)

All individuals under the age of 75 will be allowed to claim an income tax deduction for personal superannuation contributions. Those benefiting from the proposed changes will include individuals who are partially self-employed and partially wage and salary earners and individuals whose employers do not offer salary sacrifice arrangements.

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Changes to the 'high income contribution rules' (Division 293) - Changes effective 1 July 2017 (FY 2018)

The Division 293 threshold income has been reduced from $300,000 to $250,000. This means that anybody with an adjust taxable income (includes Super & FBT) over $250,000 will have their superannuation contributions taxed at 30% rather than the lower 15%.

Improve superannuation balances of low income spouses - Changes effective 1 July 2017 (FY 2018)

Access to the low income spouse superannuation tax offset will be increased by raising the income threshold for the low income spouse from $10,800 to $37,000 which provides up to $540 per annum tax offset for the contributing spouse. The offset completely phases out above $40,000. Additional changes to support older Australians includes allowing individuals to make contributions on behalf of their spouse under the age of 75 without the need for the spouse to satisfy the work test.

Applying GST to low value goods imported by consumers - Changes effective 1 July 2017 (FY 2018)

GST will be extended to low value goods imported by consumers which ensures low value goods face the same tax regime as domestically sourced goods. This needs unanimous agreement of the States and Territories.

Introducing a Low Income Superannuation Tax Offset (LISTO) - Changes effective 1 July 2017 (FY 2018)

Tax will be reduced on superannuation contributions for low income earners. This will be a non-refundable tax offset to super funds up to a cap of $500. This applies to members with adjusted taxable income of up to $37,000 that has a concessional contribution made on their behalf. This can result in a contribution of $333 being tax free effectively. It is very similar to a measure that was abolished in the 2015 budget.

Employment Incentives

Commencing on 1 April 2017, the PaTH (prepare-trial-hire) program for under 25s offers intensive pre-employment skills training for young and vulnerable job seekers. Businesses will be able to obtain $1,000 assistance to engage prospective employees as unpaid interns for a period of 4-12 weeks which could be a good opportunity for small business such as tradespeople to trial prospective employees until they find the right fit in terms of reliability, motivation and culture. For the purposes of workplace legislation, it is unclear as to whether these interns will be classed as employees. Although the ALP has endorsed the concept, unions have already raised concerns about the program undermining minimum terms and conditions which was highlighted on the front page of The Age on Thursday 12 May 2016. Regardless of whether an eligible job seeker is subject to an internship or not, they will receive an accelerated wage subsidy of up to $10,000 staged over six months.

Changes to the accounting profession regarding Superannuation Advice

The landscape for accountants is changing on the 1st July 2016. From this date accountants that do not have either a limited or a full Australian Financial Services License, (AFSL) will be restricted in the advice that they can legally give to their clients in regards to wealth management and growth. This is especially highlighted around the restrictions imposed on Superannuation advice.

Any advice that we give you in regards to growing your wealth from that date forward will have to be fully documented in a Statement of Advice (SOA). These are a legal requirement, quite in depth documents and take some time to prepare.

The fees associated with the Statement of Advice will vary between accountants. The banks and financial institutions have seen this as an opportunity where they can offer their licenses via authorized representatives to accountants rather than the accountant applying for their own independent license. The license application is an arduous process in itself requiring police and bankruptcy checks, extended professional indemnity insurances, compliance manuals and dispute resolution processes in place. To avoid this process, most accountants will

become authorized representatives of larger entities that are associated with the major financial institutions such as AMP and the big 4 banks. There are commissions attached to the advice and restricted product lists that these institutions sell which may make their advice biased. Some commissions are based on a client's net wealth and some are on the products purchased. Unfortunately these are both factors that may influence the advisor in their recommendations.
Our belief is that all advice should be 100% in your best interest with no outside influence. Therefore we will be an accredited and authorized independent advisor, charging for the advice given, in the same manner we charge for our accounting services with no commissions from anyone.

Xero

As mentioned in our last newsletter, our practice is currently implementing new software as it has major benefits for Small business over our previously recommended BankLink particularly for those with a number of employees, as it has a great payroll system. Currently Xero services 262,000 subscribers including 9,000 accounting and Bookkeeping Partners in Australia and have partnered with over 50 financial institutions who provide direct bank feeds covering 83% of banking transactions within this country. Being cloud based, information is immediately updated and assessable by the client and the Accountant simultaneously which means information in the system is updated overnight instead of monthly, allowing the clients to have better visibility over their cash flow and day to day operations. Additional features include debtors, creditors, invoicing (as well as automatic email reminders) and inventory. "Add Ons" integrate tailoring software to suit specialized industries and provide POS (point of sale) workflow management, Client Relationship Management, Data Capture and much more. Clients are able to scale up or down as flexible pricing structure allows for this depending on the features required. Every 4-6 weeks updates are done automatically overnight which means you always have the latest version removing the need to download, update or install anything else. Several of our clients have already transitioned and we are in the process of registering more. If you are interested in finding out more about this product and how it can help streamline your business, please contact our office. We have already identified those of you in our client portfolio who will benefit from transferring software but if anyone else is interested, please contact the office.

Annual Leave

Please note that David's annual break before the new financial year will commence on Friday 24 June until his return into the office on Monday 18 July. All end of year commitments will be attended to prior to his departure, but if you have something coming up that you would like to discuss, please make an appointment well before this. Accountant Joanne Elliott & Client Services Manager Joedy Brown will be here to handle any queries in David's absence.

Our energetic, knowledgeable and caring approach gives peace of mind.

If you need further information or to discuss your specific circumstances, please call David or Joanne at our office.

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