RJC EVANS & Co

News

R J C E V A N S & Co

Accountants • Tax Agents • Advisors

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

June / July / August 2018

/RJCEvansandCo

It has begun.

Get ready to press the button

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

The countdown to the end of the financial year has already started. Decision time.

It is the perfect time to start planning the outcome of your 2018 income tax return. If left too late, you may miss out on capitalising on opportunities to influence this result.

The golden rule at this time of the year is “never to invest for a tax break alone”. The maths is easy! Even at the top marginal tax bracket of 47% (including Medicare Levy), if you pay $10,000 to get a tax break, it will still cost you $5,300. A dollar spent can only save tax at your personal, marginal income tax rate.

A review of your tax position prior to the 30th of June ensures that you are taking advantage of all available incentives and initiatives to enhance your financial outcome. A tax break that you get today might not always be there in the future.

Many tax planning activities don’t require complex strategies. Take for example, income deferral. Income is deferred until the next year, but the expenses relating to the earning of the income are claimed this financial year, allowing tax to be deferred for another year.

Business owners should have strategies in place all year round to manage and/or reduce tax liabilities. The 30th of June presents some additional opportunities and is a critical deadline for minimising tax for the financial year.

Having good intentions are just that – good intentions. Now is the time to act on these to put the finishing touches on your 2018 taxation outcome.

This newsletter contains some proven, tax-effective strategies that can be implemented now or any time during the financial year.

Read on to take full advantage of the tax benefits on offer.

Remember, decisions have consequences.

Andrew Evans

Some Key Superannuation Strategies to Consider Before 30 June

Do You Pass the Test?

If you are aged between 65 and 74, it is critical to determine if you have passed the Work Test to make superannuation contributions. Under this test, you will need to have worked 40 hours over 30 consecutive days, to be able to make contributions to your superannuation fund.

Stay Within the Rules

It is essential to understand the rules around making contributions to your superannuation fund. There are two contribution categories and it is important to be able to distinguish between the two.

The first category is **Concessional Contributions.** These are contributions you make to your superannuation fund before you pay tax on your income, which helps lower the amount you earn and the tax you pay on it.

These contributions can include:

- Employer contributions
- Contributions made under a salary sacrifice arrangement
- Tax-deductible contributions by an individual

The maximum limit for these contributions (from **all** sources) is $25,000.

At this time of year, it is really important to review any salary sacrificing arrangements you have in place to ensure you stay within the rules. If you do pay too much on a concessional basis into your superannuation fund, you may have to pay more tax than you expected.

Super and the Self-Employed

If you work for yourself, or if your income comes from investments, pensions or sources from overseas, you may be able to make a personal contribution to your superannuation fund and claim a tax deduction for it.

If you are eligible to make a personal contribution to your superannuation fund, make sure you do so, well before the end of the financial year to ensure the money lands in your superannuation account before the 30 June.

To claim a tax deduction for personal superannuation contributions, you must give written notice to your fund. This is done by submitting a Notice of Intent that you wish to claim a tax deduction for all, or part of, a contribution you have made to the fund. This notice must be submitted, with confirmation being returned from your superannuation fund, before lodging your tax return.

There are strict rules around the format of the Notice of Intent and it is important to stay inside them. If you have not received such a form from your superannuation fund, you can download a form from the Australian Taxation Office's website to make this declaration.

Aside from the pre-tax contributions you can make, it is also possible to contribute to superannuation from after-tax earnings, being **Non-Concessional Contributions.** As they come from after-tax income, they are not taxed when deposited into your superannuation fund.

From 1 July 2017, the annual non-concessional cap has been reduced to $100,000 **per year.** This will remain available for individuals aged between 65 and 74 years old, if they meet the Work Test (previously referred to in this article).

It should be noted that if your superannuation account balance is greater than $1.6 million, from 1 July 2017, you are no longer eligible to make non-concessional contributions of this nature. The only possible non-concessional contribution which could be made in this situation, is a "downsizing contribution".

If you are under the age of 65, you can make non-concessional contributions of up to three times the annual non-concessional contribution cap in a single year, by bringing-forward your non-concessional contribution cap for a three-year period. This is known as the "Bring-Forward Arrangement".

For 2017/18, to access the non-concessional Bring-Forward Arrangement:

- You must be under 65 years of age for one day during the triggering year (first year)
- Your total superannuation balance must be less than $1.6 million at the end of 30 June 2017.

