RJC EVANS & Co

News

RJC EVANS & Co
Accountants · Tax Agents · Auditors

WORKING TO MAXIMISE YOUR WEALTH
OVER 90 YEARS
SINCE 1921
RJC EVANS & CO

December 2013

In this Issue

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Let the celebrations begin

The bells, lights, tinsel and decorations have come out of their boxes for another year. Christmas approaches. The celebrations are about to begin.

There is no standard manual for merriment. There are as many ways of celebrating Christmas as there are people interested in an opportunity to celebrate. Parties are held, gifts are given, Christmas cards sent, carols are sung and Church Services attended. After all, the spirit of Christmas is founded on a religious celebration. It's an integral part of the Christian calendar.

Celebrations occurred at RJC Evans & Co when it was announced that the Australian Taxation Office had categorised the firm into the top 1% Australia wide. This milestone also reminds us that, "success is a journey not a destination." As a firm we will continue to, "Keep on keeping on." Further details about this cause for celebration can be found in the newsletter.

We have all heard the saying that the best things in life are free. However, it costs a lot of time and money before you find this out. Perhaps memories last longer than presents.

It came without ribbons! It came without tags! It came without packages, boxes or bags!... Then the Grinch thought of something he hadn't before! 'Maybe Christmas,' he thought, 'doesn't come from a store. Maybe Christmas... perhaps... means a little more!'
- Dr. Seuss, *How The Grinch Stole Christmas.*

We would like to take this opportunity to thank you for your continued support during the year. We wish you, your family and friends a safe and healthy Christmas.

Andrew Evans

Personal Finance

RJC EVANS NEWS

Congratulations to the RJC Evans team!

Prior to the 30th of June 2013, the partners of RJC Evans & Co received a visit from the firm's ATO tax agent liaison team. This visit brought good news to the firm.

This was that RJC Evans & Co had been categorised in the top 1% of firms, Australia wide. This assessment is based on complying with ATO lodgement deadlines for clients and overall standard of work submitted.

Congratulations to all of the team who over a long period have enabled the firm to achieve such a significant milestone!

PROPERTY

Repairs & improvements: Recognising the difference

The Australian Taxation Office differentiates between repairs and improvements. To ensure the best results are obtained from an investment property, it is important to understand the difference between the two claim options.

Definitions

Deductible Repair: Returning items or property to their original state: An exercise in retaining the value of the item or the property. Repairs attract an immediate 100% deduction in the year of expense.

Improvement: Improving the condition of an item or property beyond that of when it was purchased. Improvements are capital in nature and as such, must be depreciated over time.

Three Tests

When determining whether a repair or improvement has been made, often three basic tests are employed, they are:

Has the condition of the property been improved beyond the original condition at the time of purchase?

When an item was partially or fully replaced, it needs to be determined whether it was done due to the item being damaged, or done to improve what was previously there.

Has the property been established as an income producing property?

The Australian Taxation Office states that repairs must relate directly to the wear and tear or other damage that occurred as a result of renting out the property.

Was the asset partially replaced, or replaced in its entirety?

Partially replacing an item, like a fence panel, due to damage or wear and tear, often implies that a repair is being carried out. However, if a fence panel needs to be replaced, but the property owner decides to replace the entire fence (for no apparent reason except to improve the property's value), this would be classified as an improvement.

Some important points

When completing repairs, they should be carried out when the property is tenanted. The Australian Taxation Office will allow repairs as a deduction, only if the property is being used for income producing purposes at that time. However, if tenants have recently moved out and repairs need to be made due to damage caused by those tenants, the repairs will also be allowed as a deduction as the damage occurred when the property was income producing.

It is important to note that an initial improvement at the time of purchase will not give rise to immediate tax deduction. Property investors may be able to claim the cost of an initial improvement under the special construction write-off provision, or create a plant or article which may be depreciated over time, but it will not create an immediate deduction in its own right.

