

News

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Friendship, kindness and understanding towards family and friends, provide the Joy which lasts!

Joy To The World!

When the Crows and Richmond stepped out on to the MCG for the AFL Grand Final they had decades of expectation from fans on their shoulders.

Instead of waiting decades, each year we have expectations of Christmas, and the festive season. Our previous experience lets us know what to expect: holidays, presents and time shared with family and friends.

Christmas is known as the season of Joy.

Bushwalking in Tasmania recently provided me with the opportunity to consider the concept of Joy.

Was it sitting in the middle of nowhere, enjoying not only spectacular scenery, but the serenity?

Was it the Joy of sharing food, conversations and banter with friends?

Or was it simply having a cup of hot tea - especially if it was prepared by someone else?

There is no doubt that the focus during this trip was on the simpler and more immediate needs of life.

What value can you put on shoulder-to-shoulder talking or sitting around relaxing after a long day's walking?

Various natural wonders of the world surrounded me. Joy was always within reach. It was while sitting in the warmth of the sun one afternoon, that I concluded the real Joy of Christmas comes not in the hurrying and scurrying before and on Christmas day.

Rather, gifts that have eternal value such as friendship, kindness and understanding towards family and friends, provide the Joy which lasts.

It was there, in Tasmania, that I came to the conclusion that the Joy of Christmas is not that complicated at all. It is simplicity itself.

After all, it did start in a manger.

All of us at RJC Evans & Co, wish you and your families a safe and happy Christmas, and a prosperous New Year. We thank you for your continued support.

Merry Christmas. May the Joy of Christmas be with you throughout the New Year.

Andrew Evans

Christmas Break Office Hours

Our office will be closed from **12:30PM ON FRIDAY THE 22ND OF DECEMBER 2017** and returning on **MONDAY THE 8TH OF JANUARY 2018** for the Christmas break.

Sale of Your House After Age 65

Individuals aged 65 or over, will be able to make an additional contribution to superannuation, of up to \$300,000 from the proceeds of selling their home.

This measure was part of the May 2017 Budget changes.

The basic details are as follows:

- The sale of the principal place of residence must occur after 1 July 2018.
- The member making the special contribution must be aged 65 or more.
- The principal place of residence must have been held for ten or more years.
- The contribution will need to be made within 90 days of settlement, unless the Tax Office allows an extension for exceptional circumstances.

Both members of a couple can contribute to superannuation under this policy.

This special superannuation contribution will still be included in the transfer balance cap. That is, included within the \$1.6 million transfer balance.

While the downsizer contribution is prevented from being made, by reason of the \$1.6 million balance rule, they are not exempt from the transfer balance cap.

If a person has exhausted their transfer balance cap, any downsizer contributions can only increase your accumulation accounts, not the pension accounts.

Square Away With The ATO Before You Ship Off Overseas



The Tax Office is reminding Australians, planning to move overseas, not to get caught out by recent changes to the compulsory payment of Higher Education Loan Program (HELP) and Trade Support Loan (TSL) Debts.

Australians with a HELP and/or TSL, planning to move abroad for longer than six months, need to be aware of the requirement to provide overseas contact details within seven days of leaving the country.

Talking to the Tax Office is probably the last thing on someone's mind when they are planning an overseas move.

If your new international residential address is not yet known, you will need

to provide the best contact address while you are away. This could be a parent's, relative's or friend's address. Your new international residential address can be updated once you have settled into your new location.

The key point is to make sure that you have updated your contact details, including your international residential email addresses, with the Tax Office.

From 1 July 2017, anyone living overseas and earning above the minimum repayment threshold, will be required to make loan repayments - just as they would if they were living in Australia.

Don't get caught out by recent changes to HELP & TSL Debts

Tax Deductions For Your Holiday House



With Christmas rapidly approaching, many look forward to an annual get away, either to the beach or the bush, to unwind and recharge after a hectic year of working.

While having a holiday house is a luxury that a lucky few may be fortunate enough to be able to own outright, for many, having a beach shack or bush retreat can be made more affordable by leasing out the property to other holiday-makers.

From an income tax point of view, the principles that apply to an investment rental property, also apply to a holiday house if it is leased or rented out. The owners are therefore eligible to claim expenses for the property, based on the proportion of the income year when it was rented out, or alternatively, based on when it was 'genuinely available' for rent.

