RJC EVANS & Co

News

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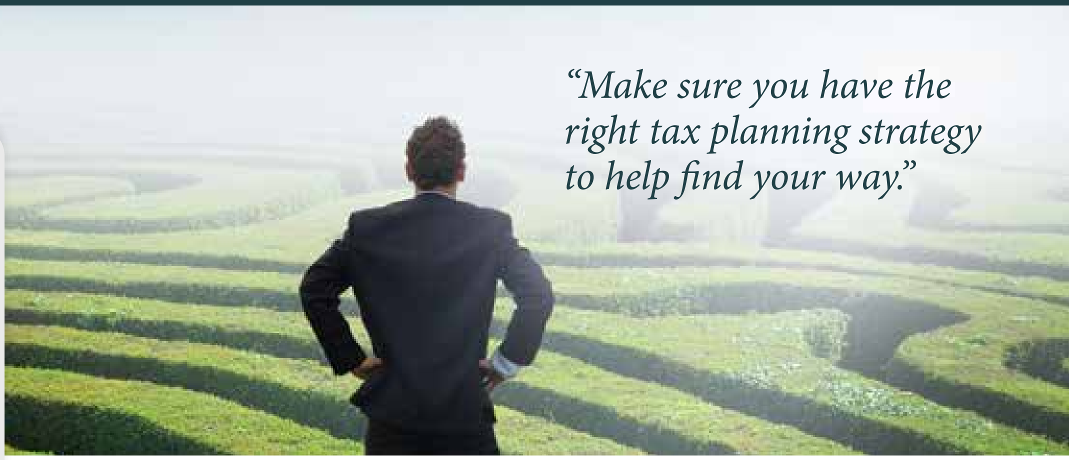
RJC EVANS & CO

June / July 2015



"Make sure you have the right tax planning strategy to help find your way."

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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

Prepare a path for this year's tax

The end of a financial year always causes a flurry of activity. With recent Federal Budget announcements, this will be particularly so this year. Understanding what you can do to enhance your 2015 tax outcome in the weeks remaining in the financial year, could provide the icing on the cake.

Strategies such as bringing forward tax deductions or delaying the receipt of income, within the rules, can mean less tax this year. New measures provided in the recent Federal Budget have resulted in additional tools for the "toolbox" of tax planning strategies this year. Details of these are outlined in this newsletter.

Superannuation is central to year-end tax planning. It provides tax savings over both short and long terms. Read on for details of superannuation strategies and reminders about superannuation contribution limits.

The three biggest mistakes which can be made when adopting a tax planning strategy are:

- **Spending, simply for the sake of the tax deduction**
- **Taking deductions that will cause you a cash-flow problem, and**
- **Taking a lower value tax deduction this year only to pay the tax at a higher rate next year**

It is always important to remember that you need to spend a dollar to obtain the tax deduction. The value of the tax deduction is only a portion of the dollar spent. Put simply, the value relates to the rate in the dollar of tax being paid.

Spending just for the sake of the tax deduction is generally a poor quality decision. Make sure that the spending has real value for your business and the tax offset is simply a flow-on benefit.

Consideration should also be given to your cash position. The majority of tax deductions available, will require you to outlay the cash. If this means that over the September quarter, you are going to run into cash-flow problems, then you could be putting your business at risk. Make sure that you can fund any proposed expenditure.

In determining the benefits of any expenditure prepayment, it is also beneficial to have a look at both your likely tax position for the current year, and next year. One thing to look out for here is differences in your likely tax rate or your overall tax position. If you are paying maximum tax rates, this year, then accelerating your tax deductions would generally be a good idea.

However, if you are not on maximum rates this year, but are likely to be in the following year, think about whether the benefits of the tax saving this year is worth sacrificing a greater benefit next year.

After considering all these factors, your end of financial year tax planning would have resulted in you, planning your tax not taxing your plan.

Andrew Evans

Taxation

Last-minute Individual Tax Planning Advice

Investment Property

Many expenses stemming from owning a rental property are claimable, so it can be helpful to bring-forward any expenses before June 30, and claim them in the present financial year.

Pre-pay investment loan interest

Pre-paying interest for the 2014/2015 financial year for your investment property or margin loan on shares (or other loan types). To pay interest on borrowings upfront, gives you a deduction this year. Most taxpayers can claim a deduction this year for up to 12 months ahead.