Source: BMT & Associates & Quantity Surveyors

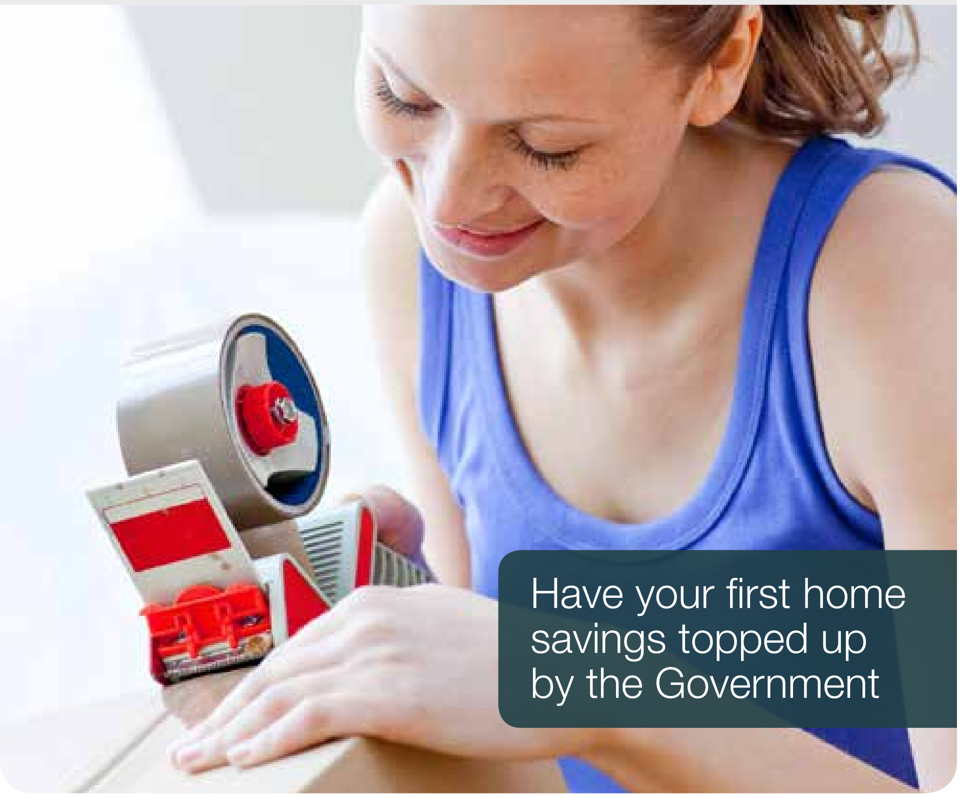
PROPERTY

First home saver accounts

Unlike other savings accounts, a first home saver account can only be used when you are saving to buy or build your first home. Each year the Government will make a 17% contribution on the first $6,000 you deposit each year. This means that if you deposit $6,000 in one financial year, you will receive $1,020 from the Government.

Some of the main features of these accounts are:

- Interest you earn on the account is taxed at a rate of 15%.
- You have to save at least $1,000 each year over four financial years before you can withdraw the money. These four years do not need to be consecutive.
- The maximum account balance is capped at $90,000 but this cap will be indexed in future years. After your savings reach this level, only interest and earnings can be added to the balance.
- The money must be used for your first home. If it is not it is added to your superannuation and you cannot access it until you are retired or can meet another condition of release.
- If you buy your first home before the four year period is up, you can withdraw the money in your account at the end of the four year period to put towards your mortgage. You will not be able to make any more deposits until you have built or bought a property.
- First time saver accounts can only be opened by an individual. If you are saving with a partner you will each need to open separate accounts. However, you will only have to wait until one of you reaches the 4-year savings mark to withdraw from each account, providing your house is bought in both your names. If you both have accounts, you will also both be eligible for the Government contributions.



EDUCATION

Self-education expenses

Hot off the press is the announcement that the Federal Treasurer has announced that the Government will not proceed with the former Administration's proposed cap on tax deductions for work-related self education expenses.

The proposed change to limiting the tax deductible amount to $2,000 was due to come in during the 2015 financial year.

