RJC EVANS & Co

News

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

Working to maximise your wealth
OVER 90 YEARS
SINCE 1921
RJC EVANS & CO

June / July / August 2019

/RJCEvansandCo

BUMPER ISSUE

ARE YOU TAX READY?

Dear Andrew,

After last year's end of financial year tax planning debacle, I thought I would drop you a line to say that, "all is under control for 2019". That plan we worked out, I've implemented it already! I thought why leave it to the last minute? If it's worth doing and I can afford to withdraw the funds now from our business, why not do it now?

There is no need for any of that last-minute running around (hopefully)!

No doubt you remember that year when I made a personal superannuation concessional contribution and the super fund received it and credited it to my member account, post 30th June! That is not going to happen again.

This year, I have:

- ✓ *Already made a personal concessional contribution. You can relax, it is under the $25,000 limit!*
- ✓ *I brought forward my fertiliser and crop spray expenses.*
- ✓ *I will leave selling my wool until July.*
- ✓ *I replaced a couple of ag-bikes under the increased $30,000 instant write-off provision. I bought them post Budget night (2 April 2019).*
- ✓ *All the employees' super is up to date.*
- ✓ *Payment Summaries are ready to be issued.*
- ✓ *I did put some money into Farm Management Deposits. Those words from one of your clients, still ring true: "Andrew, FMDs are not for the rainy day, but the dusty one".*
- ✓ *With our land and equipment finance loans, I thought having a buffer of FMDs will get us through, in those more difficult times.*
- ✓ *I was interested in that new provision where I can claim a deduction for the full cost of a fodder storage asset, if I incur the expense, either on or before 19th August 2018, and it was first used or installed ready for use on or after 19th August 2018. I will mainly be using it to store hay, so I have looked at this as well. A hayshed rather than silos, is for us.*
- ✓ *Thank you for telling me that I could deduct in full, the cost of fencing and water improvements such as dams, tanks, bores, pumps, windmills and irrigation channels. I might look at these in future years, as and when I need them.*

It sounds like I've been on a big spend up, but I have checked all this against my cash flow and credit limits, so all should be fine.

Thanks to your help, I am nearly there to start with Single Touch Payroll on 1st July 2019.

It looks like this year, I have planned my tax – not taxed my plan! Come lodgement of our 2019 income tax returns, there won't be any unexpected surprises.

Best wishes

Peter

Peter

TAX TIME!

NEW RULES, DO THEY APPLY TO YOU?

General

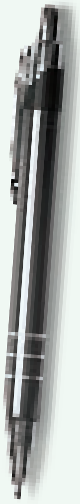
In this Issue

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



Federal Budget 2019/2020

The Federal Budget fortunately did not contain the usual array of tax changes that we have become accustomed to over the last few years.

Nonetheless, there were some important changes, some of which are covered in this newsletter.

Personal Income Tax Changes

The most significant immediate change is the expansion to the low and middle income tax offsets, which will apply immediately, in the sense that it will apply to the 2018/19 tax year.

This will deliver $1,080 per annum, for each individual who is eligible and slightly more than double that, for a couple.

Those on incomes roughly $45,000-$95,000 per year, will receive the full benefit.

Increase in the Instant Asset Write-Off for Small Business

On 6 April 2019, Legislation received royal accent to increase and extend access to the Small Business Instant Asset Write-Off.

The new law includes the following:

- An increase to the Instant Asset Write-Off Threshold from $20,000 to $25,000 from 29 January 2019 up to 2 April 2019, for small businesses with aggregated annual turnover of less than $10 million.
- An increase to the Instant Asset Write-Off Threshold from $25,000 to $30,000 from 2 April 2019 up to and including 30 June 2020, for small businesses with aggregated annual turnover of less than $10 million.
- Expansion of the Instant Asset Write-Off measure to medium sized businesses with aggregated annual turnover of $10 million or more, but less than $50 million from 2 April 2019 up to and including 30 June 2020.

This means both small business and medium sized businesses can immediately deduct purchases of eligible assets costing less than $30,000 that are first used, or installed ready for use, from 2 April 2019 to 30 June 2020.

Medium sized businesses must acquire these assets after 2 April 2019 to be eligible as they have previously not had access to the Instant Asset Write-Off.

The thresholds apply on a per asset basis. This means eligible businesses can instantly write-off multiple assets.