Bring-forward expenses, defer income

Try to bring forward other deductions (like the interest payments mentioned above) into the 2014/2015 year. If you know that next year you will be earning less, (maternity leave, going part-time, etc) deductible expenses that can be brought forward in the present financial year, will provide more financial benefit in that case.

If you expect to earn more next financial year, it may be to your advantage to delay any tax deductible payments until next financial year.

Claimed depreciation deductions

Immediate deductions can be claimed for depreciating assets that cost under $300 and are mainly used to earn non-business income. This deduction is only available to an individual employee or rental property owner to the extent that the asset is used mainly to earn salary, wages, or rent.

"If you expect to earn more next financial year, it may be to your advantage to delay any tax deductible payments until next financial year."

Income Tax Rates

2014-15 financial year

Taxable Income	Tax Payable
$0 - $18,200	NIL
$18,201 - $37,000	19% of excess over $18,200
$37,001 - $80,000	$3,572 + 32.5% of excess over $37,000
$80,001 - $180,000	$17,547 + 37% of excess over $80,000
$180,000 +	$54,547 + 45%* of excess over $180,000

2015-16 financial year

Taxable Income	Tax Payable
$0 - $19,400	NIL
$19,401 - $37,000	19% of excess over $19,400
$37,001 - $80,000	$3,344 + 33% of excess over $37,000
$80,001 - $180,000	$17,534 + 37% of excess over $80,000
$180,000 +	$54,534 + 45%* of excess over $180,000

Note that from 1/7/2014 the Medicare Levy rate is 2%.

* For both of these years individuals with an income in excess of $180,000 will pay the 2% Budget Repair Levy on income above $180,000. This is in addition to the 45% in the above charts.

Car Expenses – per kilometre rates – 2014/15

Conventional Engines	Cents per km
0-1,600 cc	0.65
1,601-2,600 cc	0.76
2,601 cc +	0.77

As can be seen from this table, there has been no change in the rate from that of the 2014 financial year.

Under a recent Budget measure, from 1 July 2015, there will be one flat rate of $0.66 per kilometre irrespective of engine size.

Tax Office Scam

There is a scam currently circulating where fraudsters, claiming to be from the Australian Taxation Office (ATO), intimidate people over the phone into paying a fake debt.

They attempt to force people to pay a purported debt immediately, threatening an audit or even arrest if they do not comply.

The ATO has stated that they would never contact taxpayers about their debt in such a threatening manner.

If you receive a phone call like this from a person claiming to be from the ATO, you should contact us immediately before you pay any money or hand over any financial details. We will check if the debt does exist and advise you on how it can be paid.

Luxury car tax rate and thresholds

Luxury Car Tax Rate

Cars with a Luxury Car Tax (LCT) value over the LCT threshold attract a LCT rate of 33%.

Luxury Car Tax Thresholds

The following table lists the Luxury Car Tax (LCT) thresholds.

If you buy a car with a GST inclusive value above these LCT thresholds, you must pay LCT. In general, the value of a car includes the value of any parts, accessories or attachments you supplied, or imported at the same time as the car.

LCT Thresholds

Financial Year	Fuel – Efficient Vehicles	Other Vehicles
2015-16	$75,375.00	$63,184.00
2014-15	$75,375.00	$61,884.00

Eligibility for Net Medical Expenses Tax Offset

THE NET MEDICAL EXPENSES TAX OFFSET (NMETO) IS BEING PHASED OUT.

To be eligible for the NMETO, for 2014-15, an individual must have received an amount of the offset in both of their 2012-13 and 2013-14 income tax assessments.

The eligibility rule for the NMETO does not apply to clients with out-of-pocket medical expenses relating to Disability Aids, Attendant Care and Aged Care. These expenses can continue to be claimed until 30th June 2019.

It should also be noted that a means test applies for the NMETO for people with an adjusted taxable income above the Medicare Levy Surcharge Thresholds ($88,000 for singles and $176,000 for couples or families in 2014-15).

The threshold above which a taxpayer may claim NMETO is $5,000. The rate of reimbursement is also reduced to 10% for eligible out-of-pocket expenses incurred.

If you claimed the offset in 2013-14 (and therefore are still eligible to claim in 2014-15) you may wish to consider bringing forward any impending medical expenses to before 1st of July. By doing so, you may be entitled to claim a percentage of those expenses on your 2014-15 tax return. With some limited exceptions, the offset ceases from 1 July 2015.