With this announcement, there will no longer be any cap on self education expenses.

EDUCATION

HELP discounts to be abolished

The Government will remove the discounts applying to up-front and voluntary payments made under the Higher Education Loan Program (HELP) from 1 January 2014. The discounts to be removed are:

- The 10% discount available to students electing to pay their student contribution up-front; and
- The 5% bonus on voluntary payments to the ATO of $500 or more.

Taxation

FRINGE BENEFITS TAX

Fringe benefits exemption for laptops

The FBT Act exempts the following from Fringe Benefits Tax:

- Mobile phone (if primarily used in employment)
- Protective clothing required for employment
- Briefcase
- Calculator
- Tools of trade
- Computer software for use in the employee's employment
- Electronic diary/organiser or similar
- A notebook/laptop computer or similar portable computer (limit one per year)
- For minor benefits of less than $100, the employer can claim the expense and not be liable for FBT. Also there will be no amount shown as a Fringe Benefit on the employee's payment summary.

CAPITAL GAINS TAX

Six year rule for CGT exemption for main residents

Providing you do not have a second main residence, you can choose to treat your home as your main residence for up to six years, even though you are renting it out. If you sell it within the six years, you'll be exempt from Capital Gains Tax.

The six year period can be extended for a further six years, if you **legitimately** return to your main residence before the end of the six years and subsequently elect to rent it out again.

As this matter is complex, please contact our office to discuss it in relation to your personal circumstances.

CAPITAL GAINS TAX

Are your CGT records up to date?

Waiting until you sell an asset to start thinking about Capital Gains Tax (CGT) is often too late. You should keep records from the date you acquire the asset and maintain records when buying, owning, improving and selling business assets. The records must be kept for at least 5 years after you dispose of the asset.

FBT & staff Christmas parties

With the Christmas season almost upon us, thoughts inevitably turn to Christmas parties and gifts. This is a complex area which often causes confusion.

The Fringe Benefits Tax (FBT), Goods and Services Tax (GST) and income tax consequences have been summarised in the schedule below. Please do not hesitate to contact our office for any clarification.

Event	FBT?	Deduction	Claim GST?
Gift for employee <$300	No	Yes	Yes
Gift for employee >$300	Yes	Yes	Yes
Party on premises - employee	No - regardless of cost	No	No
Party on premises - spouse	Only if benefit exceeds $300	Only if benefit exceeds $300	Only if benefit exceeds $300
Party off premises - employee	Only if benefit exceeds $300	Only if benefit exceeds $300	Only if benefit exceeds $300
Party off premises - staff	Only if benefit exceeds $300	Only if benefit exceeds $300	Only if benefit exceeds $300

There's a new cocktail on the market this Christmas. It's called a tax cocktail - two drinks and you withhold nothing!

Retirement

TRUSTS

Power of Appointorship

Do you have a discretionary trust? If you do then this article is particularly relevant to you. Can you answer these questions?

- Who is/are the appointors of my family trust?
- Have I addressed this position of control in my Will?
- Is this directive in my Will consistent with my family's asset protection strategies?

If you are not able to answer all of these questions then it's time to make contact with both your lawyer and your adviser from our office to discuss the implications of these questions to your own personal circumstances.

Review your super contributions to make the most of the increased cap

SUPERANNUATION

Higher contributions cap of $35,000

On 1 July 2013, the concessional contributions cap increased from $25,000 to $35,000 for individuals aged 60 years and over. The same threshold will apply from 1 July 2014 for individuals aged 50 years and over.

TIP: Eligibility for the higher cap depends on a person's age on 30 June in the previous income year. This means:

- Persons who were aged 59 years or over on 30 June 2013 are eligible for the higher cap in 2013-2014; and
- Persons who will be aged 49 years or over on 30 June 2014 will be eligible for the higher cap in 2014-15.

Please contact our office if you wish to discuss your eligibility for the higher cap.

