RJC EVANS & Co

News

RJC EVANS & Co
Accountants • Tax Agents • Advisors

WORKING TO MAXIMISE YOUR WEALTH
1921 - 2021
100 YEARS
ANNIVERSARY
RJC EVANS & Co

December 2022 - February 2023

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
/company/rjc-evans-co
/rjcevansco

New Year TO DO LIST

Once again, the end of the year has crept up. Where has it gone? This feeling seems more common as the years go by; however, it is late November and the office heater is still in use; and the farmers' headers are still in the shed. It feels like we have not passed August.

The lead up to Christmas provides an opportune time to clear the "to do" list and push for the goals we have procrastinated on. We should be motivated to go into the festive season with the feeling of accomplishment, and not have outstanding tasks niggling at us.

Unless action is taken pre-Christmas, inevitably more pressing matters come up and the "to do" list does not get revisited until February. For those that have left their run too late in the lead up to Christmas, below are some tips for your New Year's Resolution of being more organised.

☐ **Create list:** The obvious is to start with a "to do" list, however conditional "to do" lists are also useful and create ownership. An example is a "wet weather" or a "down time" to-do list; a list of tasks (such as bookkeeping) to do when the time is right.

☐ **Set reminders:** We all have tasks that should be done, but do not need to be done. A reminder is a prod to ensure the task is not forgotten and to make you feel guilty every time you defer the reminder.

☐ **Regularly review:** Set a regular reminder to review your "to do" list. This ensures the tasks stay relevant and do not get forgotten.

☐ **Leverage technology:** With computers, phones, digital watches etc., closer than our fingertips, the digital tools are there to quickly note down tasks, set reminders and in many cases, action those tasks.

☐ **Don't delay:** The longer tasks are left outstanding or deferred, the more daunting they seem to get. Bite the bullet and get those tasks done when you know you should.

There will always be matters that crop up that need to be prioritised. This time of year is renowned for it. The last few months have raised issues caused by storms, floods, inflation, interest rates, staff shortages, supply delays and excess demand. Everyone is impacted differently by the challenges these issues create; however, it is important not to feel isolated as a result. There is always someone willing to lend an ear, including at our office, and help find solutions.

Best wishes to all and sundry for the festive period and into the New Year. To those lucky enough to enjoy some time with friends and family, be sure to treasure it.

General

Christmas Break Office Hours

The office will be closed for the Christmas period from 12.30pm on Friday, 23 December 2022, and will reopen with full staff on Tuesday, 3 January 2023.

The office will also be closed on Friday, 27 January 2023, being the day after Australia Day.

"Work from Home" Deduction Update

The ATO has advised on what expenses taxpayers can claim

Those working from home are generally entitled to a tax deduction for the associated expenses.

Unsurprisingly, calculating (or even estimating) these work-related expenses can be tricky, therefore, the ATO has always provided guidance as to what they consider a fair and reasonable way of estimating these costs.

As a result of the COVID-19 pandemic, the ATO acknowledged the increased prevalence of working from home, and subsequently allowed a "shortcut method" of 80 cents per hour to be claimed where appropriate. Unfortunately, this method was only temporary, and its use expired on 30 June 2022.

The ATO has now advised that from 1 July 2022 they intend to allow taxpayers to claim the following expenses (incurred on a fair and reasonable basis) by using a fixed rate of 67 cents per hour working from home.

- Energy expenses (i.e. electricity and/or gas for heating/cooling and electronic equipment)
- Internet expenses
- Phone expenses (including mobile)
- Stationery and computer consumables

Noting that prior to the beforementioned shortcut method, the cents per hour rate was 52 cents and only included energy expenses and furniture depreciation; the other expenses could be claimed in addition to the per hour rate.

Under the ATO's new guidelines, you are unable to claim an additional amount for the beforementioned expenses if you are also claiming the per hour rate.

Alternatively, and in many instances, taxpayers may be better off claiming the reasonably estimated work-related portion of the applicable expenses. This however will require more extensive record keeping (i.e., diary and receipts) to substantiate each claim.

ATO Interest and Penalty Rates

With the increase in the RBA cash rate, the ATO has significantly increased the interest and index rates it applies to taxpayer accounts. Below is a summary of current ATO interest rates effective as at 1 October 2022.