Deductible Expenses

Some deductible expenses can include interest on funds borrowed to buy the house, property insurance, agent's commission, repairs and maintenance costs, council rates, the declining value of depreciating assets (such as hot water systems or stoves), and capital works. Check with our office to ensure that an expense is eligible.

As most would expect, if you also use the holiday house yourself, you cannot claim deductions for proportionate expenses that relate to that private use.

If for example, the house is made available to renting holiday-makers for most of the year, but you reserve three weeks over an off-peak period for private use, that three-week period needs to be ignored when apportioning deductions. This also includes use by other family members, relatives and friends who are not paying market rates.

If rent is charged to relatives and friends, but is set at less than the market rate, the Tax Office will limit deductions to the amount of rent received for the period concerned.

Genuine Availability

The Tax Office has outlined various factors that it believes may indicate that a holiday house is not 'genuinely available' to be rented - leaving the property owner ineligible to make expense claims.

Factors that the Tax Office can be on the lookout for include a holiday house that is:

- Advertised in ways that limit its exposure to potential tenants - for example, the property is only advertised:
 - ▷ At your workplace
 - ▷ By word of mouth
 - ▷ Outside annual holiday periods and the likelihood of it being rented out is very low
- The location, condition of the property, or accessibility
- If you place unreasonable or stringent conditions on renting out the property, that restrict the likelihood of the property being rented out - such as:
 - ▷ Setting the rent above the rate of comparable properties in the area
 - ▷ Placing a combination of restrictions on renting out the property - such as requiring perspective tenants to provide references for short holiday stays, or having conditions like 'no children' and 'no pets', and
 - ▷ You refuse to rent out the property to interested people without adequate reasons

In short, the property must be, 'genuinely available' for rent.

Please contact our office for any further clarification.



Superannuation

Multiple Superannuation Accounts

A smart way to begin 2018, is to check if you hold multiple superannuation accounts



How many superannuation accounts do you have? No doubt, some people have more superannuation accounts than credit cards!

It can be particularly easy for someone who is relatively new to the job market, and to superannuation, to quickly hold a collection of superannuation accounts. Even those with full-time jobs often join a new default superannuation fund. Perhaps it is time for a review of these accounts in 2018. Which one should I retain?

The statistics are interesting:

How Australia Saves

A research paper recently published by Vanguard, highlights more than 45% of Australian superannuation fund members have multiple superannuation accounts. In fact, Australians had more than 29 million superannuation accounts in June 2016, against the total population at the time, a little more than 24 million.

The Productivity Commission's Enquiry into the competitiveness and efficiency of the superannuation system, has pointed to the Tax Office data showing that close to 20% of members have between three and five accounts each.

Some members may be holding multiple accounts for good reason, such as to maintain insurance cover or because of restrictions in the choice of fund provisions.

However, the vast majority of members with multiple accounts would be unnecessarily paying multiple sets of fund administration fees and insurance premiums. That is the reality.

A smart way to begin 2018, is to check that you don't needlessly hold multiple superannuation accounts which add to your costs and complicate your retirement savings.

Unnecessary costs erode your long-term returns.

New Opportunities for Tax-Deductible Contributions

From 1 July 2017, the 10% Test which previously applied to personal deductible contributions, has been removed.

As a result, all clients under the age of 75 (including those aged 65-74 who satisfy the Work Test) will be eligible to claim a tax deduction for personal superannuation contributions.

Prior to 1 July 2017, taxpayers who were employees at any time of the financial year, must have earned less than 10% of their income (being their assessable income, plus reportable fringe benefits and reportable employer superannuation contributions) from employment (the 10% Test) to be eligible to claim a tax deduction for personal superannuation contributions.

This generally meant that only taxpayers who were self-employed or not employed (e.g. retirees) were eligible.

Deductions Disallowed if Made to Certain Funds

While the new rules allow personal deductible contributions to be made by a wider range of taxpayers, including employees, some cannot claim a tax deduction for contributions made to the following superannuation funds:

- Commonwealth Public Section Superannuation Schemes where the member has a defined benefit interest
- A superannuation fund where the fund would not include the contribution in its assessable income, e.g. a Constitutionally Protected Fund (CPF)
- Superannuation funds that have one or more members that have a defined benefit interest, and the Trustee has made an election not to accept personal deductible contributions

Clients who are members of these funds, may wish to make personal tax-deductible contributions to an alternative fund which will allow them to claim an income tax deduction.



