

News

March / April / May 2018

 /RJCEvansandCo

Read the signs carefully

In this Issue

Read the signs carefully	1
Non-Concessional Contribution Threshold	2
Catch-Up Concessional Contributions	2
Allowing Older Australians to Contribute Downsizing Proceeds into Superannuation	3
GST and Gift Vouchers	4
CGT Changes for Foreign Investors	4
Changes to the GST Treatment of Digital Currency	4
Tax and GST Treatment for a Tip	5
Foreign Purchasers of Residential Property – 4% Duty Surcharge	6
Annual Charge on Foreign Owners of Under Utilised Residential Properties	6
“Can I Fly There?”	7
Work, Health & Safety Act	7
Interesting Statistics	8
Surf’s Up	8
Food Security	8

Contact

RJC Evans & Co Pty Ltd
 ABN 40 007 804 220
 116 Greenhill Road
 Unley SA 5061

T: (08) 8272 2500
 F: (08) 8271 1853
 E: rjcevans@rjcevans.com.au
 W: www.rjcevans.com.au

 /RJCEvansandCo

Remember how nervous you were the first time you drove a car? You were a learner. Being nervous was all part of learning to drive. You struggled with the clutch and changing gears; stalled at traffic lights and inclines. Mastering skills takes time.

Years later as an accomplished driver, aren't you glad you learnt to drive?

As an experienced driver, you zoom around without a second thought – as if motorised movement comes naturally.

Good driving involves reading signs – traffic lights, indicators and dashboard warnings. We respond with appropriate choices along the route. If we read the signs carefully, we intuitively make decisions that influence our driving experience so that we eventually reach our destination safely.

In our financial life, there are no flashing green lights screaming, “Go! This is an amazing opportunity”. There are no obvious red warning signs either.

Like learning to drive, developing financial literacy takes time. There are no, “Get Rich Quick” schemes – that actually work.

Set financial targets and a strategy to act on them. Like driving, develop saving practices that become financial habits.

With driving, speed kills. However, with personal finances, it is inertia which is the big danger.

Past experience has shown that the most difficult stage is starting: actually doing something about it. Ask yourself if your savings are in the most effective account at the bank or some old account you started years ago. When was the last time you reviewed or consolidated your superannuation? Are you with the most competitive electricity, telco or gas provider?

Financial goals can be achieved by overcoming inertia, good budgeting, regular saving and seeking advice along the way.

Start now. You don't want to wake up in five years from now wishing you had started saving, investing or clearing your debts. In five years time, you could be exactly where you want to be. We all know you can't turn back time.

Oh, remember when you were first learning to drive, you didn't do it alone. You had an instructor. A person who knew the rules, had the experience and was there to provide assistance.

Call our office. We are here to help you navigate your way to financial independence.

Andrew Evans



Superannuation

Non-Concessional Contribution Threshold



From 1 July 2017, a precondition for making Non-Concessional Contributions is that the taxpayer's superannuation balance must be less than \$1.6m.

The balance will be measured at the start of the financial year in which the contribution is made and is a, "global balance covering all of the superannuation interest of the taxpayer, irrespective of the superannuation entity in which a superannuation interest is held".

Consequently, whether Non-Concessional Contributions can be made in respect of 2017/18, depends on whether the superannuation balance of the taxpayer is less than \$1.6m at 30 June 2017.

The \$1.6m threshold will be indexed in increments of \$100,000 and by reference to the Consumer Price Index (CPI).

The \$1.6m is a threshold and not a cap. If the superannuation balance at 30 June 2017 is \$1,590,000 then the taxpayer can make a \$100,000 Non-Concessional Contribution for 2017/18. That is, the amount of the Non-Concessional Contribution is not limited to \$10,000 (being the amount necessary to reach the threshold). However, if the superannuation balance at 1 July 2017 was \$1,610,000 the taxpayer could not make any Non-Concessional Contribution for 2017/18.