Luxury Car Tax Relief for Tourism Operators and Farmers

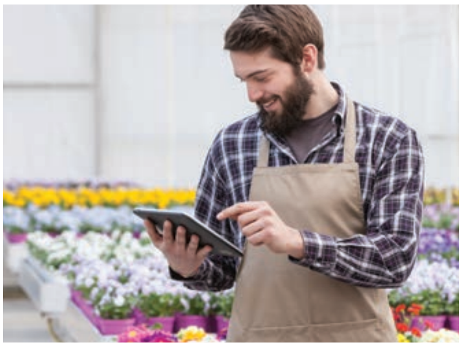
Farmers and Tourism Operators will be able to apply for higher refunds of the Luxury Car Tax, up to a maximum of $10,000.

The current maximum refund is $3,000.

This measure applies to vehicles that are purchased on or after 1 July 2019.

There are some important changes to be aware of.

Tax Planning Strategies Before 30 June



Pre-Pay Expenses

A Small Business Entity (SBE), for example a business with a turnover of less than $10 million, can prepay expenses that are likely to be incurred/used within the next 12 months.

A Non-SBE needs to incur the cost and expense, before 30 June.

Delay Income

Livestock sales or grain/seed sales could be delayed until after June. This strategy should not be adopted without reviewing the impact on the business' cashflow.

Single Touch Payroll – for All Employers

Single Touch Payroll (STP) is a Government initiative aimed at streamlining employer payroll reporting obligations. The STP regime significantly changes the way employers report payroll information to the Australian Taxation Office (ATO).

In essence, STP is a new reporting mechanism whereby each time an employer pays its employees, the employer will also send the ATO their payroll data (such as salary, wages and/or allowances paid, and the PAYG withholding on these payments) from their payroll software. This is done through an "STP Pay Event". This is either weekly, fortnightly or at any other pay cycle.

On the superannuation front, under STP, employers will continue to report and pay their employees' superannuation entitlements through their existing SuperStream solution (including via the ATO's Small Business Superannuation Clearing House).

What will change however, is the requirement to report employees' superannuation liability on Ordinary Times Earnings (OTE) each pay day. This is based on the amounts employers current provide on an employee's payslip.

Relief for Micro Employers

The ATO acknowledges that there are a significant number of smaller employers who do not use any type of payroll software when processing their pays each week/ fortnight etc.

Rather, the ATO is working with payroll providers to develop various affordable and alternative solutions (costing less than $10 per month) which may include mobile apps and portals.

This STP system commences from 1 July 2019.

General

Best Tax Minimisation Strategies

The best tax minimisation outcomes materialise when focus is placed on the importance of year-end tax planning and implementing effective business strategies which will help to set and achieve goals. Tax assessment should not just be a last-minute end of year financial task.

The most desirable outcomes are achieved when you have taken assessment of your financial year position. You can enhance this process by taking part in the necessary tax planning that is appropriate for you. No decision, or rushed decisions, can lead to the wrong outcome.

The countdown to the end of financial year has started! Here is the starting point of the process:

Bite the Bullet

Tax savings usually start by tackling the little issues. Little issues seemingly accumulate over time, however can be easily attended to.

For instance, writing off bad debts, maximising stock valuation outcomes, declaration of bonuses and directors fees, prepayments, income deferrals, trustee resolutions to distribute income, maximise depreciation charges and superannuation payments.

Consider the legislative tax planning opportunities

Many legislative opportunities are time sensitive and time limited. What you do between now and 30 June will influence what can be achieved.

Set goals to maximise the benefit you can obtain.

Are you creating permanent benefits or simply a timing advantage?

Consider whether your decisions are creating a permanent benefit or simply deferring the tax liability to a later date. Both can be valuable.

Permanent benefits will always have everlasting results. Create a hierarchy of your options available and outweigh the costs and benefits of each.

Not everything will be possible to achieve, therefore focus on those that will be most valuable to you in the short and long term.

Other cash flow implications

Cash flow consequences should not be ignored. Some of the options will require you to spend money, bring forward expenditure or defer income. Each of these will impact cash flow.

Therefore, when deriving the best tax outcome, it will be of importance to ensure that it does not jeopardise cash flow in the short term.

The choices you make may require funding support from your bank. Sourcing additional finance requires you to be prepared. Acknowledge how much you need, how long you will need it for and what is being covered. Approach your financial institution as soon as possible. These processes take time.

Are there any risks?

Keep in mind, that there could be some risks with the decisions being taken. These could include tax risks, funding risks and business risks.