ATO Campaign Against Non-Payment of Staff Superannuation

The Tax Office has announced that a large-scale surveillance project will be aimed at employers not paying Superannuation Guarantee in full, and on time.

As part of this, the Tax Office will be increasing its "proactive" Superannuation Guarantee casework by more than one-third in the 2017/18 year. This will involve reviews and audits. Employers who are found to have breached their obligations, may be subject to penalties of up to 200% per employee, plus interest! Neither of these are tax deductible.

It is therefore vital, that employers meet their Superannuation Guarantee obligations.

Superannuation Guarantee is payable at 9.5% on an employee's Ordinary Times Earnings. Payments must be made quarterly for the previous three months, and are due 28 days after the end of each quarter - being 28 January, 28 April, 28 July, 28 October. There are no extensions.

Employers' unpaid superannuation contributions now total \$3.6 billion annually.

Data collected from a range of Government Agencies, shows that 97% of offenders are owners of small businesses.

To enforce compliance more effectively, the Federal Government will enact a new package of legislation requiring, among other things, that superannuation funds report data more frequently to the Australian Taxation Office (TAX OFFICE).

The package will also give tax officers additional powers to issue Director Penalty Notices (DPNs).

Although the final details are yet to be announced, it is understood that employers considered high-risk for non-compliance, and potential targets for DPNs, will be required to lodge security bonds with the Tax Office. This is expected to considerably strengthen the DPN regime.

The Tax Office can already act to inflict a range of charges and penalties that may include an initial 'Superannuation Guarantee Charge' for businesses discovered not to have paid correct superannuation entitlements on time. This charge consists of interest on unpaid superannuation, plus a quarterly administration fee of \$20 per employee, until the correct amount has been paid. The Superannuation Guarantee Charge is not tax deductible either.

The Tax Office may also consider issuing DPNs correctly against employers in order to collect unpaid superannuation.

Employers who are found to have breached their obligations, may be subject to penalties

SMSF Changes You Must Notify the ATO About

As a Trustee of a Self-Managed Superannuation Fund (SMSF), you must give the Tax Office written notice (within 28 days) if there are any change to the following:

- The name of the fund
- Address of the fund
- Details of the main person of contact

- The membership of the fund
- The Trustees of the Fund
- The Directors of the Fund's Corporate Trustee

You will also need to notify the Tax Office of any changes to your SMSF's bank account details and electronic service address (i.e. email address).

Some interesting insights from our client seminar

RJC Evans Financial Planning Client Seminar

On Monday, 27 November, we held our client seminar with the focus on retirement. The seminar kicked off with an insightful market update provided by Riccardo Briganti, who is an investment specialist at BT Financial Group.

We then considered the question, "How much is Enough?" in the context of retirement. This is a question often posed by clients.

The Western Australia Newspaper recently conducted a 5,500 participant survey. The survey showed some concerning results, including:

70%
of pre-retirees plan to work past the age of 65;

21%
of retirees will work part-time;

1 in 10
retirees feel prepared;

50%
admit their financial knowledge is poor;

Only 12%
have a financial plan;

75%
think that their children should be responsible to look after them;

50%
of retirees said that they would have done things differently

The Retirement Standard, a report calculating the average living costs of retirees and produced by the Association of Superannuation Funds Australia (ASFA), distinguishes between a Modest and Comfortable lifestyle. The Modest lifestyle covers the bare minimum in living costs, whereas the Comfortable lifestyle makes provision for a holiday, or dine-out on occasion. Although the Comfortable lifestyle is not extravagant, it does mirror what the average Australian retiree wants. The current figures show that a single pensioner needs \$24,270 p.a. and a couple \$34,911 p.a. on the Modest lifestyle. This is in line with the maximum Age Pension. For the Comfortable lifestyle, a single pensioner needs \$43,695 p.a. and a couple needs \$60,063 p.a. The retirement savings required to fund the Comfortable lifestyle amount of \$60,063 p.a., will depend on the retirement age. It is estimated that a retiree couple will require \$640,000 today if they retire at age 66 and qualify for part Age Pension.²

However, if the same retiree couple retire at age 60, they will require approximately \$955,000 as they will be self-funded retirees not receiving any social security.