Perhaps you could considering bringing forward the following expenses to before 1 July, including payments:

- To dentists, orthodontists or registered dental mechanics
- To opticians or optometrists for the cost of prescription glasses or contact lenses
- For therapeutic treatment under the direction of a doctor
- For medical aids prescribed by a doctor
- For artificial limbs or eyes and hearing aids
- For laser eye surgery, and
- For treatment under an IVF program

2015 FEDERAL BUDGET HIGHLIGHTS

FOR BUSINESS

$20,000 immediate deduction

This proposal will allow small businesses (turnover less than $2 million) immediate deductions on assets costing less than $20,000 (exclusive of GST if registered). The measure is set to apply for assets acquired or installed ready for use from 7.00 PM (SA time) 12 May 2015.

This can include the purchase of both new and second hand items. It does not allow the immediate write off of $20,000 on an asset exceeding this value. It strictly relates to assets costing less than $20,000.

1.5% tax cut for small companies

From the 2015/16 financial year, companies with an aggregated turnover of less than $2 million will receive a 1.5% tax cut, reducing the tax rate to 28.5%.

This will not effect the franking credit rate, which will remain unchanged at 30% for all companies.

5% tax discount for unincorporated small businesses

Individuals with business income from unincorporated small businesses (turnover less than $2 million) will receive a 5% discount on any tax payable on the income received from the unincorporated small business, up to a maximum discount of $1,000 per individual.

Professional expenses incurred in starting up a business

Immediate deductions for professional expenses, such as legal and accounting advice, associated in establishing a company, trust or partnership.

Currently these expenses are written off over a 5 years period.

CGT roll-over relief for small businesses

This proposal will allow small businesses (turnover less than $2 million) to change legal structure without attracting a CGT liability. This measure is set to be introduced in the 2016/2017 income year.

FBT changes for electronic devices

A Fringe Benefits Tax exemption to small businesses (turnover less than $2 million) that provide employees with more than one portable electronic device with a similar function.

Currently an exemption is available for more than one electronic device provided to an employee only where they have significantly different functions.

FOR INDIVIDUALS

Changes to work related car expenses

- Removal of '12 percent of original value method' and 'one-third actual expense method'
- Changing the 'Cents per kilometre method' to a flat rate of 66 cents per kilometre for all motor vehicles, rather than having 3 different rates depending on engine size.
- The logbook method will remain unchanged.

Zone tax offset

The eligibility criteria will be changed to only allow individuals who live permanently within a 'zone' to claim the offset.

This will exclude the likes of Fly-in fly-out (FIFO) workers, who may spend more than the required 183 days within a 'zone', from claiming the tax offset.

FOR PRIMARY PRODUCERS

Asset write-offs – Good News

While it was announced on Budget Night that from 1 July 2016 Primary Producers will be able to receive immediate deductions for capital expenditure on fencing and water facilities, as well as being able to write-off fodder storage assets over three years, this has now changed. It will now apply from Budget Night.

Age Pension Asset-Free Threshold Changes

The Budget proposes three key measures designed to improve the integrity of the Age Pension and reduce expenditure.

These are:

- An increase to the asset free-threshold
- An increase to the taper rate from $1.50 to $3.00 for every thousand dollars of assets that exceed the asset-free threshold, and
- A cap to the amount of define benefits income (for superannuants receiving a defined benefits income stream) can be excluded from the income test at 10%.

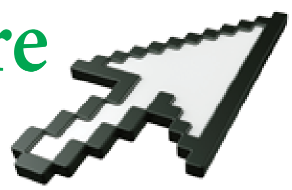
Additionally, the Government does not intend to proceed with plans to index the Age Pension with CPI.

Increasing of the Assets Test Taper Rate

From January 2017, the Assets Test Taper Rate will increase from $1.50 to $3.00. The current and propose thresholds are:

	Assets Test threshold for part pension (March 20, 2015)	Assets Test threshold for part pension (January 1, 2017)
Single, homeowner	$775,500	$547,000
Single, non-homeowner	$922,000	$747,000
Couple, homeowner	$1,151,500	$823,000
Couple, non-homeowner	$1,298,000	$1,023,000

Think Before You Click



We have received reports on emails received which look like they are either from the Australian Federal Police or the Australian Taxation Office. There is a spate of phishing emails which can be detrimental to your computer system if you click on the links. Should you have inadvertently clicked on these links you will be needing to reinstate programs and data. We cannot stress enough that you should have a good backup plan to an external drive or location in place. Starting from scratch is a waste of time and unnecessary if good backup procedures had been in place.