Once the \$1.6m threshold is reached, a taxpayer will not be permitted to make any further Non-Concessional Contributions in respect of the current financial year or in any subsequent financial year. In particular, if the threshold is increased by indexation, a taxpayer whose superannuation balance has previously reached the \$1.6m threshold, would **not** be entitled to make any further Non-Concessional Contributions.

Additionally, if the threshold is reached but the superannuation balance subsequently decreases (e.g. due to negative investment earnings) the taxpayer will also **not** be permitted to make further Non-Concessional Contributions.

Catch-Up Concessional Contributions

Effective from 1 July 2018, individuals will be able to use the new "Catch-Up Concessional Contributions" provision which will allow unused concessional contributions within the cap, to be carried forward on a rolling basis for up to five consecutive years, where an individual's total superannuation balance is \$500,000 or less.

Utilising this new provision, together with the ability for individuals to claim a tax deduction on concessional contributions up to the \$25,000 limit, will prove very effective for many clients, including those that take time out of work or small business owners where income year by year, can be unpredictable.

Do these changes apply to you?



Allowing Older Australians to Contribute Downsizing Proceeds into Superannuation

**IMPORTANT
READ FOR 65+**

From 1 July 2018, individuals aged 65 and over will be able to make a personal contribution of up to \$300,000 using proceeds from the sale of a family home, which has been owned for at least ten years, into their superannuation.



This new type of contribution can be over and above any other voluntary contributions the person is able to make under the existing contribution rules and concessional and non-concessional caps.

Individuals over age 65 will be able to contribute up to \$300,000 regardless of their age or work situation as long as the home has been owned for a minimum of ten years. It means a couple can contribute up to \$600,000 for the same home via the downsizing cap.

Social Security Assessment

Age pensioners should exercise caution before considering this strategy. The full value of a family home is exempt from both the Income and Assets Test for social security purposes. However, any remaining sale proceeds (after a new home is purchased) will be assessable regardless of whether funds are contributed into superannuation or not. Therefore, a sale of the existing family home could actually result in the individual, or couple, losing some or all of their age pension benefits.

If all benefits are lost, so too is access to the Pensioner Concession Card.

Age pension recipients should consider what impact contributing the proceeds of sale into superannuation will have on their entitlements before taking any action.

Please contact our office before making any decision to proceed with this strategy.