Tax benefits should be weighed against the risk and reward matrix. Quantify the benefit and assess any risks.

You should take advice on your tax planning. Contact our office to assist in mapping out a plan.

Tax assessment should not just be a last-minute end of year financial task.

New ATO Super Guarantee Measures

Several Super Guarantee (SG) integrity measures have been enacted. These measures serve to protect employees' superannuation entitlements.

From 1 April 2019:

- Employers will have access to a free ATO approved online education course (and assessment) to help them to better understand their SG obligations.
- Employers may be directed by the Commissioner to undertake the course if they are found to be non-compliant with their obligations.
- The ATO can disclose information to employees regarding the non-payment of SG, on their behalf.
- Debt collection mechanisms have strengthened around director penalty notices and security deposits relating to superannuation and other tax-related liabilities.

These new laws, combined with access to real-time data from Single Touch Payroll and improvements in superannuation funds' reporting, means that the ATO are in a better position to identify compliant and non-compliant employers.

Year End Superannuation Strategies

Are you eligible to make a Non-Concessional Contribution?

As we approach the end of the 2018/19 financial year, it is an ideal time to put in place year-end strategies and prepare for the new financial year.

Maximising Non-Concessional Contributions (NCCs)

Since 1 July 2017, an individual's Non-Concessional Contributions are not only limited by the general or bring-forward NCC Cap, but also by the total superannuation balance, at the 30 June of the previous financial year. This can be quite confusing. The table below is a useful reference point in determining whether you are eligible to make an NCC.

Total Balance as at Previous 30 June	Standard NCC Cap – Individual Over 65 Years on 1 July	Bring-Forward NCC Cap for Eligible Individuals	Bring-Forward Period for Eligible Individuals
< $1.4 million	$100,000	$300,000	3 years
$1.4 million - < $1.5 million	$100,000	$200,000	2 years
$1.5 million - <$1.6 million	$100,000	$100,000	Standard Cap Only
Greater than or equal to $1.6 million	$100,000	0%	N/A

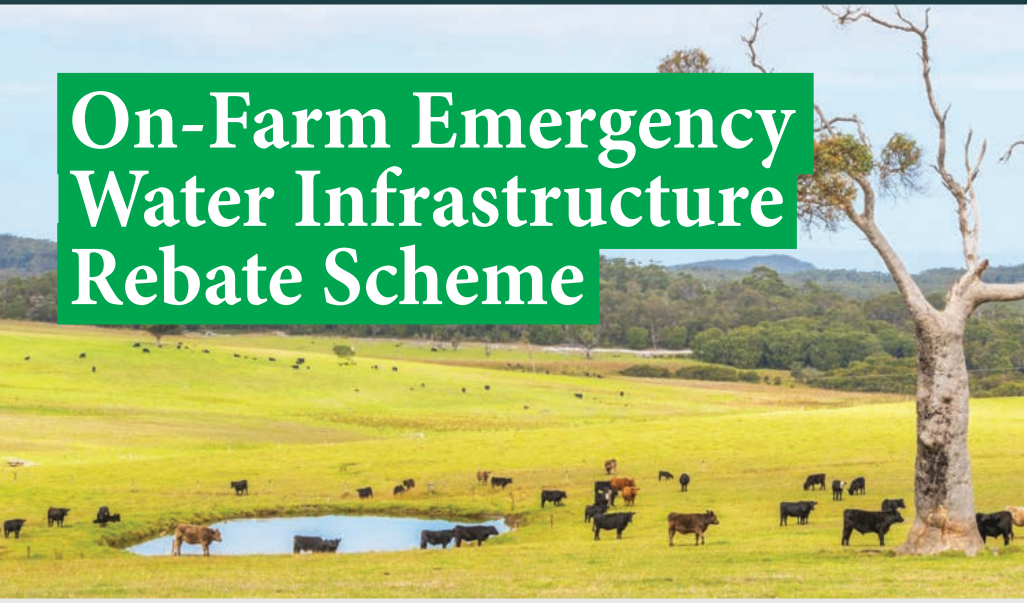
The three-year bring-forward cap still applies to eligible clients (ie under 65 at the beginning of the financial year), with TSB of less than $1.4 million at the previous 30 June.

