RJC EVANS & Co

News

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In this Issue

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What's Your Recipe For Success?

During a few days off recently, I found myself in a bookshop. I couldn't resist looking at all the new books. I was hungry for information and I knew this would be the place to satisfy my appetite.

Scott Pape's book, "The Barefoot Investor" was there. It seemed to be packed with inspirational, logical and common sense financial advice. A good purchase to enhance someone's knowledge of investments.

"Epic Bike Rides of the World" looked inviting – perhaps for another day.

The book entitled, "I Need a New Bum", certainly caught my eye, but nothing further!

Despite the electronic information era, there were books available on a myriad of issues and ideas. The bookshelves were groaning under the weight of self-help literature on all manner of topics!

The extensive range of cookbooks made me reflect on our era's unprecedented interest in all aspects of food, preparation and presentation. Today, food is becoming more about its sensory properties and how it makes us feel.

Cooking is not my strong point! From my limited experience, it seems that the main difference between a good cook and a great one, is the ability to appreciate ingredients in their rarest forms. Some cooks follow recipes while others work with food just as jazz musicians work with melodies. It goes to show that with knowledge we can create, but by taking risks we can achieve.

The bread making books show how bakers learn to appreciate the importance of yeast and bicarbonate of soda. You really do not need very much of either ingredient. As long as you have got some in your recipe, your dough will rise, and once in the oven, a magical transformation will occur. Without them, the other ingredients will not amount to much and the results you desire, will not be achieved.

Culinary science and financial literacy share the need to understand the key ingredients. The question you might ask yourself is, "What am I able to put in the mix?"

There is no time like the present, to learn more about the key ingredients of your financial health and wealth – your recipes for success.

"Can I help you Sir?" came a voice from behind me. "Yes, thank you very much, I will take The Barefoot Investor".

Andrew Evans

Superannuation

Changes to Personal Superannuation Contribution Deductions

From July 2017, the 10% maximum earnings from employment condition, which previously impacted on an individual's ability to make a concessional contribution to superannuation, has been removed.

This will entitle more people under 75 years of age, to claim a tax deduction for personal superannuation contributions (including those aged 65-74 who meet the Work test).

Eligibility Rules

You can claim a deduction for personal superannuation contributions made on or after 1 July 2017, if:

- You made the contribution to a complying superannuation fund or a retirement savings account that is not a:
  - Commonwealth Public Sector Superannuation Scheme, in which you have a defined benefit interest
  - CPF of other untaxed funds that would not include your contribution in its assessable income
- You meet the age restrictions
- You notify your fund in writing, of the amount you intend to claim as a deduction
- Your fund acknowledges your Notice of Intent to Claim a Deduction, in writing

Age Restrictions

If you are 65-74 years old at the end of the income year in which you made the contribution, you will need to satisfy a Work Test in each financial year that you make a contribution to your fund and claim a deduction.

To satisfy the Work Test, you must work at least 40 hours during a consecutive 30-day period, each financial year, for which you want to claim a deduction for a personal superannuation contribution.

Notice of Intent

If you are eligible and want to claim a tax deduction, you need to complete a Notice of Intent to Claim a Deduction form, and send it to your superannuation fund within the required timeframe.

Your fund will need to acknowledge that they have accepted your application, before you lodge your income tax return for the relevant year. You should receive an acknowledgement letter from your superannuation fund, of your intent to claim an income tax deduction. It is only then, that you can claim a deduction in your tax return for the contributions you have made.

Concessional Contributions Cap

The contributions that you claim as a deduction, will count towards your concessional contributions cap ($25,000).

Co-Contribution Scheme Remains in Place

If your total income is less than $51,813 for the 2017/18 year, and you make a Non-Concessional Contribution to your superannuation fund, the Federal Government will make a Tax-Free Co-Contribution to your superannuation account.

The Federal Government will pay you 50 cents for each dollar you contribute to your superannuation fund, in after-tax dollars, subject to you also satisfying a Work Test, an Income Test, and assuming you are under the age of 71.