Total superannuation balance on 30 June 2017	Maximum non-concessional contributions cap for the first year	Bring-forward period
Less than $1.4 million	$300,000	3 years
$1.4 million to less than $1.5 million	$200,000	2 years
$1.5 million to less than $1.6 million	$100,000	No bring-forward period, general non-concessional contributions cap applies
$1.6 million	Nil	N/A

Once you are over the age of 75, you cannot contribute any more to your superannuation fund.

Other End of Year House Keeping

As we near the end of the tax year, if you have a superannuation pension, make sure you have received at least the minimum pension payment required across the year.

Personal superannuation contributions

- Since 1 July 2017, most individuals eligible to contribute to superannuation are able to claim a tax deduction for their personal superannuation contributions.
- To be eligible to make a personal superannuation contribution, you need to be under 74 years old at the time you make it and have a Tax File Number. If you are 65 or older, you are obliged to satisfy the Work Test of 40 hours work in a 30-day period in a financial year that you make a contribution before making it.
- It is important to recognise the cap includes all employer and personal deductible contributions in aggregate per financial year.

Does this apply to you?

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

May 2018 Budget Updates

Some great Federal Budget insights!

Tax Rates and Thresholds for 2018-19 Onwards

The following table reflects the Government's announced personal tax rate and threshold changes, **excluding the 2% Medicare Levy:**

Rate	2018-19 to 2021-22	2022-23 to 2023-24	2024-25 Onwards
0%	$0-$18,200	$0-$18,200	$0-$18,200
19%	$18,201-$37,000	$18,201-**$41,000**	$18,201-$41,000
32.5%	$37,001-**$90,000**	**$41,001-$120,000**	$41,001-**$200,000**
37%	**$90,001**-$180,000	**$120,001**-$180,000	N/A
45%	$180,001+	$180,001+	**$200,001+**

Tax Rates and Thresholds for 2017-18 Unchanged

The rates for the 2017-18 year (excluding the 2% Medicare Levy) remain unchanged and are indicated below:

Taxable Income	Tax Payable
$0-$18,200	Nil
$18,201-$37,000	Nil + 19% of excess over $18,200
$37,001-$87,000	$3,572 + 32.5% of excess over $37,000
$87,001-$180,000	$19,822 + 37% of excess over $87,000
$180,001+	$54,232 + 45% of excess over $180,000

Retaining the Medicare Levy at 2%

The Government **will not** increase the Medicare Levy rate from 2% to 2.5% of taxable income as previously legislated to commence from 1 July 2019.

Extending Accelerated Depreciation for Small Business – Effective from 1 July 2018

The Government will extend the existing $20,000 Instant Asset Write-Off by a further 12 months until 30 June 2019, for businesses with an aggregated annual turnover of less than $10 million.

Under this measure, small businesses will be able to immediately deduct purchases of eligible assets costing less than $20,000 where they are installed and ready for use by 30 June 2019.

Superannuation Work Test Exemption for Retirees

The Government intends to amend the superannuation contribution rules to allow people aged 65-74 who have a total superannuation balance of under $300,000, to make voluntary contributions for 12 months, from the end of the financial year they last satisfied the Work Test.

This will give people more time to make contributions to superannuation after they have retired and finished working. This measure is effective from **1 July 2019.**

SMSF Membership Increasing to Six

Effective from 1 July 2019, the definition of Self-Managed Superannuation Funds (SMSFs) in the SIS Act, will increase the maximum number of members in new and existing funds, from four to six.

Three-Year Audit Cycle for Some SMSFs

Effective from 1 July 2019, the Government will allow certain SMSFs to move from an annual to a three-year yearly audit cycle where they have:

- Three consecutive years of clear audit reports; and
- Lodged the fund's annual returns in a timely manner.

National Register of Enduring Powers of Attorney

While an effective date has not been specified, the Government, as part of a range of measures to protect the rights of older Australians from abuse, have agreed to work with the States and Territories to establish a National Register of Enduring Powers of Attorney.

Pension Work Bonus

An expanded Pension Work Bonus will allow aged pensioners to earn up to $300 per fortnight, an increase of $50 per fortnight from the existing $250, without reducing their Pension payments.

Therefore, a single person with no other income will be able to earn up to $468 per fortnight from work and retain eligibility for the full Age Pension.

The Bonus will also be extended to self-employed individuals who will now be able to earn up to $7,800 per year without reducing their Pension payments.

Means Testing for Lifetime Products

From 1 July 2019, new Age Pension Means Testing rules will be introduced for pooled Lifetime Income Streams.

The rules will assess a fixed 60% of all pooled lifetime product payments as income, and 60% for the purchase price of the product as an asset until age 84, or a minimum of five years, and then 30% of the purchase price will be assessed as an asset, for the rest of the person's life.

