

**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:

<b>Deferring Income</b>	<ul style="list-style-type: none"><li>• Most taxpayers will not be assessed on income until received, consider delaying the receipt of income until next financial year.</li></ul>
<b>Small business companies income tax rate to reduce to 28.5% from 1 July 2015</b>	<ul style="list-style-type: none"><li>• For small business companies (ie. turnover &lt;\$2Million), the income tax rate will reduce from 30% to 28.5 % from July 2015.</li><li>• If budget passed in parliament tax rate decreases to 27.5% from 1 July 2016, consider deferring large receipts to next financial year to get lower tax rate.</li><li>• Companies with an aggregated annual turnover of \$2 million or above will continue to be subject to the current 30 per cent tax rate on all their taxable income.</li><li>• The current maximum franking credit rate for a distribution will remain unchanged at 30 per cent for all companies, maintaining the existing arrangements for investors</li></ul>
<b>Sole Trader - 5% discount (up to \$1000 value)</b>	<ul style="list-style-type: none"><li>• Individual taxpayers with business income from an unincorporated business with an annual turnover (including connected entities) of less than \$2 million will be eligible for a small business tax discount of 5%.</li><li>• The discount will be five percent of the income tax payable on the business income received from an unincorporated small business entity.</li></ul>

Suite 43 / 49-51 Mitchell Road Brookvale NSW 2100

Phone: (02) 99072985 Fax: (02)8964-7877

Liability Limited by a Scheme, approved under the Professional Standards legislation



	<ul style="list-style-type: none"> <li>The discount will be capped at \$1,000 per individual for each income year, and delivered as a tax offset.</li> </ul>
<b>Increase Expenditure</b>	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li><b>If a small business (ie. annual turnover less than \$2 Million, consider spending up to \$20,000 which is immediately deductible. (From 12/05/15 – 30/06/17)</b></li> <li>Eligible assets eg - cars, vans, kitchens, machinery, etc. Not eligible items are stock, software for business and Marketing costs.</li> <li>This will apply for assets acquired and installed ready for use between 7:30pm (AEST) <b>12 May 15 and 30 June 17.</b></li> </ul>
<b>Defer Capital Gains Tax</b>	<ul style="list-style-type: none"> <li>Capital Gains are taxed in the year when contracts are exchanged (not settled).</li> <li>If expecting a large capital gain from the sale of property or shares, consider the following: <ul style="list-style-type: none"> <li>delaying the exchange of contracts until the next financial year to defer any tax payable;</li> <li>selling non-performing shares for a capital loss to offset against any capital gain.</li> <li>consider (if you have them) capital losses available from prior years to offset against gains. (excludes losses from collectables);</li> </ul> </li> <li>Ensure Property or shares held for at least 12 months to access the 50% general discount for individuals (if eligible for discount);</li> <li>Consider the availability of roll-over relief under tax laws.</li> </ul>
<b>Superannuation Contributions</b>	<ul style="list-style-type: none"> <li>For employers, to ensure superannuation for the quarter ended 30 June 2016 is tax deductible, <b>must be paid before</b></li> </ul>

Suite 43/49-51 Mitchell Road Brookvale NSW 2100

Phone: (02) 99072985 Fax: (02) 8964-7877

Liability Limited by a Scheme, approved under the Professional Standards legislation