The maximum Co-Contribution of $500, on a $1,000 after-tax contribution, is part of your total income if it is less than $36,813, for the 2017/18 year.

If you earn more than $36,813 your Co-Contribution entitlement reduces by 3.33 cents for every dollar you earn over $36,813, until it cuts out at $51,813, for the 2017/18 year.

Rental Property Deduction Crackdown

Travel Expenses

From 1 July 2017, all travel deductions relating to inspecting, maintaining or collecting rent for a residential rental property, will be disallowed.

This measure will not prevent investors from engaging third-parties, such as real estate agents, or property management services.

Limiting Plant & Equipment Depreciation Deductions

From 1 July 2017, plant and equipment depreciation deductions for residential rental properties will be limited to outlays actually incurred by real estate property investors.

Investors who purchase plant and equipment for their residential property investment, after 9 May 2017, will be able to claim a deduction over the effective life of the asset.

Properties purchased after 9th May 2017 will be unable to claim deductions for plant and equipment purchased by a previous owner of the property.

In short, this new provision will limit plant and equipment depreciation deductions to outlays actually incurred by investors.

Airbnb
and Tax Implications

"There appears to be some misconceptions that income earned by Airbnb, is not taxable."

The Australian Taxation Office's published view is that renting out your property via the sharing economy, is no different from more traditional methods, and hence the income needs to go in your tax return.

The only circumstance that could potentially fall outside this interpretation, is where rooms in a share house are on Airbnb just to recover costs, whilst the regular occupants are on holidays etc.

This occurs in some quarters of the Sydney and Melbourne apartment market.

Note that Airbnb and most other sharing economy platform, retain records of all transactions. The ATO can and will access this information. Therefore, not only is income from your Airbnb activities assessable, but all substantiation records need to be maintained.

One factor that is not often considered when a person is putting their main residence on Airbnb, is that it will limit their Capital Gains Tax (CGT) Exemption on that residence.

Generally, Capital Gains Tax on a principal place of residence is exempt. However, if the property has been rented out, then any Capital Gains Tax Exemption may only apply to part of any capital gain on the sale.

In such circumstances, there are many options and some complex calculations involved in calculating the taxable capital gain. It is recommended that you get advice on this matter if you are using your main residence in the sharing economy.

Letting your property, may also subject you to Land Tax.

GST?

GST will not normally apply to residential premises. This covers most of Airbnb.

Payroll Tax

Payroll Tax South Australia

The State Government announced in the 2017 Budget, a change in the rate of payroll tax for businesses/groups of businesses with Australia-wide taxable wages of up to $1.5 million. The rates apply from 1 July 2017.

Annual Payroll Range ($)	Tax Payable ($) (rates as at 1 July 2015)
$0 - $600,000	NIL
$600,001 - $1,000,000	2.5%
$1,000,001 - $1,500,000	Variable from 2.5%-4.95%
Exceeds $1,500,000	4.95%

New rates from 1 July 2017

Grouping

Small employers that are connected to each other, will be grouped together for Payroll Tax purposes.

In such cases, only the Designated Group Employer (DGE) – usually the member who pays the highest wages – may claim the group's tax-free threshold entitlement. All other members of such a group will be subject to a flat rate of Payroll Tax (ie cannot claim the threshold).

Single Touch Payroll

Watch out, the Australian Taxation Office (ATO) is now requiring electronic reporting for Payroll.

The term the ATO has been recently throwing around is the new requirement for "Single Touch Payroll (STP)". Single Touch Payroll 'simply' means having the appropriate software to electronically lodge employees PAYG Withholding.

The date to watch out for is the 1st of July 2018.

From the 1st of July 2018, all employers with **20 or more employees** will be required to electronically lodge PAYG withholding.