GST and Gift Vouchers

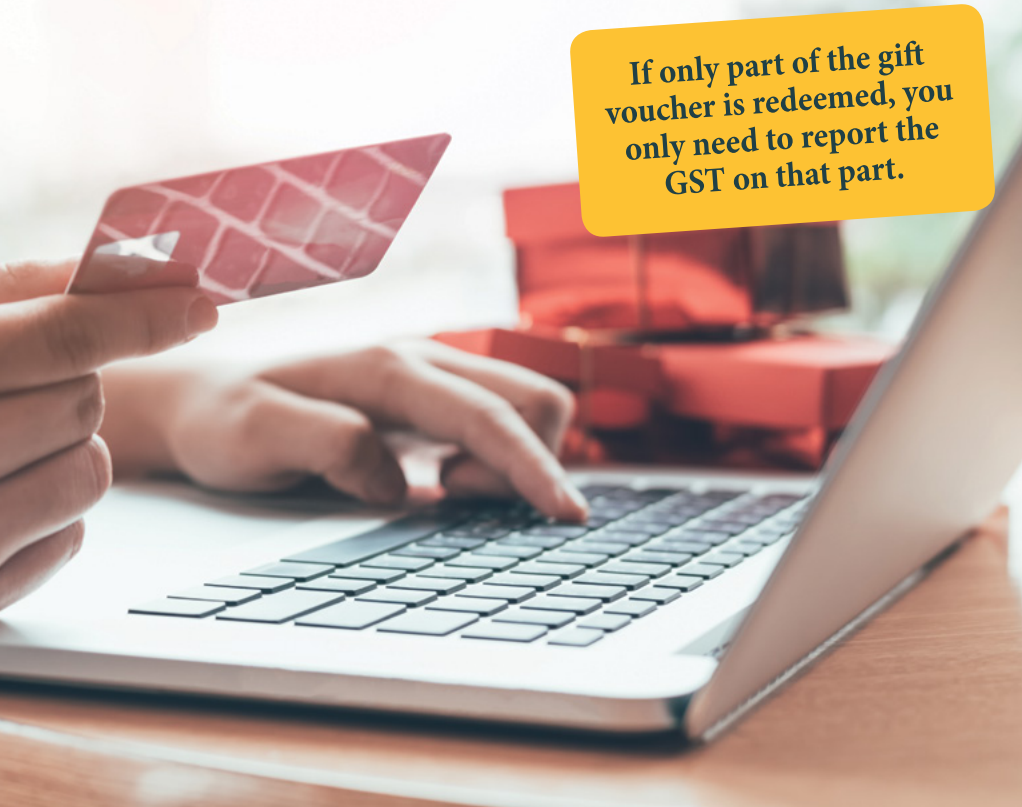


When selling a gift voucher, it is important to know when to report the GST for the gift voucher on your Business Activity Statement.

If you sell a gift voucher which can be redeemed for a choice of goods or services up to that value, you report the GST for that gift voucher when the gift voucher is redeemed, not when the gift voucher is sold.

If only part of the gift voucher is redeemed, you only need to report GST on that portion. However, if the gift voucher is for a specific product or service, you report the GST when the voucher is sold.

If only part of the gift voucher is redeemed, you only need to report the GST on that part.



CGT Changes for Foreign Investors

Australia's Foreign Investment CGT Regime will be altered in the following three ways:

1 Foreign and temporary residents will be denied access to the CGT Main Residence Exemption from 7:30pm on 9th of May 2017 (existing properties held before this time, will be grandfathered until 30th of June 2019),

Changes to the GST Treatment of Digital Currency



If you use digital currencies such as Bitcoin in your business, you have had to pay GST twice: once on the purchase of the digital currency and once again when using digital currency to purchase anything already subject to GST.

Recent law changes mean that as of 1 July 2017, purchases of digital currency are no longer subject to GST. This means that sales and purchases of digital currency have no GST implications. Using digital currency to pay for purchases of goods and services is the same as using money.

- 2 The CGT Withholding Tax Rate for foreign residents, increased from 10% to 12.5%, from 1 July 2017, and
- 3 The CGT Withholding Threshold for foreign tax residents reduced from \$2 million down to \$750,000, from 1 July 2017.

Tax and GST Treatment for a Tip



Have you ever gone to pay for coffee or lunch and saw the tip jar at the local café counter and wondered how (or if) the business and/or its staff account for tax on that money?

Is the tip you leave on a café table assessable, or consideration for a supply?

If a diner at a restaurant leaves a tip for the helpful waiter, employment laws and bodies such as Fair Work Australia would not consider this money to count towards that employee's salary or wage.

The Australian Taxation Office (ATO) however takes a different view. It deems any tips that employees receive, either directly from customers or distributed by the employer, as needing to be reported by the individual and included as taxable income, if the employee is required to lodge an income tax return.

However, there is another tax consideration.

The customer who gives a tip in addition to paying for the meal, may do so on a purely voluntary basis as the money is intended as a reward to the employees who provided good services. It may be paid by way of cash or credit card.

As the restaurant operator passes on the tip to the employee, it becomes assessable in their hands.

From the business' point of view, does this tip form part of the "consideration for the supply" of restaurant meals by the restaurateur to the customer?

The ATO's view is, "No". The voluntary nature of the payment is the key to the tax outcome. A tip or gratuity is not consideration for the supply by the restaurateur, **provided** that the tip is passed on to the employee as intended.

A genuine tip paid on a purely voluntary basis, is intended to go to the employees who provide the service. The tip does not form part of the consideration for the supply of the restaurant meal.

If a tip is not passed on to the employees, then the tip is consideration for the supply by the restaurateur.

If a tip is not paid voluntarily, for example, it is a pre-determined rate or an amount that is otherwise defined as a service charge, public holiday surcharge or similar, then the tip is consideration for the supply by the restaurateur.

Property

SOUTH AUSTRALIA

Foreign Purchasers of Residential Property - 4% Duty Surcharge

Pre-signing of a contract will not protect purchasers.