Description	Annual Rate	Balances applied to
General Interest Charge	9.31%	Outstanding tax debts & payment plans
Shortfall Interest Charge	5.31%	Amended income tax debts
HELP Debt Indexation	3.90%	Study and Training Loans (i.e. HELP debt)
Credit Interest	2.31%	Early payments, overpayments, delayed refunds

Protecting Your .au Domain Name

The ATO Commissioner has just issued a warning to businesses on the importance of securing your .au domain name!

To recap, .au direct domain names were launched earlier this year by the organisation that manages Australian domain names, the Australian Domain Administration (auDA). This will allow businesses to elect to drop the .com from their web addresses.

.au has been introduced after ongoing significant public consultation to complement the existing 'namespaces' (e.g., .com.au, .net.au and .org.au) for those domain names with direct verified connection to Australia. Its purpose is to deliver a wider choice of available names in the Australian domain, allow users to register shorter online names and provide names that are easier to type and display on mobile devices.

This change will align Australia with many other countries including the UK, Canada, USA, and New Zealand.

To keep your business safe and undisrupted, a consistent .au online presence will help to reduce risk of unwanted parties piggybacking on your online brand / domain names. It is recommended that your equivalent .au direct domain is purchased. Anyone can register your business' .au equivalent domain name unless you have secured it.

Since March this year, businesses with an existing domain name (i.e., whose websites end in .com.au or .net.au) have been given priority to reserve their matching .au domain name. For example, a business with an 'ato.com.au' domain name can also register as 'ato.au'.

Remember to consider the benefits of registering a .au domain for your business and your individual circumstances. One of the benefits of registering is that you safeguard your brand's identity on the internet.

If you don't reserve your business' .au domain name, impersonators, web name campers or cyber criminals may potentially take it. The Australian Cyber Security Centre has issued an alert External Link on the risk of cyber criminals using your brand's domain to impersonate your business and conduct fraudulent cyber activities.

You can register your domain name(s) .au equivalent at www.auda.org.au/au-domain-names/au-domain-names/au-direct/ or through www.auda.org.au/accredited-registrars/ to protect the digital identity of your brand.

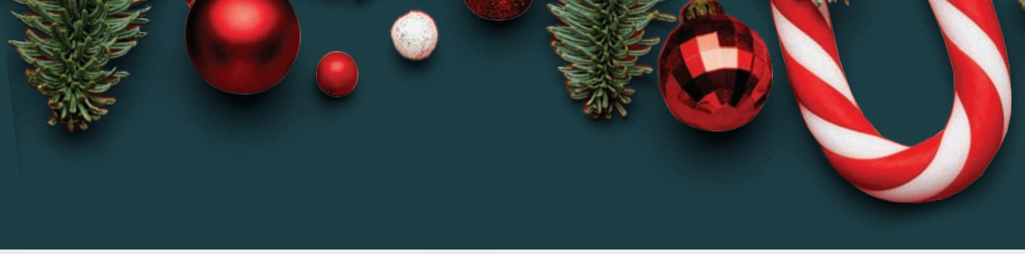
In most cases, there will only be one registrant eligible to apply for a reserved .au direct name as they will be the only holder of its match in another .au namespace (e.g., .com.au, .net.au and .org.au). This is referred to as an uncontested name.

In these cases, the applicant will be allocated the domain name shortly after applying for Priority Status. The registrant will be able to choose a licence term of between one and five years.

For contested names (names where different registrants have the same name in different namespaces), the earlier the creation date of your current domain name means the higher the priority and the more likely you are to be allocated your requested name.

Remember to consider the benefits of registering a .au domain for your business and your individual circumstances.

General



2022-23 October Federal Budget Update

The budget had annoucements that will benefit SMSF members

As expected, this year's second Federal Budget had a strong focus on families, education, health and aged care, energy, and affordable housing.

From a superannuation perspective, it has been a relatively quiet Budget but there were some welcome announcements that will benefit SMSF members in funding their retirement. Please remember the following budget announcements are not yet law.