Tony Browne from Securitor Financial Group spoke about the psychology of retirement. Retirees typically emphasise the financial aspect in preparing for retirement. However, the importance of health, social, cognitive, motivational and emotional factors should not be under-estimated. Couples may not always agree on how to prioritise these factors. Tony gave an example of a couple who recently retired. Although they planned their retirement well from a financial perspective, they had very different expectations of their retirement, which resulted in a marriage breakdown.

Andrew Bridgland from Asteron Life shared a true story to illustrate the importance of planning not only for retirement, but also for risks that may affect the wider family. He provided retirement advice to clients who carefully planned how to fund their living costs in retirement and were confident that they could afford to retire. Months after they retired, their son-in-law was tragically killed in a car accident. Their daughter had 2 dependent children and was expecting their third child. They determined that except for a small amount of life insurance in super, their son-in-law did not make provision for this untimely event. They did what any parent would do and spent most of their retirement funds on supporting their daughter financially. Their retirement plan went up in flames. Although some clients may find this story confronting, or not applicable to them, it clearly shows the importance to also plan for risks that may affect your family. Unfortunately, most young parents do not have sufficient cover and rely on their parents' financial assistance in event of death, disability, accident or illness.

If any clients want to discuss any of the above topics, or any other financial planning concerns with Gerrit Lombard (our financial planner), please contact him on (08) 8272 2500 or glombard@rjcevans.com.au. Thank you to those clients who attended our seminar.

Source: Westpac – ASFA Retirement Standard (June Quarter 2017) www.superannuation.asn.au/resources/retirement-standard

Assumption: assumes the retiree(s) own their own home and the figures relate to expenditure by the household. This can be greater than household income after income tax where there is a drawdown on capital over the period of retirement. Single calculation is based on female figures.

² All figures in today's dollars using 2.75% AWE as a deflator and an assumed investment earning rate of 6 per cent. They are based on the means test for the Age Pension in effect from 1 January 2017.

RJC Evans Financial Planning will keep you informed about upcoming seminars.

FRINGE BENEFITS TAX & CHRISTMAS PARTIES

The festive season looms and we look forward to some good cheer, with Christmas parties and gifts being received. This is a complex area which often causes confusion.

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

A must read this Christmas Season

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 - Spouse	Only if benefit exceeds \$300	Only if benefit exceeds \$300	Only if benefit exceeds \$300

As can be seen from the chart above, if you want to keep it simple, have the Christmas party in the office, staff only. Costs including serving food and drink, at a Christmas party in the office are exempt from FBT. It must also happen on a work day. The FBT exemption applies, regardless of the costs.

If you invite an employee's partner or other family along, FBT is payable on their costs, unless the minor benefits FBT exemption applies. Minor benefits are free from FBT if they have a value of less than \$300 per person and meet certain other conditions.

What About Gifts? - The hamper, bottles of wine or the gift voucher

These will be free from FBT if the value is less than \$300.

If an employer gives a present at the staff Christmas party, both the meal and the gift will be free from FBT as minor benefits, even if together they cost more than \$300. If the value of each is less than \$300, and the other relevant conditions are met.

Is Any of this Tax Deductible?

The general rule is the employer can get a tax deduction for providing a Christmas party, to the extent that it is subject to FBT. Costs that are not subject to FBT are not tax deductible. That includes the costs for which the employer can get a minor benefit exemption.

The exception to this rule is the provision of a gift to an employee, of less than \$300 (GST inclusive) and provided in infrequently. This is an exempt minor tax-deductible benefit.

IN BRIEF

Motor Vehicle Deductions

For more than three million individuals who claimed the work-related car expense during the 2015/16 year, the Tax Office has issued a timely warning.

The 2016/17 tax returns will be more closely reviewed for any car expenses claimed under the "Cents Per Kilometre" method.

Under this method, while no records are required, you are still required to be able to show how you calculated your deduction, and that you undertake work-related travel.

Fast Facts:

Australian Agriculture Industry



- Consists of more than **135,000 farms nationwide**, including almost 385,000 ha of dedicated farming land and a further 26,000 ha used for crops
- Directly employs more than **300,000 people** (77% male and 23% female)
- Contributes **\$57 billion annually** to the national economy, which equates to 2.4% of Australia's GDP (forecast to reach \$100 billion by 2030)
- Supplies **93%** of Australia's total food requirements
- Exports more than **\$43 billion** worth of product annually, including half of all food produced in Australia
- **50%** of Australia's land is used for agriculture

*Sources: Startup.AUS/KPMG.