Jobs and Skills for Older Australians

The Government will provide up to $10,000 in wage subsidies for employers who employ Australians aged 50 and over.

Changes to Superannuation

From 1 July 2019:

- Superannuation fund members over age 65 **will not** have to meet the Work Test to make contributions to superannuation in the **first year** after they stop working. This is so long as their superannuation savings are less than $300,000.
- Exit fees will be abolished on all superannuation accounts.
- For superannuation accounts under $6,000, administration and investment fees will be limited to 3%, measured half-yearly, and capped at $90 per six months.
- Inactive accounts under $6,000 will be transferred to the Australian Taxation Office (ATO) to be consolidated with the member's active account.

Low and Middle-Income Tax Offset (LMITO)

A new non-refundable Low and Middle-Income Tax Offset (LMITO) will be introduced. The LMITO will be a temporary measure applied form 2018-19 and phasing out in the 2021-22 financial year.

The maximum Annual Offset of $530 will cut out for those with a taxable income above $125,333 per annum.

The Annual Low-Income Tax Offset, from 1 July 2022, will increase to $645. This will then cut out for those with a taxable income above $66,667 per annum.

Farm Management Deposits (FMDs)

Farm Management Deposits (FMDs) are an important part of any risk management strategy for Primary Producers. In simple terms, the FMD Scheme is intended to allow primary producers the opportunity to shift (before-tax) income to a later year, where they may offset losses due to unfavourable climatic or market conditions.

How do FMDs Work?

The scheme works by allowing Primary Producers to claim an income tax deduction for an actual cash deposit into an FMD in the year the deposit is made. As a result, the amount deposited reduces the Primary Producer's taxable income, and therefore, any income tax payable in that year.

In subsequent years, when the Primary Producer's income may be low due to a downturn in climatic or market conditions, the Primary Producer can choose to withdraw the funds. Withdrawing funds would help average returns and manage cashflows. The amount is then included in the Primary Producer's assessable income for that year and taxed accordingly.

FMDs are an important tool to "even out" what could otherwise be extremely uneven income years.

Key Requirements

The owner of an FMD must be an individual who is carrying on a Primary Producer business.

The Primary Producer is required to pass an Income Test. Namely, they must have taxable non-primary production income not exceeding $100,000 during the year a deposit is made.

The deposit must be made with an FMD provider. Deposits are deductible in the income year in which they are made. The minimum deposit or repayment is $1,000.

Generally, the FMD must not be withdrawn within 12 months of making it. When an FMD deposit is redeemed, it is included in your assessible income, in the year the deposit is repaid to you

However, in the event of a natural disaster, or simply a drought, you can access your FMDs early (i.e. less than twelve months) while still retaining tax benefits. However, you will need to include the deposit as assessable income in the year you withdraw it. If you cease to be a Primary Producer, during an income year for at least 120 days, then the deposit must be closed and repaid.

The maximum of all deposits you can hold at any one time is $800,000.

Car Claims in the Crosshairs

The Australian Taxation Office (ATO) is warning taxpayers that they are paying close attention to the claims for work-related car expenses, this tax time.

The ATO's Assistant Commissioner, Kath Anderson, wants taxpayers to avoid getting tripped up by making claims that they can't justify, sighting "standard claims" as a common error. There is no entitlement to a "standard deduction" for car expenses, using the cents per kilometre method.

While written evidence is not required for claims up to 5,000km per year, the taxpayer does need to be able to show that they were required to use their car for work, and how the claim was calculated.

Car expenses incurred in performing your duties as an employee are generally deductible, but trips between home and work usually cannot be claimed unless the person is carrying bulky tools or equipment to work.

If the claim is related to transporting bulky tools, you need to be able to prove you were required by your employer to take these items to work, and that there was no safe place to store them.

Ms Anderson said there are three golden rules for taxpayers to remember to get it right. These were:

- "You have to have spent the money yourself and can't have been reimbursed".
- "The claim must be directly related to earning your income".
- "You need a record to prove it".

Please contact your adviser at our office if you are unsure about your eligibility for a motor vehicle claim.

End of the Year Tax Planning Strategies

Giving you a tax time strategy and reminders

Prepay your interest

A common tax-time strategy is to prepay interest on any loans for the next year, prior to 30 June.

You can prepay if you have borrowed to invest, using a margin loan or home equity loan, receiving a deduction on the interest payments, so the deduction applies this year even if the interest is not due until next year.

This is a useful strategy if you have an unusually high taxable income this year or if you are likely to go into a new lower tax bracket.