Reducing the eligibility age for downsizer contributions

The eligibility age to make downsizer contributions into superannuation is set to be reduced from 60 to 55 years of age.
All other eligibility criteria will remain unchanged.

This change will provide a boost to the number of individuals eligible to make a one-off, post-tax contribution to their superannuation of up to $300,000, using the sale proceeds of their family home – regardless of their superannuation balance.

Relaxing residency requirements for SMSFs

Previously announced in the 2021/2022 Budget, the residency requirements applicable to SMSFs and small APRA funds were set to be relaxed through:

- The extension of the central management and control test "safe harbour" from two to five years, and
- The removal of the "active member" test – which would allow members who are temporarily absent from Australia to continue contributing to their SMSF.

Both proposals had been slated to commence from 1 July 2022.

The Government has confirmed that these changes, broadly aimed at allowing greater flexibility for SMSF members who are temporarily overseas, are still set to go ahead. However, the start date for both measures has been deferred.

Incentivising Pensioners to Downsize

The current Centrelink Asset Test Exemption for proceeds from the sale of a family home, intended for the purchase of a new home, will be extended from 12 months to 24 months.

Additionally, for income test purposes, only the lower deeming rate (currently 0.25%) will apply to these exempt proceeds over the 24-month period.

These changes will allow pensioners more time to purchase, build or renovate a new home before their pension is affected.

Freezing of deeming rates

The Government has also confirmed that it will freeze the social security deeming rates at their current levels until 30 June 2024.

This change will support older Australians who rely on income from deemed financial investments, as well as the pension, to deal with the rising cost of living.

How can we help?

If you have any questions or would like further clarification in regards to any of the above measures outlined in the 2022-23 October Federal Budget, please feel free to contact our office.

Do I have to pay myself super as a business owner?

Do you have your own business or are thinking of starting one? If so, you may need to pay yourself superannuation depending on your business structure.

Types of business structures available

If you were working for a company, your employer would be required to pay you superannuation guarantee (SG) contributions of 10.5% of your earnings to your chosen superannuation fund.

However, when you're running your own business and paying yourself, it's not always clear if superannuation is compulsory as it depends on the trading structure of your business.

There are four commonly used business structures in Australia. These include:

1. Sole trader
2. Partnership
3. Company; AND
4. Trust

It is important to understand the responsibilities of each structure because the structure you choose will have different superannuation obligations.

Summary of superannuation requirements

The following table summarises whether SG contributions will be required to be paid under each business structure.

Regardless of your business structure, you will need to pay SG contributions for any eligible workers you employ to help run your business.

Business structure	SG contributions for business owner?
Sole trader	If you're a sole trader or a partner in a partnership, you don't have to make SG contributions to a superannuation fund for yourself as you are not seen as an "employee" of your business (or partnership).
Partnership	
Company	If you operate your business under a company structure, and pay yourself a wage/salary, you are required to pay yourself SG contributions, even if you're the company's only employee/director. However, you are not required to pay SG contributions on dividend payments.
Trust	If you operate your business under a trust structure, the trust may need to pay SG contributions to you as a trustee if you are employed by the trust.

Despite not having to pay SG contributions under certain business structures, you may still consider making contributions into superannuation to save for your retirement due to the low tax environment within superannuation. A further benefit is that you may also claim a tax deduction for any concessional contributions, such as personal deductible contributions, that you make to your superannuation fund up to a limit of $27,500 a year. Other types of concessional contributions that also count towards the $27,500 limit include SG contributions and salary sacrifice contributions.

NEED HELP?

Choosing the right business structure and knowing what your obligations are can be complex. Remember, you're not locked into any business structure, and you can change the structure as your business changes or grows. Please don't hesitate to contact our office if you're unsure which business structure to choose or whether you should be paying yourself superannuation, even though you may see yourself as being self-employed.

General

How do shares perform during, and after a recession?

Is a recession on the way?

While economists are debating if the Australian economy will go into recession in 2023, there is consensus that the US, UK, and most European countries may experience a recession in 2023.

The more important question now is how the stock markets will react during and after a recession. We have heard before that history repeats itself and the last 69 years provide a surprising result.