This new initiative has been proposed to:

- *"Streamline business reporting"*
- *"Integrate business functions"*
- *"Ease communication processes with the ATO"*

Lodging payroll electronically is proposed to integrate with Super Guarantee Charge (SGC) reporting requirements. It will also offer any new employees to complete and lodge TFN Declarations and Payment Summaries online. Overall, it will assist the ATO in ensuring all information is appropriate & available for lodgement *(for instance PAYG withholding will be shown on your Business Activity Statement (BAS))*.

Electronic lodgement will have no impact on current lodgement dates for Payroll Tax & SGC.

It will however, require employers to have the necessary software to operate Single Touch Payroll. This may mean updating your current payroll system or sourcing an applicable program that can be integrated with current reporting functions.

If you are wondering what defines whether an entity has 20 or more employees, it will be based on the number of employees known on the 1st of April 2018.

Even though the initiative is currently targeting those with 20 or more employees, it is still optional for other employers, and who knows, it may also become a requirement those smaller entities defined as 19 or less employees.

If you don't know what direction you should be taking, please do not hesitate to contact our office.

Payroll Tax

A State-Based Tax

Payroll Tax is a state-based tax, imposed on employers who pay wages in excess of each state's specific exemption threshold.

Zero Payroll Tax is payable if you are under your specific State's annual wages threshold. However, if this threshold is exceeded, payroll tax is levied.

As a general rule, an employer that pays wages for services performed in that same state, will be subject to that State's Payroll Tax rates.

However, if services are performed in one State and payment for services are made from another State, working out your Payroll Tax liability can become more challenging:

- An employer will be subject to Payroll Tax in the State in which the services are wholly performed. (eg apply the Victorian Payroll Tax rates if services are wholly performed in Victoria, even when wages were paid in South Australia);
- If an employee works in more than one state in a month (eg airline employees) Payroll Tax will be payable in the state where the employee resides; and
- All wages paid in Australia for performing services overseas for more than six months, are exempt from Payroll Tax

It is worth noting that:

- If the wages were paid from an overseas country, Payroll Tax will be payable in the state where the services were mainly performed; and
- If the employee does not reside in Australia, Payroll Tax will be payable in that state where the employer has its registered ABN

What are taxable wages for payroll purposes?

In broad terms, wages include: wages, salary, commission, bonuses or allowances payable pursuant to an employer-employee relationship.

Note that such an employer-employee relationship would normally exist if the activities of the worker can be controlled. Certain payments under prescribed contracts, directors' fees and commissions paid, are also included in this figure.

In New South Wales, Victoria, Queensland, South Australia, Tasmania and the ACT, Payroll Tax is also imposed on service payments to contractors and sub-contractors, even though there is no employer-employee relationship.

It is also very important that the grossed-up value of fringe benefits (use Type 2 Aggregate Fringe Benefits amount), and employer SGC contributions (ie 9.5% of ordinary time earnings) and salary sacrificed superannuation contributions are also included in the wages figure that is subject to Payroll Tax.

Each State also has various Payroll Tax rebates and exemptions available.

"As a general rule, an employer that pays wages for services performed in that same state, will be subject to that State's Payroll Tax rates."

General

Changes from 1 July 2017

Income Tax

The Temporary Budget Repair Levy has been abolished from this date.

Minimum Wage

On 6 June 2017, the Fair Work Commission handed down its Annual Wage Review. The decision included the following:

- Minimum wage rates in Modern Awards – increased by 3.3% from the first full pay period, commencing on or after 1 July 2017.
- **National Minimum Wage** – increased by 3.3% to $694.90 per 38 hour week, or $18.29 per hour.
- **Wages for Juniors and Apprentices** – most rates are expressed as a percentage of the nominated adult rate, so they receive a proportionate increase to the adult rate.
- **Wages for Trainees and Piece Workers** – most Trainees are covered by the National Trainee Wage System, which is included as a schedule in most awards. The National Trainee Wage will also be increased by 3.3% from the first pay period, on or after 1 July 2017. Piece rates will increase in accordance with the relevant provisions in the Modern Award, Pay Scale or Transitional Award.
- **Supported Wage System** – employees with a disability: These employees are paid a percentage of the relevant adult wage, based on their assessed capacity. A 3.3% increase will also flow through to these employees.

