



## Welcome to another Income Tax Year

30th June, 2016

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Please read this newsletter before coming in to prepare your Taxation Return, it provides valuable information on changes to this years return that may affect you.

Many areas of taxation have been changed with the introduction of new taxation laws, rulings and guidelines. Most clients will be effected by the new measures and we take this opportunity to give you a brief outline of the changes. We look forward to assisting you again this year to ensure that you receive the maximum benefits available under our complex taxation system.

### Company Tax Rate Reduction

As of **1 July 2015** the small business company tax rate has been cut to **28.5%**. Commencing from **1 July 2016**, a further cut will be

initiated taking the rate down to **27.5%**. This tax rate will be available to small companies with an annual aggregated turnover of less than \$10 million.

This turnover threshold will be progressively increased to ultimately have all companies eligible for the 27.5% tax rate by 2023/24.

### Continued phasing out of Medical Expense Offset

The net medical expenses tax offset is being phased out. From the 2015/16 income year until 2018/19, claims for this offset are **restricted** to net eligible expenses for **disability aids, attendant care or aged care**.

Net expenses are your total eligible medical expenses minus refunds from Medicare, National Disability Insurance Scheme (NDIS) and private health insurers which you or someone else, received or are entitled to receive.

This offset is income tested. If you are eligible for the offset, the percentage of net medical expenses you can claim is determined by your adjusted taxable income (ATI) and family status.

### Small Business Income Tax Offset

The small business income tax offset can reduce the tax you pay by up to \$1,000 annually, and is available for the **2015/16 income year**.

The **current tax discount** for individuals in receipt of income from an unincorporated small business entity is **5%**.

From **1 July 2016**, the government will increase the current tax discount from 5% to 8%. This will remain constant for eight years.

### Personal Income Tax Relief

From **1 July 2016**, the government will increase the **32.5%** personal income tax threshold from \$80,000 to \$87,000. This means the marginal rate of tax on incomes between \$80,000 and \$87,000 will be reduced from 37% to 32.5%.



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for more information on our practice and various business and associated topics.

## Medicare Levy Low Income Thresholds

The Medicare Levy low income thresholds have been increased for the 2015/16 income tax year.



Medicare Levy Income Thresholds for Individuals		
	Full exemption	Partial exemption
<b>Singles</b>	\$21,335 or less (previously \$20,896)	\$26,668 or less (previously \$26,121)
<b>Seniors &amp; Pensioners</b>	\$33,738 or less (previously \$33,044)	\$42,172 or less (previously \$41,306)

Medicare Levy Income Thresholds for Families		
	Full exemption	Partial exemption
<b>Families (no children)</b>	\$36,001 or less (previously \$35,261)	\$45,002 or less (previously \$44,077)
<b>Seniors &amp; Pensioners</b>	\$33,738 or less (previously \$33,044)	\$58,707

For families, threshold is increased by the amount of \$3,306 per dependant child.

## Small Business Entity Turnover Threshold

From 1 July 2016, the small business entity turnover threshold will be increased from **\$2 million to \$10 million**. This will allow more business entities to

gain access to some of the **small business concessions**. Companies will be allowed the lowered small business tax rate of **27.5%** which will come into effect on 1 July

2016, as well as the ability to immediately deduct an asset purchased for less than **\$20,000 until 20 June 2017**.



## Accelerated Depreciation For Primary Producers

Previously, the effective life of fencing was up to 30 years, water facilities was three years and fodder storage assets was up to 50 years.

As of 12th May 2015, the government has allowed all primary producers to: **immediately deduct** capital expenditure on fencing and

water facilities such as dams, tanks, bores, irrigation channels, pumps, water towers and windmills; and **depreciate** all capital expenditure on fodder storage over three years.



Do you travel directly from one job to another job on the same day? If so you may be able to claim the travel between the two. Ask us about this.

## Car Expenses methods for 2015/2016

As of 1 July 2015 there are only **two methods** to calculate your claim for work or business related car expenses. The **cents per kilometre method** can be used for a claim of up to 5000km, and this now has a

single rate of 66 cents regardless of the engine size. The **log book method** requires that you keep a log book for a continuous period of at least 12 weeks, including start and end odometer readings; as well

as receipts for any expenses incurred in running and maintaining your vehicle. If you are using the log book method, you need to complete a new log book every five years, or if your business travel has changed.



# Superannuation Reform Changes

Effective from Budget night, 3 May 2016, the government introduced a **\$500,000 lifetime non-concessional contributions cap**. This will take into account all non-concessional contributions made on or

after 1 July 2007, and will be indexed in \$50,000 increments in line with average weekly ordinary times earnings. The lifetime non-concessional contributions cap will replace the existing

non-concessional contributions cap, which allowed non-concessional contributions of up to \$180,000 per year (or \$540,000 every three years for individuals under age 65).



When you sell your home you are generally exempt from CGT because of the main residence exemption, but be careful if you have rented it out at any time, it may be partially subject to CGT.