General

Claiming a tax deduction on your personal superannuation contributions made into your Self-Managed Super Fund (SMSF)

You may be able to claim a tax deduction on contribution made into your SMSF. First check the eligibility rules.

The deduction is normally restricted to self-employed people and people who either do not receive any superannuation support (e.g. Retirees), or receive very limited superannuation support from their employer.

You must also be aged under 75. If you are 75 years or older, you can only claim a deduction for contributions you made before the 28th day of the month following the month in which you turned 75.

If you are eligible and intend to claim a tax deduction, you will need to lodge a "notice of intent to claim a tax deduction" with your SMSF trustee, before you lodge your personal income tax return. Your SMSF trustee must also provide you with an acknowledgement of your intent to claim the deduction.

Government Co-contribution

If your adjusted income is less than $49,488 you may like to take advantage of the Government co-contribution.

You can do this by making after tax (non-concessional) super contributions before the end of the financial year. For every dollar of contribution that is eligible, the Government will contribute 50 cents to your superannuation, up to a maximum Government co-contribution of $500. For 2014/15, the maximum Government co-contribution is payable for individuals on incomes at or below $34,488 and reduces by 3.33 cents for each dollar above this, cutting out completely once an individual's total income for the year exceeds $49,488.

Corporate vs Individual Trustees for Super Funds

It is a requirement for all superannuation funds, including SMSF's, to have either a corporate or individual trustee. As setting up a fund with an individual trustee is the cheaper option, this appears to be the preferred option in Australia, but the long term benefits of a corporate trustee are often overlooked.

Asset Protection

Individual Trustees can be personally liable for the actions of the fund. In the case that the superfund is subject to litigation, the individual trustees can be held accountable, putting their personal assets at risk of exposure. However, if the trustee is a company, any action will be limited to the assets of the company and not those of the directors.

Administrative Ease

When a SMSF has individual trustees, the fund's assets are held in the name of the individual trustees. When members of the fund change, it is a requirement to change the legal name of all the assets of the fund, such as bank accounts and listed investments (of which a fee per security is usually charged to do so). This can be both time consuming and expensive. If a fund has a corporate trustee there is no change in the ownership of the asset, just the directors of the company.

Death

Having a corporate trustee simplifies trustee succession. A corporate trustee will continue in the event of a member's death, where as if the deceased is a trustee, the fund may be put in the situation where it can't continue to operate or pay out certain benefits.

Longevity

Unlike other certain types of trusts, super funds are designed to have an infinite life time. In the case that you wish your super fund to be passed down from one generation to the other, you can't allow the trustee to die. The ideal structure in this situation is a corporate trustee.

Cost

It is more expensive to set up a SMSF with a corporate trustee. There will be legal fees associated with setting up the company and fund. You are required to pay a fee of $457 to ASIC to register the company. Beyond that, if the company is solely used as a SMSF trustee then there is an ASIC annual review few of just $45 a year. In the scheme of things, this is a small price to pay for these benefits.

IMPORTANT READ

Superannuation Year End Planning for 2014/15

Increased tax effective contributions for those aged 49 and over

For anyone who was aged 49 or over as at 30 June 2014 and was eligible to make tax deductible contributions to superannuation, the maximum amount is $35,000 (including Superannuation Guarantee contributions). Those who are ineligible to claim tax deductions for personal contributions, such as employees, can benefit from salary sacrificing superannuation, although to be effective, the salary sacrificing agreement with your employer has to have been in place for the year to be worthwhile.

If you wish to maximise your contributions before 30 June, make sure you check with our office that your salary sacrifice agreement with your employer allows the maximum to be salary sacrificed.

If you are older than 65, you will need to meet a work test to contribute to superannuation. You will need to work for at least 40 hours during 30 consecutive days prior to making any personal contributions in the financial year.

Claiming a tax deduction for personal superannuation contributions

If you are self-employed, an investor, in receipt of a pension and received less than 10% of your income, fringe benefits and other related payments from employment, you may qualify for a personal tax deduction to superannuation. If you intend to claim a tax deduction make sure you are eligible and seek advice if you are unsure.

