

Winter 2016

The 2016 Tax Year is almost over and it's nearly time to do your tax returns again. Thank you once again for your support, and we look forward to seeing you soon.

- Best wishes to you all, from the team at GLR

No More Medical Expense Claims

A reminder the medical expense offset has been abolished for the 2015/16 financial year. **As you are no longer able to claim your medical expenses you do not need to provide them to us to complete your 2016 tax return.**

However, a limited number of expenses are still claimable, including nursing home fees, disability aids and attendant care until 2018/19.

Employers Must Comply with Super Stream from 1 July 2016

From 1 July 2016, all employers are required to comply with the new Super Stream requirements, by reporting super contributions they make for their employees electronically, in an approved format. Many super funds and accounting software providers (eg MYOB & Xero) have solutions which are compliant. The government's Small Business Superannuation Clearing House is also compliant.

SMSF members who have their super contributions paid into their SMSF, must advise their employer of their SMSFs e-commerce details prior to 30 June 2016. (If we complete your SMSFs tax returns please contact us for your funds e-commerce details)

Please note business owners who make contributions to their own SMSF do not need to report these payments via Super Stream.

Are you
SuperStream
ready?



Deductible Super Limits

To avoid exceeding the contribution caps, now is a good time to check your combined employer, salary sacrifice super or personal tax deductible contributions are below the cap of **\$30,000 or \$35,000** (for those 49 or older at 30 June 2015) for the 2015/16 financial year.

NB: If you are in the CSS or PSS, the productivity component is also included, usually around 2%.

Employer SGC Remains at 9.5%

The super guarantee will remain at 9.5% for the 2016/17 financial year.

Small Business Company Tax Rate Cut to 28.5%

Effective from 1 July 2015 (so 2015/16 year) a 1.5% cut in the company tax rate will apply to small business (turnover of less \$2M).

Small businesses not trading through a company will instead be eligible to a 5% tax discount on their business income, capped at \$1,000 per individual per year.

GLR's Payroll Management Services for Contractors

Yes, we do provide this service. Whether you are an existing Contractor or about to start, we can assist.

For further information, please email Payroll@glraccountants.com.au, give us a call or visit our website www.glraccountants.com.au.

2016 Proposed Budget Changes

Recently the Federal Government handed down the 2016 budget. The following is a summary of some of the key changes they have proposed which may be relevant to you if the Liberal Government are re-elected at the July 2016 election.

Small Business Turnover Threshold

The turnover threshold which determines whether a business is a small business for tax purposes and therefore eligible for the various small business concessions is proposed to increase from \$2M to \$10M from 1 July 2016.

This will allow more business to access the following concessions

- Small Business Company Tax Rate of 28.5%;
- Simplified Depreciation (pooling);
- Option to account for GST on a Cash Basis;
- Other small business FBT exemptions.

It is important to note the \$10M threshold will not apply when determining eligibility for the Small Business Capital Gains Tax Concessions. The existing \$2M turnover or \$6M asset tests will remain.

The turnover test for the Small Business Tax Discount for small business not trading through a company (see below) will be \$5M.



Simplified GST Reporting for Small Business

From 1 July 2017 small business will be able to classify transactions, prepare and lodge the BAS more easily. The government are still to provide more details on these arrangements after a trial is completed during the 2016/17 financial year.

Reduction in Company Tax Rate

The company tax rate will progressively reduce to 25% over the next 10 years. For companies with turnover less than \$10M the tax rate reduction will commence from 1 July 2017. For companies with higher turnovers the reduction phases in over the next 7 years.

To summarise, the company tax rates for small businesses, those with a turnover below \$10M, will reduce as follows:

Year Ended	Company Tax Rate
2016	28.5%
2017	27.5%
2025	27%
2026	26%
2027	25%



Small Business Tax Discount

Small businesses not trading through a company will have the current 5% tax discount on their business profit, capped at \$1,000 per individual per year, increased to 16% over the next 10 years. The discount will increase as follows:

Year Ended	Discount
2017 to 2024	8%
2025	10%
2026	13%
2027 & later	16%

The existing cap of \$1,000p.a. will still apply.

Personal Tax Rate Change

The income at which the 37% marginal tax will start to apply will be increased from \$80,000 to \$87,000 from 1 July 2016.

Multinational profit shifting "Google Tax"

From 1 July 2017 a 40% tax will be introduced on the profits that multinational corporations (Google, Apple etc) artificially divert from Australia

2016 Budget Proposed Superannuation Changes

Concessional Contribution Limit

The annual limit will be reduced to \$25,000 for all taxpayers from 1 July 2017. The current limit for 2016/17 year is \$30,000 or \$35,000 for those aged 49 or above at 30 June 2016.