Turning 65 During the Current Financial Year (2018/19)

If you were 64 on 1 July 2018 and have turned or are turning 65 during this financial year, then this will be the last chance for you to trigger the bring-forward NCC Cap, provided:

- You did not trigger the bring-forward NCC Cap for the past two financial years;
- The Work Test is satisfied if you have already turned 65 at the time of making the contribution;
- On 30 June 2018 your TSB was below $1.4 million to trigger the three-year bring-forward NCC Cap, or below $1.5 million to trigger the two-year bring-forward NCC Cap.

General



On-Farm Emergency Water Infrastructure Rebate Scheme

The Australian and SA Governments are offering a rebate to drought affected farmers who invest in urgently needed on-farm water infrastructure for livestock.

Eligible farmers can access a 25% rebate (up to $25,000) on new purchases and installation costs for on-farm water infrastructure, to help them provide water to livestock for the current drought and be better prepared for future dry conditions.

The On-Farm Emergency Water Infrastructure Rebate Scheme can be applied to:

- **New purchases and installation of:**
  - > Pipes
  - > Water storages
  - > Water pumps
  - > De-silting dams

Eligible farmers can access a 25% rebate (up to $25,000) on new purchases & installation costs.

- **Drilling of new stock water bores and associated infrastructure, including:**
  - > Desalination plants
  - > Power supply for us such as generators
  - > Farmers will be eligible to apply through PIRSA for the rebates, which will also cover eligible work undertaken since 1 July 2018.

This scheme is available to certain farm businesses in eligible regions.

Contact our office for details of these regions or alternatively, have a look on the PIRSA website.

Farm Management Deposits (FMDs)

Eligibility

- Individual off-farm income (wages/ investment income) must be less than $100,000.
- An FMD must be held for at least 12 months to claim a deduction.
- An FMD must be deposited by 30 June to claim an income tax deduction for that year. Note that 30 June this year, is a Sunday. Therefore, any FMDs should be in place well before 28 June.
- An FMD is reported as income in the year that it is withdrawn.

New Businesses Entering the Taxable Payments Reporting System

For those clients providing road freight, information technology, security, investigation or surveillance services, you will need to lodge a Taxable Payments Annual Report (TPAR) each year to inform the ATO about the payments you have made to contractors used and their Australian Business Number (ABN).

This needs to be done even if these services are only part of their business activities.

The first TPAR for these industries will be due by 28 August 2020, for payments made from 1 July 2019-30 June 2020. In future years, the TPAR will need to be lodged by 28 August each year.

Contact our office, should you require any assistance with the TPAR System.

Residential Rental Property Travel Expenses Disallowed

From 1 July 2017, travel expenses relating to inspecting, maintaining, or collecting rent for residential rental property, cannot be claimed as deductions by investors.

This travel expenditure is also not recognised in the cost base of the property for Capital Gains Tax purposes.

However, you can continue to deduct travel expenditure if:

- ▹ The losses or outgoings are necessarily incurred in carrying on a **business** for the purpose of gaining or producing assessable income; or
- ▹ You are a company, super fund (not SMSF), public unit trust or managed investment.

Please contact our office, should you require any further clarification.

2018/19 - Last Year for Net Medical Expenses Tax Offset

IMPORTANT READ
The NMETO is now being phased out.

Clients receiving homecare package or paying fees for residential aged care, currently receive the Net Medical Expenses Tax Offset (NMETO). However, NMETO is being phased out.

The last financial year this tax offset is available is 2018/19. Homecare and residential aged care residents are currently entitled to the NMETO where net medical expenses (less available reimbursements) exceed a specified threshold during the financial year.

NMETO can be important to aged care residents as it reduces their tax liability, often to NIL, when they have taxable income from various sources, including rental income from their former home.

This is the last financial year that this tax offset is available. This may result in aged care residents having to pay tax a higher amount, from 2019/20 onwards.

This increase in expenses will need to be factored in, when cashflow planning for aged care residents.

Aged care residents are currently entitled to the tax offset on the following expenses:

- Basic daily care fees
- Income/means tested care fees
- Extra service fees
- Accommodation charges
- Periodic payments – accommodation bonds
- Daily Accommodation Payments or Daily Accommodation Charges

The following fees are payable for homecare packages are also eligible expenses for NMETO:

- Basic daily care fees
- Income tested fees

Aged care residents cannot claim the tax offset for:

- Lump sum payments of accommodation bonds
- Interest derived by facilities from the investment of accommodation bonds.

Consider a Superannuation Top-Up Prior to 30 June

Have you received a bonus or sold an asset and made a capital gain during the 2019 financial year?

If so, and you are thinking you would like to reduce the tax liability on this event, then have you considered making a personal concessional contribution into your superannuation?