The *How Do Stocks Perform Around Recessions* table shows the cumulative returns of the S&P 500 during the past recessions, and we saw that:

- the average length of a recession was 10.3 months, ranging between 2 months and 2 years.
- Markets tend to perform poorly before and during the recession, with the worse performance 12 months before the recession, and the best returns 2 years after the recession. the cumulative returns grow increasingly positive the farther out you go after the recession.

How Do Stocks Perform Around Recessions?

On average, stocks performed worse 1 year before a recession than during a recession. In the 2 years following a recession, price returns were positive 82% of the time.

Recession Start	Length (Years)	During Recession	6M Before	12M Before	6M After	12M After	2Y After
7/31/1953	0.83	18%	-6%	-3%	17%	30%	55%
8/31/1957	0.67	-4%	5%	-5%	18%	33%	25%
4/30/1960	0.83	17%	-5%	-6%	7%	10%	1%
12/31/1969	0.92	-5%	-6%	-11%	14%	8%	34%
11/30/1973	1.33	-13%	-9%	-18%	1%	23%	18%
1/31/1980	0.50	7%	10%	14%	6%	8%	-12%
7/31/1981	1.33	6%	1%	8%	-19%	20%	18%
7/31/1990	0.67	5%	8%	3%	3%	8%	20%
3/31/2001	0.67	-2%	-19%	-23%	-6%	-18%	-7%
12/31/2007	1.50	-37%	-2%	4%	21%	12%	44%
2/29/2020	0.17	-1%	1%	6%	12%	44%	?
Average Return		-1%	-2%	-3%	7%	16%	20%
% Positive Return Periods		45%	45%	45%	82%	91%	82%

Cumulative price return of the S&P 500 during past recessions. Past performance is not indicative of future returns.
Table: Darrow Wealth Management • Source: YCharts; Nber • Created with Datawrapper

It is important to remember that although history is a helpful guide, each time is different. For example, the 1980 recession ended just a year before the 1981 recession started.

Markets can also fall without a recession. The chart above shows past crisis events we experienced, none of which was defined as a recession. Interestingly, the market every time showed a positive return within 12 months after the crisis occurred.

Past Growth Scares and Bear Market

It is important to constantly review financial goals and not to let emotions take control

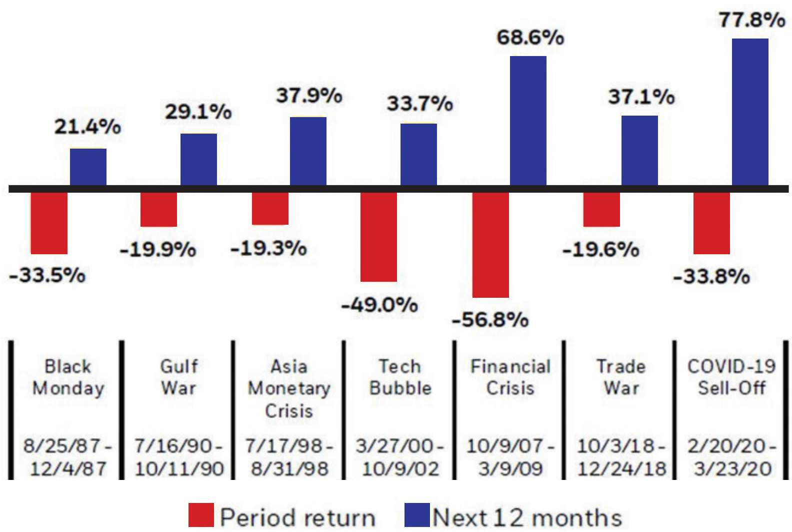
The takeaway is that the stock market is not the economy, and they do not necessarily move in the same direction.

There are many factors to consider which may influence the outcome in the long term. Therefore, it is important to constantly review financial goals and not to let emotions take control of important future decisions.

We hope that 2023 will not bring any recessions, but if it does, it is not something to be afraid of.

If you would like to review your superannuation, investments, or your financial goals, please do not hesitate to contact our financial planner, Gerrit Lombard.

Past growth scares and bear markets since 1987



Is it a scam?

IMPORTANT READ

New data released

Naturally, people aspire to get the most out of their investments, especially if a great opportunity is presented by a 'trusted' organisation. However, investment scams occur more often than you may think, highlighting the risk both self-directed investors and SMSF trustees may potentially face when seeking new investment opportunities.