From 1 January 2018, Foreign Purchasers of South Australian residential property will be required to pay a duty surcharge equal to 4% of the dutiable value of the acquisition. Pre-signing of a contract will not protect purchasers. This surcharge is presently intended to be retrospective.

This 4% surcharge will be payable in addition to the duty that was previously payable in relation to an acquisition of residential land.

In circumstances where the acquired property is exempt from duty, the acquisition by the Foreign Purchaser will also be exempt from the surcharge.

A refund of the surcharge will be available where a Foreign Purchaser of residential land ceases to be a foreign person no more than twelve months after the interest was acquired.

The term, "Foreign Purchaser" for the purposes of the surcharge, will capture foreign persons, including foreign corporations and foreign controlled

trusts that meet prescribed criteria pursuant to the Stamp Duties Act.

More specifically, the Stamp Duties Act will provide that an individual will be a foreign person where the individual is not an Australian citizen, an Australian permanent resident or a New Zealand citizen who holds a special category VISA.

A corporation will be a foreign person, where the corporation is incorporated in a jurisdiction outside Australia, or where at least 50% of its shareholding or voting power is held by foreign entities (a foreign person's company or trust).

A trust will be a foreign trust where:

- In the case of a non-discretionary trust, where a beneficial interest of 50% or more of the capital of the trust property is held by one or more foreign persons, or
- In the case of a discretionary trust, where one or more of either the trustee, or a person who has the power to appoint under the trust, an identified object under the trust, or a person who takes capital of the trust property in default, is a foreign person.

Annual Charge on Foreign Owners of Under Utilised Residential Properties



Foreign owners of vacant residential property, or property that is not genuinely available for rent for at least six months of the year, will be charged an annual levy of at least \$5,000.

The annual levy will be equivalent to the investment fee imposed on the property when it was acquired.

The fee is intended to encourage foreign owners of residential real estate to make their properties available for rent, where they are not occupied as a residence, and so increase the number of properties available for Australians to live in.

The Vacant Fee applies to foreign persons who make a Foreign Investment Application for residential property from 7:30pm AEST on 9 May 2017 and to foreign persons who are purchasing in a development that has a New Dwelling Exemption Certificate, which was applied for after 7:30pm AEST on 9 May 2017.

Foreign owners of residential real estate will be required to lodge an Annual Vacancy Fee Return with the Australian Taxation Office (ATO) after the end of the twelve month period (vacancy year) in which the foreign person may be liable for the vacancy fee for their property.

General

R J C — & Co — E V A N S
Accountants • Tax Agents • Advisors

FORGET TO MANAGE YOUR WEALTH
OVER
90
YEARS
SINCE 1921
RJC EVANS & CO

DRONE SAFETY APP

“Can I Fly There?”

Rural and urban Australians alike are seeing the myriad potential uses for drone technology: crop and stock monitoring, aerial surveying and mapping, aerial photography, feral animal control, firefighting and emergency.

Along with this rapidly expanding drone use, comes the need to make drone flyers aware of the rules, to keep other people and aircraft safe.

The Civil Aviation Safety Authority (CASA) therefore recently launched the “Can I Fly There?” drone safety app to show where drone operators can and can't fly, detailing “No Drone Zones” around the country.

The “Can I Fly There?” smartphone app and associated drone rules are designed to protect other people in the air and on the ground, ensuring the safe integration of the country's growing drone population into Australian skies.

With the launch of the new app, drone owners in Australia can now make every flight a safe one. The map-based application runs off the user's location and shows controlled airspace, restricted areas, nearby aerodromes and helicopter landing sites, warning drone operators not to fly in dangerous areas.


CASA released the app as a situational awareness tool for all drone pilots. The app reflects the standard operating conditions for the recently created Sub-2kg Commercial Class of Drone Operations.

The standard operating conditions, which seem to be followed by all recreational

and Sub-2kg operators, include keeping 30 meters away from other people and not flying over populated areas – where if your drone was to fail – it could hit someone.