## Superannuation changes from 1 July 2017

- The government will remove the tax exemption on earnings of assets supporting Transition to Retirement Income Streams. Earnings from these assets will be taxed at **15%**.
- The annual cap on concessional superannuation contributions will be lowered to \$25,000 for all individuals.
- The law will be changed to allow **all** individuals **under the age of 75** to claim an **income tax deduction** for personal superannuation contributions. Individuals who are partially self-employed and partially wage and salary earners will benefit most from the proposed changes.
- Changes will be made to Division 293, which is the additional tax of 15% imposed on individuals who's total income plus concessional contributions exceed \$300,000. This threshold will be lowered to \$250,000 and as the current law requires, the 15% tax will be imposed on the whole amount of the contributions up to the concessional cap.
- The government will introduce a Low Income Superannuation Tax Offset to reduce tax on superannuation contributions for low income earners. This will apply to members with an adjusted taxable income of up to \$37,000, and will be a non-refundable tax offset to superannuation funds, up to a cap of \$500.



If you are starting your own small business, from 1 July 2015 some start up costs may be immediately deductible. Fees for advice/services and regulatory costs.

## Work Related Expense Claims

### Home Office

A diary **must** be kept for a minimum of one month in each year to enable the calculation of home office usage. The use of home office must be a requirement by your employer to work at or from home and the employer may be required to confirm this with the ATO. Usually the home office claim will be based on a rate per hour basis.

each year to demonstrate the business usage of mobile/home phone and internet if your claim total exceeds \$50.

### Substantiation of Expenses

The rules require you to maintain records of your expenses claimed for a period of five years from the date of lodgment of your taxation return. **If you are not able to provide receipts etc when requested the Tax Office may disallow those claims and impose penalties.**

The evidence must have:

- The name of the supplier
- The amount of the expense
- The exact nature of the expenses
- The day the expense was incurred
- The day the receipt was made out

### Exceptions to the rule

- Work expenses that total \$300 or less
- Deductible laundry expenses up to \$150 (included in the above amount)
- Overtime meal allowances covered by an award (if reasonable and fully expended)
- Expenses covered by a travel allowance (ie for accommodation, meals etc.)
- Small expenses under \$10 each to a total of \$200 may be claimed providing the expenses are recorded in an expense diary.
- Expenses too hard to substantiate - if the tax office consider that it would have been unreasonable to obtain written evidence.



**ATO Audits** are happening. Please make sure you have all necessary documents to verify your claims, otherwise they may be denied and penalties and interest may apply.

### Home Computers

Where you have a computer that is not solely used for business you **must** maintain a diary for at least one month in each income year as evidence for the business usage.

### Telephone & Internet

You **must** keep a diary for a minimum of one month in



**Late lodgment of Income Tax Returns may incur penalties.**

# Tax Avoidance Taskforce & Compliance Targets

The government will be providing funding to establish a new Tax Avoidance Taskforce to enable the ATO to undertake enhanced compliance activities. It always pays to be aware of these focuses, as non-compliance is more often than not the result of an honest mistake as opposed to wilful deception. Unfortunately, an honest mistake can still cost you dearly in penalties and/or interest on late payments to the ATO.  
In the 2015/16 financial year, the ATO will be focusing on:

**Work-related expense claims**—specifically unusually high claims, claims for travel expenses involving travel between home and work and claims for expenses that have already been reimbursed by the employer.

**Rental properties**—increasing focus on rental property deductions, particularly on claiming repairs on newly acquired properties, and interest claims.

**The Dependant (Invalid & Carer) Offset**—the ATO have advised they are still receiving incorrect claims because conditions associated with claiming the offset have been overlooked. Eg. Income test not being correctly applied.

**Medicare levy and Medicare levy surcharge**—ensuring that individuals claiming the Medicare levy exemption are doing so correctly.

**Capital Gains Tax & the main residence exemption**—the ATO is concerned whether this exemption is being correctly applied on the sale of a dwelling. Take particular care when selling a property that has been rented for a period during your ownership as it may be subject to CGT.

**Please note**—make sure you bring all income information when you come in for your appointment, as we may not have all info available to us.

## Tax Tips

- **Keep all your receipts** whether they are for business, work related or self education expenses. Bring them in when you do your tax and we can assess whether they can be used or not.
- **Maximise your motor vehicle claims** by keeping accurate records of work related or business travel. Remember, you need to complete a new log book **every five years** or if your business travel has changed. You also need to keep a **record of the odometer** at the beginning and end of each financial year.
- **CGT Assets:** If you are selling an asset such as real-estate or shares make sure you own the asset for at least twelve months from the **contract of sale date**, in order to be eligible for the fifty percent discount.



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## Personal Taxation Rates

### Personal Taxation Rates 2015/16

Taxable Income	Tax Payable
0 - 18,200	Nil
18,201 - 37,000	Nil + 19% of excess over 18,200
37,001 - 80,000	3,572 + 32.5% of excess over 37,000
80,001 - 180,000	17,547 + 37% of excess over 80,000
180,001 +	54,547 + 47% of excess over 180,000

## INTERVIEW TIMES

Monday to Friday: 10:00am to 4:30pm

Saturdays 9:00am to 11:30am (July & August)

## Taxation and Business Advisors

Shane Beale FCPA FNTAA - Roslyn Brown CPA BBus

Kimberley Hocking BAcc

## Payment of Accounts

Payment on date of preparation,  
or prior to income tax return lodgement

## DISCLAIMER

Taxation Laws are constantly changing and this newsletter takes the form of generalised comments only. Clients are requested to seek specific advice from our staff before acting on any of the above comments.

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