

2017 CLIENT NEWSLETTER

Welcome to the Patison Partners 2017 Client Newsletter.

We present updates from our Superannuation, IT Figures (Bookkeeping) and OzPlan (Financial Planning) divisions, passing on important information from these areas to you.

Treasurer Scott Morrison has delivered his second budget, which has been a cause of much discussion. Whilst these measures are yet to be passed as law, we provide a summary of those which we see as being the most important to you.

If you have any queries which arise from any part of this newsletter, please don't hesitate to contact us.

Lastly from all of us at Patison Partners, we thank you, our valued clients for your ongoing support and look forward to working with you in the coming year.

Superannuation Changes on 1 July 2017

1 July 2017 is the start date for several new measures affecting superannuation.

For Retirees

There is a new transfer balance cap which limits the amount of your superannuation that can be used to fund tax free 'retirement phase' accounts. This limit will commence at \$1.6 million from 1 July 2017 and be indexed in line with CPI. There is no limit on the amount of superannuation you can hold in the accumulation phase where earnings are taxed at 15%.

If your combined retirement phase, or pension accounts, are greater than the \$1.6 million cap at 1 July 2017 you will need to take steps to roll the excess above \$1.6 million back to the accumulation phase. 'Excess transfer balance tax' applies to the notional earnings on the excess, so it is important not to breach this cap.

There are different rules for those with defined benefit income streams. Broadly, you do not have to commute these pensions back to the accumulation phase, and in many cases, you are not able to, however if

the pension draw down required is greater than \$100,000 per annum, you will need to include this in your personal tax return.

Contribution CAPS

From 1 July 2017, the concessional contributions cap will be reduced to \$25,000 per annum for everyone. (Previously \$35,000 for people 49 and over and \$30,000 for everyone else). From 1 July 2018, you will be able to use any unused cap on a five-year rolling basis if your total superannuation balance is less than \$500,000 at 30 June of the previous year.

From 1 July 2017, the annual non-concessional contribution cap will be reduced from \$180,000 to \$100,000 per year. For anyone who has a total superannuation balance more than \$1.6 million, your non-concessional contributions cap will be reduced to NIL.

Penalty tax applies for a breach of these rules, so it's important to check

before making additional contributions to your superannuation after this date.

These changes also make it more important than ever to make contributions prior to 30 June 2017.

Transition to Retirement

From 1 July 2017, the tax-exempt status for earnings on assets that support a transition to retirement income stream will be removed.

Other Super Changes

Division 293 tax, which is an additional 15% tax imposed on superannuation contributions, is being broadened as the income threshold to which this applies is reduced to \$250,000 per annum.

A new Low Income Super Tax Offset (LISTO) will allow those with an adjusted taxable income of less than \$37,000 to receive an additional contribution from the government for 15% of their concessional contributions, to a maximum of \$500.

Partners

Michael Vick
Wayne Heale
Ron Hogan
Andrew Dalrymple
Katrina Magyar
Frank Monacella
John-Paul D'Amico

Warragul Office

61-63 Victoria Street
Warragul Vic 3820
T 03 5623 2276
warragul@patison.com.au

Pakenham Office

3 Cook Drive
Pakenham Vic 3810
T 03 5941 3322
pakenham@patison.com.au

Have you checked out
our website lately?

www.patison.com.au



Secure Client Portal

Would you like to be able to:

- Quickly and securely transfer documents to us when we need them.
- Submit legal signatures to us electronically direct from your mobile device for your activity statements and income tax returns.
- Have access to your important financial documents from us via the cloud anywhere, on any device?

With our secure MYOB Portal, you will be able to collaborate easily with us. Alerts will be received every time a document is uploaded so nothing is missed.

Please contact us if you have any queries or would like to sign up to our secure Client Portal.



Review Results Pre-30 June

We wish to remind all our clients of the importance of reviewing your results with your advisor prior to 30 June 2017. Actions which can be undertaken include, but are not limited to:

- Prepay expenses, if you are a small business.
- Defer invoicing where appropriate.
- Pay employee superannuation prior to 30 June 2017 to obtain a tax deduction.
- Write off any bad debts prior to 30 June 2017.
- Consider purchasing equipment <\$20,000.
- Review fixed assets and write off any no longer in use, for a tax deduction.
- Perform stock take and isolate any obsolete items.
- For trusts, plan and document year end trust resolutions.