Under the new cap, eligible individuals will potentially be able to claim greater deductions for superannuation contributions, or salary sacrifice larger contributions. It is important to note that this temporary concessional cap will cease when the general cap reaches $35,000 through indexation (which is expected to be 1 July 2018).

TIP: Taxpayers aged 59 years or over on 30 June 2013, should consider reviewing their salary-sacrificing arrangements, deductions for personal contributions and transition to retirement pensions to take into account the higher concessional cap of $35,000 for 2013-14.

SUPERANNUATION

Super: An often-asked question

Employers often have to grapple with the situation where they contract a person for work. A tax invoice is given with their correct ABN, GST etc. The individual is paid for their services. Does Superannuation Guarantee apply in this situation?

The short answer is yes. Superannuation Guarantee is compulsory and provides that, in addition to payments of salary or wages to employees, it must also be paid in respect of work under a contract, that is wholly or principally for a person's labour.

Consequently, when you employ an individual on an hourly rate, the payment is for that persons labour. You are therefore required to remit Superannuation Guarantee to the nominated superannuation fund.

The position would be different if you were contracting with that person's associated Company of Trust. In that situation you would not be paying the person for his labour. Instead you would be contracting with an entity controlled by the person. It would be that entity which would be subject to the superannuation guarantee rules, in respect of any payments which that entity makes to the person.

Be aware however, that the Tax Office also have rulings regarding personal exertion income in trusts. Call your advisor for further clarification.

Provide the correct documentation to ensure proper claims

SUPERANNUATION

Claiming super as a tax deduction

To claim a deduction for a personal superannuation contribution, you must provide the superannuation fund trustee, with a valid Notice of Intent. This is known as a Section 290-170 Notice. The notice must specify the amount the person is to be claimed as a tax deduction-this amount will then be treated as a concessional contribution by the fund.

Section 290-170 (1) (b) requires the Notice be given at the earlier of:

- The date of lodgement of the member's Income Tax Return, or
- By 30 June, in the year after the year in which the contribution was made.

Finally the fund must officially acknowledge the documentation with another notice. Without this notice, the deduction for personal superannuation contributions is not allowed.

Business

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BUSINESS PLANNING

Does your business need an Estate plan?

- If you or your business partners left the business due to death, serious illness or injury, could your business afford to pay out the departing owner or their Estate for their share of the business?
- Have you and your partners left the business... and what each partners' share would be should one of you be forced to leave due to death, illness or injury?
- Would the business be able to cope with the loss of a partner from the point of view of loss of productivity, innovation management, profit and/or client retention?
- Would the continuing partners be happy for the departing owner's spouse or child to work in the business as a replacement for the departing partner?
- Could the business afford to pay the spouse of the departing partner a share of the business profits without the spouse having to work in the business?
- Would the continuing partners be happy to sell the departing partner's share of the business to a third party?
- Would the business be able to repay its debts if the bank called those loans on the death of a partner?

BUSINESS ASSETS

Small business asset write-off changes

If you are contemplating low cost equipment or vehicle purchase, you may want to bring forward this purchase based on a recent Government announcement. From 1 January 2014 the:

- $6,500 write-off will be reduced to its old rate of $1,000.
- $5,000 write-off which allows small businesses to claim a bonus $5,000 write-off in the year the vehicle is purchased will be abolished altogether.

Bones

Someone has said that membership in every organisation is made up of four kinds of bones:

1. There are the wishbones - who spend all their time wishing someone else would do all the work.
2. There are the jawbones - who do all the talking but very little else.
3. There are the knucklebones - who knock everything that anybody else tries to do.
4. Finally, there are backbones - who get under the load and do all the work.

RJC EVANS NEWS

Office hours during the holiday season

To enable the RJC Evans & Co Team to enjoy a well earned break over the Festive Season, the office will be operating on a skeleton staff.

The office will be closed from 1pm on **Friday 20 December** through to **Monday 30 December.** A skeleton staff will operate until **Monday 6th January** when the office will reopen with a full compliment.

Seasons greetings

from the RJC Evans team