Income Protection

Two good things come about from Income Protection Insurance:

1. It protects you against something you may not have thought about – loss of income in the event of an accident or illness.
2. Premiums are usually tax deductible and, if you want to, you can usually prepay up to twelve months' worth.

- Write-off bad debts, obsolete stock and plant before 30 June.'
- Consider tax-deductible superannuation contributions - further detail about contribution limits can be found in the superannuation articles in this newsletter.
- Consideration also needs to be given to superannuation contribution limits if adopting this strategy.
- Review your motor vehicle use and where appropriate, complete a new log book
- Capital gains on the disposal of an asset **can be reduced** by ensuring that all eligible items are included in the asset's cost base, including capital improvements and incidental costs such as stamp duty, legal costs, commission fees, and by applying available capital losses.

Farm Management Deposits (FMD's)

- Primary Producers should consider the benefits of FMDs. These deposits need to be in place by 30 June in order for a tax deduction to be claimed.
- The FMD criteria is discussed in greater detail in a separate article.

- To write-off a debt as "bad", it must generally have been brought to account as assessable income and you must have given up all hope, and more importantly, all action for recovery.
- Bad debts cannot be claimed by taxpayers who recognise income on a cash basis.
- Employers must ensure they have made sufficient superannuation contributions (currently 9.5%) for all of their employees. Even if you miss the 30 June deadline for deductibility, you must make the payment by 28 July 2018 to avoid Superannuation Guarantee Charge penalties.

Reminders

- Has a Notice of Intent to Claim a Superannuation Deduction been completed in respect of any concessional personal contributions?
- 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 of age by 30 June? If so, do they have a Tax File Number?
- If you are using the logbook method to claim motor vehicle expenses, record your car odometer readings on 30 June.
- Bring-forward expenses/defer income – try to bring forward other deductions (like the interest payments mentioned above) into the 2017/18 year. If you know that next year you will be earning less, 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.

General

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

What Do These People Have in Common?

John Clarke (Humourist)
Emma Chambers (Actor)
Steve Folkes (Rugby League Coach)
Dean Mercer (Athlete)

Answer: They all died suddenly and unexpectedly from heart attacks.

Dean Mercer was only 47 and an Iron Man.

Steve Folkes was only 59 and a Rugby League Trainer.

Emma Chambers was only 53 and thin as a rake.

John Clarke was a regular bushwalker.

30% of heart attack victims do not suffer from the common risk factors. Only 10% of people who suffer a heart attack, outside of a hospital, survive.

We all know that our future is not certain. To ensure that everyone's best interests are catered for, and to avoid the future stress upon death, it is essential to have a Will which encompasses your testamentary wishes. Take some steps to start your Estate Planning now.

Single Touch Payroll

Employers with more than 20 employees as at 1 April 2018, must be Single Touch Payroll (STP) compliant by 1 July 2018.

An employee for STP headcount purposes is per the common law definition of an "employee". Workers for whom an employer does not withhold PAYG from, will generally not count towards the 20-employee threshold.

Also not included in the count, are staff provided by third-party labour-hire officeholders and directors of companies, casual employees who did not work in March 2018, independent contractors or religious practitioners. On the other hand, employees based overseas, employees absent on leave, and seasonal employees are included.

Employers should now start preparing to be STP ready.

The ATO is currently working closely with software providers to meet the desired requirements. Some providers may not be ready by the 1 July start date. Where this is the case, the ATO will grant a deferral for affected employers. The ATO may grant exemptions for employers in rural areas with no reliable internet connection, and employers who only have 20 or more employees for a short period of the income year (e.g. due to harvesting activities).

IN BRIEF

Interesting Statistics

5 BILLION

The number of hours the world's children spend each year playing with LEGO bricks.
Source: www.lego.com

Odds of Needing Aged Care Services

When you make it to age 65 (the traditional benchmark age for retirement) the chance of you needing aged care services is almost...

70% for females

48% for males

– according to the 2011 Productivity Commission Report Enquiry, Caring for Older Australians.

Instant Asset Write-Off

Small Business Entities (SBEs) with a turnover of less than $10 million can continue to utilise the asset write-off threshold of $20,000 for 2017/18. That is, a deduction for the full cost of the asset (if less than $20,000 – GST Exclusive) can be claimed in the year in which the asset is purchased and installed ready for use in your business.

An extension to the 30th of June 2019 was granted in the recent Federal Budget.

From 1 July 2019, the threshold is set to revert to $1,000

Designed by Luke Evans
www.lukeevans.com.au