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Winter 2018

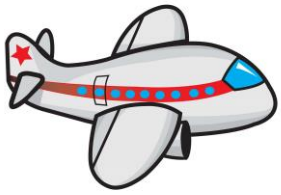
The 2018 Tax Year is almost over and it's nearly time to do your tax returns again. Thank you once again for your support, and we look forward to seeing you soon.

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

2017/18 Tax Return Changes

You can no longer claim travel expenses for your rental property

For 2017/18 tax year, travel expenses related to inspecting, maintaining or collecting rent for a residential rental property will be non-claimable. Travel claims for Commercial properties are still allowable.



Restrictions on Rental Property Depreciation Claims N.B.!!!!

For 2017/18 tax returns, depreciation claims for rental properties for "fixtures & fittings" depreciation deductions will be limited to the first owner of the items. Items affected include carpets, curtains, ovens, heaters etc. Investors who purchase these new items for their rental property after 9 May 2017 will be able to claim a depreciation deduction, however subsequent owners of a property will be unable to claim deductions for items purchased by the previous owner.

Items already being depreciated prior to 9 May 2017 are not affected by the changes.

The 2.5% building write off on construction costs is also not affected

No More Medical Expense Claims

A reminder the medical expense offset has been abolished since 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 2018 tax return.

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

Super Concessional Contribution Limit

The annual limit for concessional (tax deductible) super contributions is $25,000 for all taxpayers for the 2017/18 financial year. This includes contributions made by your employer and a deemed contribution for those in the Government CSS/PSS schemes.

Personal Super Contributions Tax Deductible for All Taxpayers

For 2017/18 tax returns, all individuals 74 years or younger will be allowed to claim a tax deduction for personal super contributions made during the year, up to the $25,000 annual limit.

Previously only those not earning employment income were able to do so.

LODGING OVERDUE TAX RETURNS

Please bring in your information ASAP if you have not lodged your 2017 and prior year tax returns.

Reminder of Superannuation Changes for 2017/2018

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 has been reduced to $250,000 for 2017/18 onwards. (Previously was $300,000).

Transition to Retirement Pensions Tax Exemption on Fund Earnings Removed

The Tax Exemption on earnings from assets supporting transition to retirement income streams was removed from 1 July 2017. The 15% superannuation earnings tax rate will apply to these earnings.

Catch-up Concessional Contributions

Individuals with balances less than $500,000 at the start of the financial year 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 2018.

You CANNOT make non-concessional contributions if you have more than $1.6M in Super

From 1 July 2017 members with Total Superannuation Balances greater than $1.6M will no longer be eligible to make additional Non-Concessional (that is non tax deductible) contributions into super. Total superannuation Balance includes the total of all your superannuation balances with all funds and is assessed on the 1 July each year.
There are special rules for those who are just below the limit and the contribution will take them above the $1.6M limit.
Government superannuation scheme members will also need to include a nominal value of their defined benefit entitlements towards the $1.6M limit.
Please contact us for advice if you are thinking of making a contribution into super.

$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 is $1.6M. Subsequent earnings on these balances will not be restricted. A nominal value for Government defined benefit scheme pensions is also included when calculating the $1.6M limit.

Members with existing pensions with total balances above $1.6M were required to reduce their balance to $1.6M prior to 1 July 2017. Excess amounts within super will be allowed to remain in the accumulation account, with earnings subject to the 15% tax rate.

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.

Small Business Changes for 2017/2018

The Small Business Turnover threshold for 17/18 remains at $10M

Single Touch Payroll (STP)

Single Touch Payroll (STP) aligns your reporting obligations to the ATO with your payroll processes.
You will report to the ATO each time you pay your employees. Your pay cycle does not need to change. You can continue to pay your employees weekly, fortnightly or monthly.
The information you send the ATO will include your employees' salaries and wages, allowances, deductions (for example, workplace giving) and other payments, pay as you go (PAYG) withholding and superannuation information.

Most payroll software like MYOB or Xero have inbuilt STP reporting functionality.

For all businesses with 20 or more active employees on their payroll as of the 1 April 2018 (excluding company directors), **this is compulsory from 1 July 2018.**

For all other businesses this will be compulsory from 1 July 2019.

$20,000 Asset Write-Off Extended

The $20,000 small business asset write-off, due to end 30 June 2017, will be extended until 30 June 2018, and in the last budget was proposed to be extended until 30 June 2019. As mentioned the small business turnover threshold has also been increased to $10M.

2018 Proposed Budget Changes

Recently the Federal Government handed down the 2018 budget. The following is a summary of some of the key changes they have announced. Please note at the time of writing many of these changes have not yet been passed as laws in parliament and are still being negotiated:

Personal Tax Cuts

The government proposes to simplify the personal tax rates while also providing tax relief to middle income earners from 1 July 2018.

The new proposed rates will shade in over 7 years and will look as follows:

Tax Rates and Thresholds			
Rate	**2018-19 to 2021-22**	**2022-23 and 2023-24**	**2024-25 onwards**
0%	0 - 18,200	0 - 18,200	0 - 18,200
19%	18,201 - 37,000	18,201 - **41,000**	18,201 - 41,000
32.5%	37,001 – **90,000**	**$41,001 – 120,000**	$41,001 – **200,000**
37%	**90,001** - $180,000	**120,001** - $180,000	**N/A**
45%	$180,000 +	$180,000 +	**$200,000 +**

NB: 2% Medicare levy is in addition to these rates

The tax rates for the 2017/18 year remain as is.

Cash Payment Limit

There will be a limit of $10,000 for cash payments made to businesses for goods and services, proposed to commence from 1 July 2019.

SMSF member limit increased to 6

The Maximum number of allowable members in a new or existing SMSF will be expanded from 4 to 6 from 1 July 2019.

Super Contribution Work Test Exemption for recent retirees

Individuals aged between 65-74 with super balances below $300,000 will be exempt from the voluntary super contribution work test in the first year they do not meet the test after retiring.

3 Year SMSF Audit Cycle

From 1 July 2019, SMSF with good record keeping and compliance history will have their audit cycle increased from annual to 3 yearly.

The measure will apply to SMSF's that have a history of 3 consecutive years of clear audit reports and that have lodged the fund's returns in a timely manner.

The Government has confirmed that all 3 years will still require to be audited over the 3 yearly cycle, so you will still need to ensure you keep all of your records for your SMSF.

Retirement Income Strategy

The government will introduce a requirement that all SMSF Trustee's formulate a retirement income strategy for fund members. This is in addition to the current requirements to formulate an investment strategy and an insurance strategy.

GLR's Payroll Management Services

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.

Tax Saving Strategies Prior to 1 July 2018

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 2017/18 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 2018. (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.

Businesses

For those in business you can implement the following to delay income into the next tax year or to bring forward some expenses into 17/18 financial year:

- Delay invoicing;
- Pay all your bills before 30 June;
- Pre-pay up to 12 months rent in advance (if your turnover is below $10M)
- Purchase equipment costing less than $20,000 (if your turnover is <$10M)

Other Work Related Expenses

Prepay any of the following expenses prior to 30 June 2018

- 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 2018:

- Interest on rental property or share loans;
- 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.

LODGING TAX RETURNS

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