	<p><b>30 June 2016.</b></p> <ul style="list-style-type: none"> <li>• For employees (in particular those nearing retirement), consider salary sacrificing additional superannuation contributions which are taxed in a complying superfund at 15%. Subject to cap limits depending on age.</li> </ul> <p>As a general rule, where a person receives Employer Superannuation Support (ie. 9.5% gross wages for most), you cannot claim a tax deduction for personal superannuation contributions made.</p> <p>However, an individual can claim a tax deduction for personal contributions where you receive only up to a maximum of 10% of your assessable income from an employer during the year you wish to claim a tax deduction subject to limits. If a person is &gt; 65 years need satisfy work test. (Other conditions may have to be met).</p> <ul style="list-style-type: none"> <li>• <b>If able to claim a tax deductible contribution for super, (these are known as concessional contributions) consider making to reduce taxable income. For the 2015/2016 the total allowable limits are</b> <ul style="list-style-type: none"> <li>○ <b>If aged under 50 - \$30,000</b></li> <li>○ <b>If aged 50 and over - \$35,000</b></li> </ul> </li> <li>• Note should you exceed the limits, additional tax is payable.</li> <li>• The maximum non-concessional limits for 2015/16 (not tax deductible) is \$180,000.</li> <li>• <b>Caution: Note if you earn more than \$300K, additional tax is payable on concessional contributions at 15%.</b></li> <li>• <b>The budget (if passed in parliament) introduced \$500k lifetime cap for non-concessional contributions from 3 May 16. Non-concessional contributions need to be reviewed ensure to within cap.</b></li> </ul>
<p><b>Super Co-Contributions</b></p>	<ul style="list-style-type: none"> <li>• For taxpayers with <b>assessable income</b> &lt;\$35,454 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.</li> </ul>

Suite 43/49-51 Mitchell Road Brookvale NSW 2100

Phone: (02) 99072985 Fax: (02) 8964-7877

Liability Limited by a Scheme, approved under the Professional Standards legislation



**CARBONI & CO**  
CHARTERED ACCOUNTANTS

	<ul style="list-style-type: none"> <li>• Co-contributions reduces if income &gt; \$35,454 and phases out at \$50,454.</li> </ul>
<b>Bad Debts</b>	<ul style="list-style-type: none"> <li>• Write off bad debts before 30 June 2016 to obtain a tax deduction.</li> <li>• To be validly claimed the debt must have previously been included as assessable income and written off in the debtors ledger.</li> </ul>
<b>Accelerated Deductions and Prepayments (Small business taxpayers ONLY)</b>	<ul style="list-style-type: none"> <li>• For small business taxpayers (ie. turnover &lt;\$2 Million), you can claim a deduction for payments in advance where             <ul style="list-style-type: none"> <li>• Less than \$1,000;</li> <li>• Under contract for service (eg. salary and wages);</li> <li>• Services received within 13 months.</li> </ul> </li> <li>• Employee/Directors bonuses are deductible if incurred by the year end 30 June 2016 if evidence of intention to pay – ie passing of resolution/ minute.</li> <li>• Small businesses to immediately write-off any new business asset worth less than \$20,000 from 12 May 2015 to 30 June 2017. See detail page 1.</li> </ul>
<b>Spouse Super Contribution Rebate</b>	<ul style="list-style-type: none"> <li>• A taxpayer can receive a tax rebate of up to \$540 for super contributions made for a spouse who has income &lt;\$13,800 and is under 65 yrs or if spouse 65-69 yr old, must have worked 40 hours in 30 days (work test).</li> <li>• Rebate is 18% of contribution amount up with max contribution \$3,000.</li> </ul>
<b>Transition to retirement pension</b>  <b>From age 60 pensions are tax-free (subject to certain conditions)</b>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• From preservation age – age 59 the taxable component included in assessable income and taxed at marginal tax rates with 15 per cent tax offset.</li> <li>• From age 60 pensions are Tax-free.</li> </ul>
<b>Negative gearing</b>	<ul style="list-style-type: none"> <li>• is where an <a href="#">investor</a> borrows money to buy an <a href="#">asset</a></li> </ul>

Suite 43/49-51 Mitchell Road Brookvale NSW 2100

Phone: (02) 99072985 Fax: (02) 8964-7877

Liability Limited by a Scheme, approved under the Professional Standards legislation



