CARBONI & CO
CHARTERED ACCOUNTANTS

"Making Your Business Count"

1. Tax Planning Tips

As we approach the end of the financial year, it is always a good time to take a look at tax planning strategies to reduce the final year end tax bill.

Common strategies to reduce tax include the following:

Deferring Income	• Most taxpayers will not be assessed on income until received, consider delaying the receipt of income until next financial year.
Increase Expenditure	• Individual taxpayers may claim an immediate deduction for items costing less than $300 provided used predominantly to earn non-business income (eg salary/wages). eg. tools. • If spend more than $300, generally claim only depreciation on work related equipment over useful life of asset. Claim for first tax year apportioned based on number of days owned during year. • **If a small business (ie. annual turnover less than $10 Million), consider spending up to $20,000 (GST Exclusive) which is immediately deductible if purchased before 30 June 2018. In recent budget it was announced to extend availability to 30 June 2019, but not yet law.** • Eligible assets egs - cars, vans, kitchens, machinery, etc. Not eligible items are stock, software for business and Marketing costs.
Prepayments and Accelerated Deductions. (small business)	• For small business taxpayers (ie. turnover <$10 Million), consider claim a deduction for payments in advance where ◦ Less than $1,000; ◦ Under contract for service (eg. salary and wages); ◦ Services received within 13 months • Employee/Directors bonuses are deductible if incurred by the year end 30 June 2018 if evidence of intention to pay – ie passing of resolution/ minute.

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Defer Capital Gains Tax	• Capital Gains are taxed in the year when contracts are exchanged (not settled). • If expecting a large capital gain from the sale of property or shares, consider the following to reduce possible tax: o delaying the exchange of contracts until the next financial year to defer any tax payable; o **selling non-performing shares for a capital loss to offset against any capital gain**. o consider (if you have them) capital losses available from prior years to offset against gains. (excludes losses from collectables); • Ensure Property or shares held for at least 12 months to access the 50% general discount for individuals (if eligible for discount.
Superannuation Deductions	• For employers, to ensure superannuation for the quarter ended 30 June 2018 is tax deductible, **must be paid before 30 June 2018.** • For employees (in particular those nearing retirement), consider salary sacrificing additional superannuation contributions which are taxed in a complying superfund at 15%. o Recent changes now mean that a persons who receives Employer Superannuation Support (ie. 9.5% gross wages for most), can now claim a tax deduction for personal superannuation contributions made, up to cap limits (see below). Note that employer contributions count towards this limit and • The previous rule requiring persons to receive no more than 10% assessable income from an employer during the year to be eligible to claim super deduction has been removed. Individuals who are aged between 65 and 75 will need to meet the work test to be eligible to claim the deduction. The work test requires persons to work at least 40 hrs in 30 consecutive days during financial year. • **If able to claim a tax deductible contribution for super, (these are known as concessional contributions) consider making to reduce taxable income. For the 2017/2018 the total allowable limit is $25,000 per person. Age no longer relevant assuming eligible to claim (see above). Both employer and personal contributions count towards this limit.** **If exceed the concessional cap limit, additional tax may be payable.**

	• Please note that in considering to make a concessional contribution for year end 30 June 2018, **if you earn more than $250K, additional tax is payable on concessional contributions**
Non Concessional Super Contributions and Bring Forward Rule	• Non concessional contributions are those to which no tax deduction is claimed for these when made to fund. • Limits for non-concessional contributions for year end 30 June 2018 is $100,000 per person for the 2018 year. Excess contributions may attract more tax. • Under Bring Forward rules, if you are aged under 65 years of age, you can bring forward total of 3 years contributions in one year, and that translates into non-concessional super contributions of $300,000 for the 2017/2018 year), before you would exceed the non-concessional cap. • Caution required under bring forward rules required to ensure do not exceed cap limits due to prior contributions. • Consider effect of contributions towards new maximum limit of $1.6Million allowed in pension balance to take effect 01 July 2017.
Super Co-Contributions	• For taxpayers with **assessable income** <$36,813 per year, the Government will contribute 50c for each $1 of after tax contributions by taxpayers, up to a $500 maximum co-contribution. Super co-contributions extend to the self employed. • Co-contributions reduces if income > $36,813 and phases out at $51,813.
Spouse Super Rebate	• A taxpayer can receive a tax rebate of up to $540 for super contributions made for a spouse who has income <$40,000 and is under 65 yrs or if spouse 65-69 yr old, must have worked 40 hours in 30 consecutive days (work test). • Rebate is 18% of contribution amount up with max contribution $3,000.
Bad Debts	• Write off bad debts before 30 June 2018 to obtain a tax deduction. • To be validly claimed the debt must have previously been included as assessable income and written off in the debtors ledger.

Transition to Retirement Pension	• Once preservation age is reached transition to retirement income streams are a measure that allow individuals who have reached preservation age to access their superannuation benefits and continue working. • The total payments made in a financial year must be no more than 10 per cent of the account balance as at 1 July of each year. • From preservation age – age 59 the taxable component included in assessable income and taxed at marginal tax rates with 15 per cent tax offset. • From age 60 pensions are Tax-free. • **Effective 1 July 2017, the tax exemption on earnings within TTR pension account will be removed for recipients who have not yet retired.**
Trust Distribution Resolutions	○ Due to recent court cases, the ATO now requires trust distributions for the 2018 year to be made by 30 June 2018. Should the ATO determine that inadequate steps were taken by the required date, they may tax the income of the trust for 2018 at 47%.