New data released from Scamwatch Australia has reinforced the sophistication and rapidly growing number of scams each year in Australia – which has caused a loss of over $2 billion in total in 2021 – $701 million of which related to investment scams. It is extremely important for you to remain vigilant and reach out to your trusted advisor before investing your retirement savings in a new product or service.

What does the 2021 data reported to Scamwatch Australia tell us?

During 2021, the average monetary value lost to scams has increased by 66%. Scammers have become more sophisticated in their approach, claiming to be from well-known investment organisations or government bodies, with the aim of extracting personal information from an individual.

Combined losses to investment scams have caused the most financial harm to the Australian population throughout 2021, climbing 135% to $701 million lost. Advancements in both technology and software design allow scammers to recreate websites to look identical to an actual organisation's site, meaning it is becoming increasingly difficult to identify what is a scam and what isn't.

Cryptocurrency investment scams reported $99 million lost in 2021. The increased popularity of cryptocurrency continues to see a surge in reported losses to investment scams. Also, as cryptocurrency becomes the preferred method of payment across all types of scams, the perceived anonymity of unregulated cryptocurrencies can make it harder to recover funds or identify scammers.

Older Australians (65+) are often more at risk having lost almost $82 million in 2021, more than any other age group. In 2021, a clear trend emerged with losses increasing with age, as the older population is often targeted by scammers as they are perceived to have more accumulated wealth.

The top contact methods used by scammers include phone (50%), text message (23%), email (14%), internet (4%) and social networking (4%). Scammers will often inject a sense of urgency into their messaging, propose threats (particularly with tax scams), and request personal and banking information.

Changes to Commonwealth Seniors Health Care Card (CSHC)

The Government has recently broadened the eligibility criteria for Commonwealth Seniors Health Care Card.

From the 4th of November 2022, the income threshold has been increased by 55% and deeming rates applied will be frozen for the time being. The updated income thresholds are depicted below:

	Previous	New
Single	$57,761	$90,000
Couples	$92,416	$144,000

Current Seniors Health Care Card holders are not impacted by the change. The card is available to eligible people who are of Age Pension age and meet residence rules, and entitles the holder to the following benefits:

- Cheaper medicine under the Pharmaceutical Benefits Scheme
- Bulk billed doctor visits (should bulk billing be offered by the doctor)
- A refund of medical costs in excess of the Medicare Safety Net
- Some ad hoc support payments (i.e., Economic Support Payment)
- Concessions on some utility and public transport costs

For card holders who became eligible after 1 January 2015, the income thresholds are measured against Adjusted Taxable Income (ATI) plus deemed income on superannuation. Before this date, eligibility is assessed solely on ATI.

Calculating your Adjusted Taxable Income (ATI)

Your ATI includes the following:

1. Taxable income – your gross income less any deductions claimed.
2. Foreign income
3. Tax-exempt foreign income
4. Total net investment losses – including negatively geared investments (shares & rental properties)
5. Reportable fringe benefits
6. Reportable superannuation contributions
7. Certain tax-free Centrelink payments – DSP, Carer payment & DVA payments.

Deeming Rules Explained

Deeming is used by Centrelink to assess the income created from the value of financial assets. The rules assume the assets earn a set rate of income, irrespective of what they really earn.

Centrelink will pool the total value of an applicant's assets together (including superannuation) and apply the deeming percentage to determine the income that the applicant will be assessed upon. For CSHC applications, it is only the earnings on superannuation balances that are deemed (given superannuation pensions are not included in ATI). Below is a summary of the current deeming rates and thresholds:

- If you're single, the first $56,400 of your financial assets has the deemed rate of 0.25% applied. Anything over $56,400 is deemed to earn 2.25%.
- If you're a member of a couple and at least one of you gets a pension, the first $93,600 of your combined financial assets has the deemed rate of 0.25% applied. Anything over $93,600 is deemed to earn 2.25%.
- If you're a member of a couple and neither of you get a pension, the first $46,800 of each of your own and your share of joint financial assets has a deemed income of 0.25% per year. Anything over $46,800 is deemed to earn 2.25%.