Aged Care

We recognize that entering Aged Care is a significant change for the resident and their families. The rules and regulations surrounding Aged Care can be quite complex. So, it is important that you undertake careful planning and seek appropriate advice.

Both Glenn Setches and Lis Keilty are authorised representatives of OzPlan Financial Services Pty Ltd AFSL No. 221235 and they are also accredited Aged Care specialists. If you have a loved one entering aged care or would like a review of your current investments, please contact our office on 03 5623 2276 to arrange an appointment.

Client Reviews

With the continuing changes in the investment markets and government regulations, it is important that your overall financial investments including your share portfolio are reviewed regularly.



Single Touch Payroll

Those employers who have 20 employees on 1 April 2018 must adopt Single Touch Payroll, on or before 1 June 2018. Employers must report to the ATO after each 'Pay Event', be it weekly, fortnightly or monthly.

The ATO will be using this information to ensure all employers are paying their PAYG Withholding and Superannuation obligations.

The ATO will also use these figures to prefill the Activity Statement at W1 and W2. Each 'Pay Event' supersedes the previous one, so corrections can be made.

These employers will no longer be required to provide Payment Summaries to their employees. The ATO will provide them via the employees' myGov account. The ATO will prefill tax returns with the payroll information.

Those employers who are affected must have current payroll software. Software companies are in the process of becoming compliant with this ATO requirement.

Cloud Accounting

As bookkeepers, we fit the program to the client – rather than the other way around. Below is a broad summary of the options available:

- **MYOB** – various versions suitable for small and large businesses.
- **Intuit QuickBooks Online** – various plans and pricing apply.
- **Reckon One** – has some great features for small businesses.
- **Xero** – can work well for large businesses.

Most of these programs have App add-ons that allow the user to customise the program to their own needs.

Year-End Processes

IT Figures can assist with end of year processes, Payment Summaries, lodgement of EMPDUPE file with the ATO and Taxable Payment Annual Reports.

IT Figures can also assist with upgrades and transition to new programs. Call 03 5623 5355 and Julie or Debbie will be able to help you in any of these areas.

2017-18 Federal Budget Update

The 9 May 2017 Federal Budget contained many items. We provide details below of those we see as most relevant to you.

Please note these proposed changes are not legislated.

Businesses

Instant Asset Write Off

The \$20,000 instant asset write off for assets purchased by businesses with an aggregated turnover of less than \$10 million, will continue until 30 June 2018. Assets will need to be used or installed ready for use by 30 June 2018.

Contractors – Courier and Cleaning Industries

Businesses in the courier and cleaning industries will be required to report payments they make to individual contractors, to the ATO from 1 July 2018 under the Taxable Payments Annual Reporting system.

The first annual report will be due to be lodged in August 2019. Details required to be included for each contractor are:

- ABN
- Name
- Address
- Phone Number
- Gross Amount Paid (GST Inc)
- Total GST

GST on New Residential Properties and Subdivisions

Under new measures, property developers will no longer manage GST on sales of newly constructed properties or land subdivisions.

From 1 July 2018, GST will be directly paid by purchasers to the ATO as part of the settlement process. As most purchasers use conveyancing services to complete their purchase, this should have minimal effect on them.

Indexation Return to Medicare Benefits Scheme

Indexation will return for elements of the Medicare Benefits Scheme as follows:

- Bulk-billing incentives for GP's will be indexed from 1 July 2017.
- Standard consultations by GP's and specialists will be indexed from 1 July 2018.
- Specialist procedures and allied health services will be indexed from 1 July 2019.
- Some diagnostic imaging items will be indexed from 1 July 2020.

Major Bank Levy

A major bank levy will be imposed on Australia's top 5 financial institutions: CBA, Westpac, ANZ, NAB and Macquarie Bank. The levy will be calculated quarterly at 0.015% of their liabilities.

To prevent this levy from simply being passed on via increased interest rates, the ACCC will undertake a mortgage pricing enquiry by 30 June 2018.

Levy on Businesses Employing Workers on Skilled Visas

Businesses that employ foreign workers on skilled visas will pay a levy as follows:

- Businesses turning over less than \$10 million per year will pay an upfront payment of \$1,200 per visa per year on a temporary skill shortage visa, and a one-off payment of \$3,000 per employee under a subclass 186 or 187 visa.
- Businesses turning over greater than \$10 million will pay higher rates of \$1,800 and \$5,000 respectively.