2. **What's new for 2018/2019 tax year.**

The individual resident tax rates commencing 1 July 2018 are as follows:

Taxable income	Tax on this income
0 – $18,200	Nil
$18,201 – $37,000	19c for each $1 over $18,200
$37,001 – $90,000	$3,572 plus 32.5c for each $1 over $37,000
$90,001 - $180,000	$20,797 plus 37c for each $1 over $90,000
Over $180,000	$54,097 plus 45c for each $1 over $180,000

**** Please note the above rates do not include Medicare Levy of 2% on taxable income and any Medicare Levy Surcharge (1.0-1.5%) which may be applicable.**

Superannuation Guarantee rate will remain at 9.5%.

Small business company income tax rate remain at 27.5% for 2018 year. Small business threshold has increased.

▪ **For the 2017/2018 year, the threshold as to what is small businesss is raised to $25 Million.** Note that turnover of connected entities is included in the calculation of company turnover.

• For the 2018/2019 year the threshold as to what is small business will be raised to

$50 Million. All other companies will continue to be subject to the current 30% tax rate on all their taxable income.

- For Small business companies, with aggregated turnover less than $25 Million and greater than $10 million, the income tax rate is now reduced to 27.5% for year end 30 June 2018.

- Companies with an aggregated annual turnover of $25 million or above will continue to be subject to the current 30% tax rate on all their taxable income.

Buyers of new residential premises and subdivisions of potential residential land to remit GST directly to the ATO as part of settlement from 1 July 2018

The government has introduced a new measure that require buyers of new residential premises and subdivisions of potential residential land to make a payment of part of the purchase price to the ATO. This measure has been introduced in response to developers who sell properties at a price that reflects their GST obligations but dissolving their businesses before BAS lodgement to avoid passing the GST to the ATO

GST on low value goods from 1 July 2018

From 1 July 2018, GST will apply to sales of all goods to Australia. The previous $1,000 low-value threshold will no longer apply and those businesses that meet the $75,000 registration threshold will need to register, charge and remit GST to the ATO. This applies regardless of where the business is based.

First Home Super Saver Scheme

The FHSS Scheme allows you to save money for a first home inside your superannuation fund. The scheme provides concessional tax treatment within super.

From 1 July 2017 you can following voluntary contributions into your super fund to save for your first home:

- Concessional contributions – including salary sacrifice amounts or contributions for which a tax deduction has been claimed. These are taxed at 15%.
- Non-concessional contributions – these are made after tax or where a tax deduction has not been claimed.
- You can apply for the release of voluntary contributions up to a maximum of $15,000 from any one financial year and $30,000 in total across all years. You can contribute up to your existing superannuation contribution caps.

To qualify you must:

- have not previously owned property in Australia (subject to exceptions)
- have not previously released FHSS funds
- either live or intend to live in the premises you are buying as soon as practicable
- intend to live in the property for at least six months of the first 12 months you own it, after it is practical to move in.

From 1 July 2018 you can then apply to release your contributions, along with associated earnings, to help you purchase your first home. You can start making super contributions from any age. You must be 18 years or over to apply for the release of these amounts.

Once your savings have been released, you have up to 12 months to sign a contract to purchase or construct a home. If you do not sign a contract to purchase or construct a home within 12 months of receiving your FHSS amount, you can either:

- apply for an extension of time of up to a maximum of a further 12 months
- recontribute the amount into your super fund.
- keep the released amount and be subject to a FHSS tax. This is a flat tax equal to 20% of your assessable FHSS released amounts.

Rental Property deduction restrictions Bill receives royal assent
The bill denies depreciation deductions for previously used assets from 1 July 2017.

The changes apply from 1 July 2017 to:
- previously used plant and equipment acquired at or after 7.30 pm on 9 May 2017 unless it was acquired under a contract entered into before this time
- plant and equipment acquired before 1 July 2017 but not used to earn income in either the current or previous year.
- Investors who purchase new plant and equipment will continue to be able to claim a deduction over the effective life of the asset.

Travel expenses for residential rental property disallowed
From 1 July 2017, travel expenses relating to inspecting, maintaining, or collecting rent for a residential rental property cannot be claimed as deductions by investors. The travel expenditure is also not recognised in the cost base of the property for CGT purposes.
You can continue to deduct travel expenditure if:

- the losses or outgoings are necessarily incurred in carrying on a business for the purposes of gaining or producing assessable income; or
- you are an excluded class of entity.

Contributing proceeds of downsizing into superannuation
From 1 July 2018, the Australian Government will introduce the Contributing the proceeds of downsizing into superannuation measure. This measure applies to the sale of your main residence, where the exchange of contracts for the sale occurs on or after 1 July 2018.

If you are 65 years old or over and meet the eligibility requirements, you may be able to choose to make a downsizer contribution into your superannuation of up to $300,000 from the proceeds of selling your home. Your downsizer contribution will not count towards your contributions caps or be affected by the total superannuation balance test in the year you make it. However, it will count towards your total super balance and transfer balance cap, currently set at $1.6 million. This cap applies when you move your super savings into retirement phase. You can only make downsizing contributions for the sale of one home. Conditions apply.

**** Note that information above is general in nature. Seek further advice before making decisions.**