Generally, when the Notice of Assessment bill is received, clients who are in this situation say, "I wish I put some of it into super!"

It is possible now for virtually anyone (subject to some restrictions), to decide to put an extra deposit into superannuation and claim a personal tax deduction for it. If doing this, you need to consider:

- Remember the $25,000 annual limit includes any superannuation provided by an employer, such as compulsory (superannuation guarantee) or salary sacrifice contributions.
- Check carefully with your employer and fund before making the extra contribution.
- Just like an employer contribution, this extra amount will be taxed in the fund. For most people, the rate is 15% but for some it is as high as 30% (generally only for those earning salary, superannuation and other income of more than $250,000 p.a.).
- There is paperwork to do. Unlike salary sacrifice contributions, which are automatically tax deductible to an employer, personal contributions are only tax deductible if you specifically ask your fund to treat them that way within certain timeframes, and the fund agrees to do so. You will need to complete a Notice of Intent to Claim form, with your superannuation fund and have it acknowledged by them to you. Please call our office if you require clarification about this process.
- Anyone over 65 needs to meet certain rules to be able to make superannuation contributions.
- This strategy is not worthwhile for anyone paying very little personal income tax (particularly those whose personal tax rates are less than or similar to the normal superannuation rate of 15%).

If you decide to make a contribution, don't leave it to the last minute - 30 June this year is a Sunday. The best course of action is to ensure that all intended contributions for 2018/19 are made in plenty of time before 30 June 2019.

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

General

CHECKLIST

End of Year Reminders

Some timely reminders for your end of your Tax planning.

- ☐ Has a Notice of Intent to Claim a Superannuation Deduction being completed in respect of any personal concessional contributions made by you into your superannuation fund.
- ☐ If you are in receipt of a superannuation pension income stream, has the minimum annual payment been made?
- ☐ If you have a Family Trust, will any potential beneficiaries turn 18 years, by 30 June? If so, do they have a Tax File Number?
- ☐ Trustee Distribution Resolutions to be completed prior to 30 June.
- ☐ If you are using the logbook method to claim motor vehicle expenses, record your car odometer readings on 30 June.
- ☐ If you have farm land of other assets your business rents from your super fund, review your lease amounts to ensure they are at market rates and that you have made your payments before 30 June.
- ☐ Employee super is not deductible until it is physically paid. A payment in July 2019 will mean an income tax deduction in the 2020 financial year.

Commonwealth Procurement Process – Statement of Tax Record

From 1 July 2019, a new approach for Commonwealth Government Procurements valued over $4 million (inclusive of GST) for goods/services, including the building and constructions services, must require applicants to provide a valid Statement of Tax Record (STR) with their tendering documentation.

The ATO will build an online system that will enable businesses to request and receive these statements in a short timeframe.

It is expected that most businesses will be able to obtain the STR without any difficulty.

Payroll Tax Changes – Update

As from 1 January 2019, businesses or grouped businesses with annual Australia-Wide taxable wages of $1.5 million or less, will not be liable for Payroll Tax in South Australia.

There will be a number of businesses who, for their 2019/2020 wage estimates, will be able to cancel their Payroll Tax Registration during the annual reconciliation.

IN BRIEF

Roll-Over Protection Structure Rule Changes

Changing safety regulations means that, unless farmers fit the approved Roll-Over Protection Structures (ROPS) to all tractors, they could be breaking the law.

Many machinery sheds contain smaller, older tractors, that are driven out to fill gaps at peak times on the farm.

Tractors manufactured before 1981 were previously exempt from regulations concerning the compulsory fitting of ROPS. However, when the WHS Regulations 2012 came into operation at the start of 2013, this exemption was removed.

Tractor users are being given until 1 January 2020 to install ROPS on all pre-1981 tractors, weighing between 560kg and 15 tonnes. This date is rapidly approaching.

Most broadacre farmers traditionally have one or two new tractors that do the majority of the cropping work. However, parked in the shed is often an old tractor that is dragged out to use with bins or post-hole diggers and are generally those pre-1981.

To avoid any non-compliance with WHS Regulations, ROPS need to be installed on these machines, prior to 1 January 2020.

Interesting Facts

$17.5 Billion
– is the amount of lost and unclaimed superannuation in 2017/2018 (Source: ATO)

$107 million
– is the amount Australians lost to scam activity in 2018.

Designed by Luke Evans
www.lukeevans.com.au