Operators must also maintain direct line-of-sight with their drone and not fly higher than 120 meters above ground level.

These standard operating conditions also apply to those such as pastoralists, station owners and resource companies flying drones over their own property. There are a few other things you need to do before you fly a small drone (2.25kg) over your own land. To find these out, go to the “Flying Over Your Own Property” section of CASA's website www.casa.gov.au/drone for more information.

 You can download the “Can I Fly There?” drone safety app at www.casa.gov.au/droneapp.

Work, Health & Safety Act

As of 1 January 2013, the South Australian Government implemented new WHS laws. The purpose of these new laws is to provide a uniform framework for the safety of employers, employees and subcontractors.

It is compulsory for every business to have a Safety Management System (SMS). If a business does not have an operational SMS in place, then the Directors leave themselves open to jail terms of five years and/or a fine of \$600,000 for a Category 1 or 2 offense.

In addition to this, insurance may be void if the business has not followed the law.

Currently in Australia, there are approximately 100 deaths per year at worksites and over 500,000 cases of workers requiring more than five days

off for a work-related injury. Even though every business carries out tasks safely, and no one wishes injury or death on anyone, the question needs to be asked, “Is your business able to survive, should such a catastrophe occur?”

A company called Management and Safety Solutions, is available to discuss your company's compliance. Please contact our office should you require contact details of this company.

Interesting Statistics



Meat Consumption

111.5kg

is the amount of meat consumed per person per year by Australians. The most of any country in the world.

New Zealanders came in second, consuming **106.4kg** per person.

China was ranked 39th with

58.2kg per person.

The lowest consumption per person per year is India, with 4.4kg.

The 2017 Meat Price Index also reveals that **Switzerland has the highest** meat prices and **Ukraine, the lowest**.

Source: 2017 Meat Price Index by Online Catering Market Place Caterwings.

China is already the world's largest consumer of red wine.

It overtook France in 2014 and looks set to surpass the UK to become the world's second largest wine market by 2020, reaching a value of

US\$21 billion.

A study carried out at renowned International Wine and Spirits Exhibition Vinexpo, shows Chinese wine consumption by value is expected to rise by **40%** between 2016 and 2020, but will remain well below the US, where demand is set to grow by **12%** over the period to US\$39 billion.

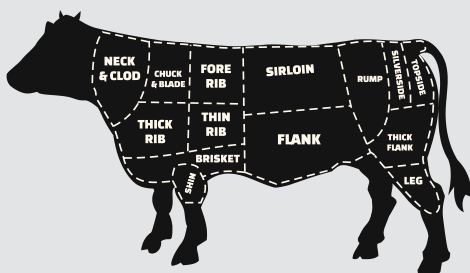
Last year, China imported

638 million litres of wine worth about US\$2.36 billion.

A Nielsen study found that **35%** of its best-selling wines came from international producers.

France has **23** wines in the top 100, Australia has **nine** and the US, Chile and Spain each had **one**.

Source: In The Black – October 2017



IN BRIEF

Surf's Up

Gold Coast professional SUP boarder Jake Jensen made headlines in the surfing world when he rode a prototype hydrofoil surfboard 7km non-stop from Coolangatta to Currumbin earlier last year.

Now you can get in line for your own eFoil.

Manufactured by US company Lift Foils, it is claimed to be the first commercial electric-powered hydrofoil surfboard. It can travel up to 25km/h, controlled by a wireless hand controller and the rider's body language. The battery can be recharged via a normal home power outlet.

Forget the morning waves at Moana.

For obvious reasons, a foil isn't for a crowded break – it is a board you can take out in surf ocean swells. Available in two sizes and a variety of colours, it should be hitting the market any day now.

Food Security

South Australian researchers are preparing for Doomsday by contributing to a seed bank for human survival.

The site holds over 800,000 crop and pasture species.

These seeds will be preserved at Svalbard in permafrost deep inside a mountain on the remote island of Spitsbergen.

This work is being done by scientists from South Australian Research and Development Institute (SARDI). It is part of Australia's international obligation to conserve and distribute seed for the benefit of global food security.