First Home Saver Scheme to Commence

From 1 July 2018, individuals will be able to apply to withdraw voluntary contributions made to superannuation after 1 July 2017, for a first home deposit.

Voluntary contributions include:

- Undeducted (non-concessional) personal contributions
- Deducted (concessional) personal contributions
- Salary sacrifice contributions

Up to $15,000 of voluntary contributions made in a financial year, count towards the amount that can be released.

The maximum amount that can be released is $30,000 of personal contributions, plus an associated deemed earnings amount.

Concessional contributions and earnings that are withdrawn will be taxed at marginal rates, less a 30% offset.

The Government will make the current Spouse Tax Offset available to more couples, so they can support each other in saving for retirement.

Superannuation

- Introduction of a $1.6 million transfer cap balance
- Removal of tax exemption for Transition to Retirement Pension earnings
- Allowing catch-up concessional contributions
- Non-concessional (after tax) contributions cap reduced to $100,000 or $300,000 over three years
- Extending the spouse tax offset

Annual concessional (before tax) contributions cap reduced to $25,000 for all taxpayers

Allowing Catch-up Concessional Superannuation Contributions

From 1 July 2018, the Government will help people "catch-up" their superannuation contributions by allowing individuals with a total superannuation balance of less than $500,000, just before the beginning of a financial year, to carry-forward unused concessional cap space (for up to five years) to use if they have capacity and choose to do so.

Extending the Spouse Tax Offset

The Government will make the current Spouse Tax Offset available to more couples, so they can support each other in saving for retirement.

Currently, the tax offset of up to $540 is available for individuals who make superannuation contributions for their spouses with incomes of up to $10,800. The Government will allow more people to access the offset by extending eligibility to those whose recipient spouses earn up to $40,000.

There are no changes to the current age based contribution rules. The spouse receiving the contribution must be under age 70 and meet a Work Test if they are aged 65-69.

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If My Business Uses a Labour Hire Supplier, What are My Responsibilities?

The labour hire business is ultimately the employer, and is responsible for the worker's remuneration.

Labour Hire Arrangement is one where a labour hire business or agency provides labour/workers to a client, (the host employer) but the labour hire business (labour hire supplier) is ultimately the employer, and is responsible for the worker's remuneration.

For example, a fruit grower/host employer who requires fruit pickers for only three months of the year, pays a labour hire business to supply workers.

If you use workers who are not directly engaged by your business e.g. labour hire or contract labour, you must undertake due diligence on these businesses to ensure they are adequately registered for work injury insurance. If you do not, you could find yourself liable for the underpaid premiums and hefty fines.

An online Employer Look Up feature is available via www.rtwsa.com. You can check whether the business is appropriately registered with ReturnToWorkSA.

Alternatively, you can request a certificate of registration from the labour supply employer, which is readily available to registered employers.

Source: ReturnToWorkSA

IN BRIEF

Daily Survival Kit

Items needed:
Toothpick, rubber band, band aid, pencil, eraser, chewing gum.

Why?

Toothpick – to remind you to pick out the good qualities in others

Rubber band – to remind you to be flexible, things might not always go the way you want, but it will work out

Band aid – to remind you to heal hurt feelings, yours or someone else's

Pencil – to remind you to list your blessings every day

Eraser – to remind you that everyone makes mistakes, and it's okay

Chewing gum – to remind you to stick with it and you can accomplish anything

31 Days Notice - Term Deposits

Do you need funds urgently?

Do you have a Term Deposit nestled away?

Do you need the funds within 31 days?

Well that's all okay, however, banks will require 31 days notice.

Accessing term deposit accounts early is feasible, and sometimes necessary to help meet any current shortfall or newly proposed plans.

From 2015, laws were introduced requiring you to give banks 31 days notice, before being entitled to the funds.

Plan & think ahead! You would be surprised how quickly this can become an inconvenience.