Small Business Capital Gains Tax (CGT)

Small business CGT concessions will be tightened to ensure that the concessions can only be accessed in relation to assets used in a small business, or ownership interests in a small business, from 1 July 2017.

The government has not provided any further details on this measure and the breadth of these changes is uncertain. The disposal of business assets after 1 July 2017 should be carefully considered.

Large Multinational Laws Tightened

The multinational anti-avoidance laws will be enhanced from 1 July 2017 to ensure it applies to a wider range of entities and transactions.

Removing Double Tax on Bitcoin

From 1 July 2017, Bitcoin will be treated as Australian currency rather than intangible property. Currently consumers who use Bitcoin pay GST twice: once on the purchase of the Bitcoin and then on its use for exchange for goods and services that are subject to GST.

Questions for your Accountant

Superannuation

There have been many changes proposed by both parties to Superannuation. Whilst there have been numerous changes to the landscape somewhat over the past few years, superannuation will still retain its attractiveness as a highly tax effective vehicle.

Home Downsizing Proceeds to Superannuation

From 1 July 2018, a person 65 years or older will be able to make a non-concessional contribution to their superannuation fund of \$300,000. Both members of a couple will be able to contribute up to \$300,000 each.

This contribution will be excluded from the work test, the age test and the \$1.6 million balance threshold.

This measure will apply to sales of a residence owned for ten or more years.

First Home Owner Super Scheme

From 1 July 2017, first home buyers will be able to make contributions of up to \$15,000 per year and \$30,000 in total into their superannuation fund for a first home deposit. Members of a couple will both be able to access this scheme.

Net tax paid on contributions and earnings will be taxed at 15%. Upon withdrawal, these amounts will be taxed at marginal rates less a 30% offset.

Superannuation Borrowing Arrangements

From 1 July 2017, a person's superannuation balance may be affected by borrowing arrangements entered into by a superannuation fund.

The effect of the measure will increase what is counted in an individual's total superannuation balance and how the person's \$1.6 million pension cap is calculated. It is uncertain whether this measure will be prospective in nature.

Advice should always be sought prior to entering superannuation borrowing.

Investors

Capital Gains Tax Concession for Affordable Housing

The Capital Gains Tax (CGT) discount will be increased for individuals who choose to invest in affordable housing by 10%, from 50% to 60%.

To qualify for this discount, housing must be provided to low to moderate income tenants, with rent charged below the private market rental rate. The affordable housing must be managed through a registered housing provider and held for a minimum of 3 years.

Deductibility of Rental Property Travel Costs to End

From 1 July 2017, the government will no longer be allowing deductions for travel expenses related to inspecting, maintaining, or collecting rent for a residential rental property.



Depreciation Deductions Limited

From 1 July 2017, depreciation deductions will be limited to outlays actually incurred by residential rental property owners. Acquisitions of existing plant and equipment items will be reflected in the cost base for CGT purposes.

Plant and equipment items are usually mechanical fixtures or those that can be easily removed from a property such as dishwashers or blinds.

Individuals and Families

Increase in the Medicare Levy

From 1 July 2019, the Medicare Levy will increase to 2.5% of taxable income (up from 2%).

Budget Repair Levy

The 2% Budget Repair Levy will end on 30 June 2017. This means the effective top individual income tax rate will drop to 45% plus Medicare levy.

Higher Education Fees Increased

The threshold at which students pay back student loans will be reduced to \$42,000, with a 1% repayment rate and increase in a sliding scale to a maximum 10%, at income of \$119,882.

Family Tax Benefit

Family Tax Benefit rates will remain static until indexation resumes on 1 July 2019.

The Family Tax Benefit Part A increase which was announced as part of the 2015-16 mid-year economic review will not proceed.

Penalties for 'Work for the Dole' and 'Jobseekers'

A new demerit system will be introduced to tackle non-compliant job seekers.

Each failure will incur demerit points. Individuals who incur four demerit points in six months enter a three-strike phase where they will:

- Lose 50% of their fortnightly payment for strike one.
- Lose 100% of their fortnightly payment for strike two.
- Have their payment cancelled for four weeks for strike three.