Additional Super Tax for High Income Earners (Div 293 Tax)

The threshold at which the additional 15% tax on concessional (tax deductible) contributions will apply will reduce to \$250,000 (currently \$300,000) from 1 July 2017.

Lifetime Non-Concessional Contribution Cap

A lifetime non-concessional (after tax) contribution cap of \$500,000 will apply. The cap will be applied retrospectively for contributions made since 1 July 2007. Contributions made above the cap prior to 3 May 2016 can remain within super. Excess contributions made after this date will have to be withdrawn from super or they will be subject to additional tax.

Transition to Retirement pensions tax exemption on fund earnings removed

Earnings from assets supporting transition to retirement income streams will be removed from 1 July 2017. The 15% superannuation earnings tax rate will apply to these earnings.

Contributions for those aged over 65

Those aged 65 to 74 are currently required to pass a "work test" to make contributions to super. This test requires the member to work in gainful employment for a minimum of 40 hours within a 30 day period. This requirement will be abolished effective 1 July 2017, effectively allowing all people aged 74 and younger to contribute into super.

Catch-up Concessional Contributions

Individuals with balances less than \$500,000 will be allowed to make additional concessional (tax deductible) contributions where they have not fully utilised the cap in prior years. Unused amounts will start rolling forward on a rolling basis for five years, with the first year commencing 1 July 2017.

Personal Concessional Contributions

From 1 July 2017, all individuals 74 years or younger will be allowed to claim a tax deduction for personal super contributions. Currently only those not earning employment income are able to do so.

\$1.6M Limit on Super Pensions

From 1 July 2017 the total superannuation assets individual can transfer into a pension which is entitled to the tax exemption on earnings will be \$1.6M. Subsequent earnings on these balances will not be restricted. Excess amounts within super will be allowed to remain in the accumulation account, with earnings subject to the 15% tax rate.

Members with existing pensions with balances above \$1.6M will be required to reduce their balance to \$1.6M by 1 July 2017. Excess balances can remain in super and be converted to the accumulation account.

Treatment for defined benefit scheme members will be made through changes to the tax arrangements for pension payments above \$100,000 from 1 July 2017.

The government is still considering how this measure will affect those with super within accumulation and defined benefit (government) super schemes.



Tax Saving Strategies Prior to 1 July 2016

The following outlines common types of deductible expenses claimed by individual taxpayers, such as employees and rental property owners, plus some strategies that can be adopted to increase deductions for the 2015/16 income year.

Equipment Costing \$300 Or Less

Salary and wage earners and rental property owners will be entitled to an immediate deduction if assets costing \$300 or less are purchased by 30 June 2016. (For jointly owned rental properties the limit is \$600). Some purchases you might like to consider include:

- Mobile Phones & Tablets (work use);
- Briefcases or luggage;
- Software and computer accessories
- Furniture, appliances etc.
- Tools of trade

Clothing Expenses

- Purchase or pay for work related uniform expenses (either with a logo, distinctive or protective clothing) prior to the end of the income year;
- Dry cleaning of work related clothing.

Self-Education Expenses

Pay for the following self-education items before the end of the income year:

- Course fees and tutorial fees; (not Commonwealth Supported Fees)
- Student union fees
- Travel Expenses
- Stationery and textbooks;
- Printer Ink and computer consumables;
- iPads or Tablets costing less \$300.

Other Work Related Expenses

Prepay any of the following expenses prior to 30 June 2016

- Union fees;
- Subscriptions to professional associations;
- Magazine and newspaper subscriptions;
- Seminars and conferences;
- Phone or Internet expenses
- Work related travel
- Income protection insurance (excludes death & permanent disability);

Capital Losses

Capital losses can only be offset against capital gains. So if you have realised some capital gains this year, look at realising some capital losses before year end if possible to offset it, particularly if you have shares. However, be careful not to sell off shares you want to keep anyway.

Investment Expenses

Prepay any of the following expenses prior to 30 June 2016:

- Interest on rental property or share loans;
- Travel expenses to inspect rental property
- Pay June quarter rates, land tax, body corporate levies in June.

Donations

Are a tax deductible means to reduce your taxable income and save some tax. You must make the gift to a registered charity which includes school building funds.



DIY Superfund's (SMSF) **Yes we do provide this service**

More and more people are finding that setting up your own Super Fund is a good idea. Usually, this is the case when leaving the Public Service but can be beneficial in other circumstances also.

The Benefits:

1. Control of your own money.
2. No management fees, or at least reduced.
3. More flexible investment strategies.
4. Lower cost structure.

If you are interested in setting up your own fund, please call us to discuss it in more detail.

LODGING TAX RETURNS

Please bring in your information ASAP if you have not lodged your 2015 and prior year tax returns.