	<p>say a rental property, but the income generated by that asset (rental income) does not cover the <u>interest</u> on the loan. The investor must fund the shortfall until the asset is sold, at which point a <u>profit</u> is made if the <u>capital gain</u> on the asset exceeds the accumulated loss. Losses from negative-gear property investments are currently tax-deductible</p> <ul style="list-style-type: none"> <li>• Tom, a property investor, buys a unit for \$300,000, putting in \$50,000 of his own money and borrowing the remaining \$250,000. The interest of 7% each year is \$17,500 and the weekly rent is \$300 or \$15,600 a year. There is a loss of (\$17,500 minus \$15,600 = \$1,900). For an investor with a marginal tax rate of 47% (incl. medicare levy), there is a tax saving of \$893 for tax on other assessable income. There may be tax advantages but there is still a loss incurred &amp; risk of borrowing.</li> </ul>
--	--

**2. What's New for 2016/2017**

The individual resident tax rates commencing 1 July 2016 (at time of writing) 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 – \$80,000	\$3,572 plus 32.5c for each \$1 over \$37,000
\$80,001 - \$180,000	\$17,547 plus 37c for each \$1 over \$80,001
Over \$180,000	\$54,547 plus 47c for each \$1 over \$180,000

**\*\* Please note the above rates do not include Medicare Levy of 2% on taxable income and also Medicare Levy Surcharge (1.0-1.5%). Superannuation Guarantee rate will remain at 9.5% (\$80k threshold increase to \$87k if budget measures passed in parliament).**

**SuperStream mandatory for Small Employers from 30 June 2016 onwards**

Small employers (19 or fewer employees) must meet the SuperStream standard by 30 June 2016. Larger employers should have been using SuperStream since 31 October 2015.



Superstream is a number of Government measures to ensure the more efficient processing of superannuation contributions. It requires employers to send contributions electronically in a standard format with linked data and payments.

Implementing SuperStream means you will need to:

- send all mandatory data in the specified format;
- make payments electronically;
- link data and money with a payment reference number;
- respond to fund requests for member information within 10 business days.

Many employers rely on a service provider, such as a payroll provider or Government Superannuation Clearing house, to assist them with making contributions. Your default fund may also have an online solution you can use.

#### **Trust Distributions (2016) - Resolutions to be passed by 30 June 2016.**

Due to recent court cases, the ATO now requires trust distributions for the 2016 year to be made by 30 June 2016. Should the ATO determine that inadequate steps were taken by the required date, they may tax the income of the trust for 2016 at 47%.

#### **Reporting Payments to ATO for contractors in Building/Construction Industry**

From 1 July 2012, businesses in the building and construction industry need to report to the ATO the total payments made each year to each contractor for building and construction services. They need to report those payments to the ATO on their Annual Taxable payments annual report.

#### **FBT Exemption re Portable Electronic Devices for small business.**

From 1 April 2016, no Fringe Benefits Tax will apply to electronic devices that you provide to your employees for work-related use, such as mobiles, laptops and tablets. This change applies to all businesses with a turnover of less than \$2 million per year

#### **Foreign resident CGT withholding regime from 1 July 2016**

Broadly, where a foreign resident disposes of certain taxable Australian property with market value > \$2 million, the purchaser will be required to withhold 10% of the purchase price and pay that amount to the Australian Taxation Office (ATO).

Suite 43/49-51 Mitchell Road Brookvale NSW 2100

Phone: (02) 99072985 Fax: (02) 8964-7877

Liability Limited by a Scheme, approved under the Professional Standards legislation



The purchaser must withhold 10% of the purchase price unless the vendor shows the purchaser a clearance certificate from the ATO. This certificate can be provided to the purchaser on or before the settlement of the transaction. Where a clearance certificate is provided, the purchaser is not required to withhold an amount from the purchase price.

If the vendor fails to provide the certificate by settlement, the purchaser would be required to withhold 10% of the purchase price and pay this to the ATO.

This means Australian resident vendors of real property with a market value of \$2 million or above will need to apply for a clearance certificate and provide this to the purchaser before settlement to ensure no funds are withheld from the sale proceeds.

Three online forms will be made available at [ato.gov.au/FRCGW](http://ato.gov.au/FRCGW) before 30 June 2016. These are:

1. Clearance certificate application for Australian residents (valid for 12 months)
2. Rate Variation application for foreign residents and other parties
3. Purchaser payment notification

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