Making after tax contributions to superannuation

You can make after tax contributions to superannuation which could come from your personal savings, transferring personal investments, an inheritance or from the sale of investments. This financial year, the maximum personal after tax contributions is $180,000.

However, if you are under 65, you can contribute up to $540,000 over a three year period. This allows you to make substantial contributions to superannuation and build up your retirement savings. The way it works is that if you are under 65 and make total after tax contributions or more than $180,000 in a financial year the bring-forward rule is triggered. This allows you to make non-deductible contributions of up to $540,000 in total over a fixed three year period commencing in the year in which you contributed more than $180,000.

The contribution caps for 1 July 2014 to 30 June 2015

Contribution type	Age of the member	Contribution cap
Concessional contribution	Everyone	$30,000
Concessional contribution	Aged 49 or over on 30 June 2014	$35,000
Non-concessional contribution	Everyone	$180,000
Non-concessional contribution	Under 65 at any time in the 1st year	*$540,000 for 3 years

* Please remember that only people who are under aged 65 at any time in the first year of contribution can bring forward two (2) years of non-concessional contributions and make three years worth of non-concessional contributions (ie. a total of $540,000) in one year or over three years.

Tax agent 17083001

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

Milestones

A number of the RJC Evans & Co team have, or are about to, achieve significant employment milestones. Five people have a combined total of 90 years of service with RJC Evans & Co. That is a tremendous achievement. We thank and congratulate the following members of the RJC Evans & Co team.

Paul Anson

Earlier this year, Paul Anson celebrated 45 years with the firm. Originally from Smoky Bay, on the Eyre Peninsula, Paul settled into travelling to both the Peninsula and the Mid North to assist clients with both their accounting and income tax needs. It is quite likely that Paul is the most well-travelled accountant within the firm.

Paul notes change in the complexity of tax laws and technology as the two most significant areas of difference from when he started his career. Paul's generous personality has seen him assist many a young graduate accountant in the early years of their career. For this, they, and the firm are most appreciative.

Sharon Lawrence

Over 25 years ago, Sharon Lawrence had a work experience placement at RJC Evans & Co. John Evans was so impressed with Sharon's performance, that he offered her employment once she had completed her accounting studies.

Following completion of these, Sharon commenced work and quickly progressed to the position of Team Manager. A position she still holds. Over the years, Sharon has helped both clients, graduates and other members of the firm, with their accounting, tax and technology needs. Both the clients and the RJC Evans & Co team have been fortunate to have experienced such continuity of service.

Nathan Jacobs

Just over ten years ago, Nathan Jacobs commenced employment with RJC Evans & Co. Nathan was a young graduate accountant from the Barossa, who was looking for employment in the 'big smoke'. With his country background Nathan easily settled into the firm.

Nathan's current role is as a Team Manager for Stephen Evans.

Ian Jeffrey

Just over ten years ago, Ian Jeffrey arrived at the firm. Ian's role is to assist with the firm's special projects.

With considerable accounting and taxation experience, Ian has been readily able to fit in and assist RJC Evans & Co clients.

The firm would like to thank all of these people on their longstanding support of the firm.

In this day and age, it is quite easy to take continuity of service for granted. The firm wishes to acknowledge this service and the benefit it brings to both the firm and clients. Many thanks from all of us.

Thank You

IN BRIEF

Changes to Farm Management Deposit Scheme

The taxable non-primary production income threshold for the Farm Management Deposit Scheme, has increased to $100,000 from the 1st of July 2014. Previously it was $65,000.

This now means that primary producer clients who previously were ineligible because of the level of non-primary production income, will be eligible to make a farm management deposit, prior to the end of the 2015 financial year.

If you are eligible to make an FMD, you need to make sure that your deposits are **both** of the following:

- At least $1,000
- Your total of FMDs held is not more than $400,000 at any one time

30th June Employee Bonuses and Director Fee Bonuses

Many businesses are entitled to claim a tax deduction for an expense in the year in which the business has committed to the liability. If you have committed to pay employees end-of-year bonuses, the accrued expense can be claimed as a tax deduction even though it is physically paid next financial year (provided that the employee is not an "associate" of the business entity – such as a shareholder of a company).

A company can also claim director bonuses in the year the expense is accrued, in the same way. For a company to claim a deduction for a director or employee bonus, without physically paying the money, the company must before the end of the financial year, commit to and document payment of a quantified amount (which could be of formula based on profit or revenue amounts yet to be finalised).