maxiTAX THE TAX PLACE

2016/2017 Tax Newsletter

Welcome to another Income Tax Year

30th June, 2017

Inside this issue:

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

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 affected 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.

Car Expense Methods

Since 1 July 2015 there are now 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.

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.

Home Computers

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

Evidence 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.

The evidence must have:

- Name of supplier
- Amount of expense
- Nature of expense
- Date expense incurred
- Date receipt made out

If you are not able to provide receipts etc when requested the Tax Office may disallow those claims and impose penalties.

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)
- 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.

Examples of the diary details are available to be emailed to you if requested.

Limiting Plant and Equipment Depreciation for Rentals

There will be no change to depreciation for existing residential rental properties purchased before 7.30pm 9 May 2017, however second hand properties purchased since then will no longer be able to claim depreciation on existing plant and equipment in their rental property purchase. You will still be able to claim depreciation on additional plant and equipment purchases. Newly built rental properties will still be able to make a full claim on their plant and equipment portion of their purchase. Building allowance will remain the same for all properties.

Travel to rental properties

As from **1 July 2017**, there will be **no** allowable travelling claims related to inspecting, maintaining or collecting rent for a residential rental property.

Zone Offset
If you do not usually **reside within a zone**, you are no longer eligible for the zone tax offset. This is most likely to affect certain types of workers such as fly-in-fly-out.

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%.

Changes to HELP Debt Repayment

The Government will revise the income thresholds for repayment of HELP debt repayment rates and the indexation of repayment thresholds from **1 July 2018**. A new minimum threshold of **$42,000** will be established with a **1% repayment rate** and a maximum threshold of $119,882 with a 10% repayment rate.

Medicare Levy Low Income Thresholds

The Medicare Levy low income thresholds have been increased for the 2016/17 income tax year.

Medicare Levy Income Thresholds for Individuals		
	Full exemption	**Partial exemption**
Singles	$21,655 or less (currently $21,335)	$26,668 or less (no change)
Seniors & Pensioners	$34,244 or less (currently $33,738)	$42,172 or less (no change)

Medicare Levy Income Thresholds for Families		
	Full exemption	**Partial exemption**
Families (no children)	$36,541 or less (currently $35,261)	$45,001 or less (no change)
Seniors & Pensioners	$47,670 or less (currently $33,738)	$58,707

For families, threshold is increased by the amount of **$3,356** per dependant child.

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.

Medicare Levy Increase

From **1 July 2019**, the Government will increase the Medicare Levy from 2% to **2.5%** of taxable income. This is to ensure that the National Disability Insurance Scheme is fully funded.

Company Tax Rate Reduction

From 1 July 2015**,** the small business company tax rate was 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 (increased from $2 million). This turnover threshold will be progressively increased to ultimately have all companies eligible for the 27.5% tax rate by 2023/24.

Small Business Income Tax Offset

Unincorporated small businesses from 1 July 2015, may be eligible to receive a 5% tax discount as a non-refundable tax offset, capped at $1,000. From **1 July 2016**, the aggregate turnover threshold has been increased from $2 million up to **$5 million**. Additionally, from **1 July 2017**, the tax discount will be increased up to **8%**. However, the **annual cap of $1,000 still applies.**

Changes To Small Business Thresholds

From 1 July 2016, the small business entity turnover threshold was 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 access to the depreciation pooling and immediate write off advantages.

Small Business Immediate Write Off

On **9 May 2017**, the Government announced an extension to the 2015/16 Budget measure providing an **instant asset write-off** provision for small business. Small businesses can immediately deduct the business portion of most assets if they cost **less than $20,000** (excl. GST). This deduction can be used for each asset that costs less than $20,000, whether new or secondhand. You can claim the deduction through your tax return in the year the asset was first used or installed and ready for use.

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. Until 1 July 2017, the cap is $35,000 for people 49 years and older as at 30 June 2016, and $30,000 for those aged over 49 years.
- The 10% work test will be **removed** 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.
- Division 293 has been extended, which is the additional tax of 15% imposed on individuals who's total income plus concessionally taxed contributions **exceed $250,000** (previously $300,000).
- 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**.
- The annual non-concessional contributions cap is being reduced from **$180,000 to $100,000** and the 3-year bring forward rule (generally available to individuals under the age of 65), which was capped at $540,000 is being **reduced to $300,000**.
- The spouse income threshold will increase for the tax offset for spouse contributions, from $10,800 to **$37,000**. The tax offset amount will gradually reduce for income above $37,000 and completely phases out when your spouse's income reaches $40,000.

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.

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.

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

Late lodgment of Income Tax Returns may incur penalties.

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.

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**.

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 Income Tax Rates 2016/17

Taxable income	Tax payable
0 – 18,200	Nil
18,201 – 37,000	19% of excess over 18,200
37,001 – 87,000	3,572 + 32.5% of excess over 37,000
87,001 – 180,000	19,822 + 37% of excess over 87,000
180,001 +	54,232 + 45% of excess over 180,000

INTERVIEW TIMES

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

Saturdays 9:00am to 11:30am (8th July - 19th 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

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