RJC EVANS & Co

News

RJC EVANS & Co
Accountants • Tax Agents • Advisors

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

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It's March already, the season of change.

The season of change is something that we have become accustomed to.

Change has been the only constant that we can be guaranteed. The ancient Greek philosopher Heraclitus observed that the natural world was in a constant state of movement.

People age, develop habits and move environments.

We have seen the evolution of the computerisation of financial records and reporting, allowing for timely monitoring.

We have seen technology develop in machinery with EV options now readily available.

As people age, we have seen the need for increased care, whether it be within the aged care health system or with their own personal planning and saving.

Planning for change is something that we can all do, however, it is often overlooked with the simple requirement of the now.

As the now continues to fly by we should take a minute to plan for those important changes in life.

Have I planned my Estate or Succession?

Is my Will complete or still in accordance with my wishes?

When do I want to retire?

Have I thought about retirement accommodation?

These are just some matters where plans can make the future all the more enjoyable and less stressful.

Change is the only constant that we can be guaranteed.

Received a Call From the "Tax Office"?

Increasingly the Tax Office seems to be phoning taxpayers directly, requesting information or that the taxpayer take further action. Unsurprisingly, scammers are doing the same thing.

If you answer an unexpected or unsolicited call from someone purporting to be from the Tax Office, advise them to contact your Tax Agent. Do not provide them with any further information. If the call is legitimate, they will have your Tax Agent's contact details.

If we, as your Tax Agent, hear from the Tax Office on your behalf and the matter requires your attention, we will contact you.

Tax

IMPORTANT READ

Understanding Cryptocurrency Tax Consequences

In recent years, the world of cryptocurrency has seen explosive growth and widespread adoption in Australia.

With this surge in popularity, it's essential for investors to be aware of the tax consequences associated with digital assets. Here's a brief overview of the key considerations when it comes to cryptocurrency taxation.

Classification of Cryptocurrency:

The ATO doesn't consider cryptocurrencies (like Bitcoin) a currency but rather treats it as property for tax purposes.

Record Keeping:

Proper record-keeping is crucial. You should maintain detailed records of all cryptocurrency transactions, including purchase, sale, and transfer information. This will help you accurately calculate your tax liability.

Tax Reporting:

All cryptocurrency-related transactions should be reported in your annual tax return even if there is a loss. The ATO has taken steps to ensure compliance with cryptocurrency tax regulations, so it's essential to be accurate and transparent in your reporting.

Capital Gains Tax (CGT):

For Investors, CGT applies when you dispose of your cryptocurrency, either by selling, gifting, or trading it. If you hold the cryptocurrency for over 12 months, you may be eligible for the 50% CGT discount.

Cryptocurrency Trading:

For active traders, cryptocurrency transactions may be considered trading stock, with income derived from trading being taxed as ordinary income.

Mining and Staking:

Cryptocurrency miners and stakers need to treat the market value of the coins they receive as ordinary income when they are received. Depending on the circumstances of each individual, the 50% CGT Discount may apply upon subsequent disposal of this cryptocurrency.

Tax Implications for Businesses:

Businesses that accept cryptocurrency as payment need to account for the value of these transactions as part of their income. Businesses that use cryptocurrency as a form of payment may need to consider capital gains or losses on disposal of property.

Seek Professional Advice:

Given the complexity of cryptocurrency taxation in Australia, seeking advice from a tax professional can be invaluable. Understanding and complying with cryptocurrency tax regulations in Australia is essential to avoid potential penalties.

The ATO has been actively monitoring cryptocurrency transactions, making it crucial for investors to stay informed and up-to-date with the latest guidance. With the right knowledge and proper record-keeping, navigating the tax landscape for cryptocurrency can be a straightforward and stress-free experience.

Don't Ignore Those Tax Debts: the ATO is Taking Action!

Whilst the ATO went out of its way to assist businesses doing it tough during the COVID lockdowns, a more robust approach to collecting outstanding tax debts now seems to be the order of the day.

Other People's Money

A major part of the tax debts of many businesses represents the temporary withholding of other people's money – employees' PAYG withholding and their superannuation guarantee amounts. The GST the business receives on the taxable supplies it makes doesn't belong to the business either.

Some clients avoid mixing their own money and other people's money. They have opened a separate BAS bank account for the GST and withheld amounts so that those funds will be available when required, regardless of what happens in the business.

Director Penalty Notices

The ATO is particularly focused on employee entitlements and will not hesitate to issue Director Penalty Notices (DPNs) where there has been serious non-compliance by corporate entities.

Under a DPN, the sins of the company are levied on the directors, who will each be personally liable for any unpaid amounts.

As DPNs are a complex and serious matter, please contact us urgently should you receive one. Steps can be taken to avoid personal liability if dealt within the timeframe.

Disclosure to Credit Reporting Bureaus

One relatively recent development is the disclosure by the ATO of outstanding tax debts exceeding $100,000 to the various Credit Reporting Bureaus, this could have an adverse impact on a business' future ability to obtain finance. Generally, the ATO will contact the business ahead of making such a disclosure to give them an opportunity to set things right.

Simplified Debt Restructuring

Another relatively recent option, effective from 1 January 2021, is a less formal restructuring option for small incorporated businesses experiencing financial stress. Simplified debt restructuring is open to businesses with total debts of up to $1 million where the business has not undergone a restructure or a simplified liquidation in the last seven years. To be eligible, their current employee entitlement obligations and tax lodgements all have to be up to date.

The process involves appointing a small business restructuring practitioner (SBRP) and devising a plan setting out how much creditors would be paid under the plan if implemented. Creditors then vote on the plan, which is implemented if approved. The ATO is often the major unsecured creditor in these matters, and we understand they have been quite open to approving many of the restructuring plans put forward.

The advantage of this method is that the directors continue to run the business throughout the restructuring process, subject to seeking the consent of the SBRP for any transactions falling outside the normal course of business.

In the meantime, there is a moratorium on the enforcement of debts by unsecured creditors and some secured creditors, while any personal guarantees given by a director or their spouse cannot be enforced except with leave from the court.

In order to qualify, a company has to be insolvent, or about to become insolvent. However, the core business has to be viable, or there would be little point in a restructure. This requires a realistic assessment of how the business is currently performing and what its future prospects are. If the core business is unviable due to industry changes, liquidation may be a more realistic option.

A number of small businesses have applied this option and successfully repaid debt on a compromised basis, emerging from an approved restructuring plan unburdened by unsustainable debt.

Although the economic environment remains challenging, businesses with tax debts they have trouble meeting need to approach the ATO to explain their problems and settle on a payment plan that is adhered to.

If you need assistance in this regard, please contact our office.

Tax

Stage 3 Tax Cuts – a Tax Saving Opportunity?

After much public debate, legislation giving effect to the government's revised settings for the Stage 3 tax cuts has been passed by both houses of Parliament with the support of the Coalition. The changes are summarised below.

TAXABLE INCOME	FY2024 TAX	FY2025 TAX	MIN. TAX REDUCTION
0 to $18,200	Nil	Nil	Nil
$18,201 to $45,000	19c for each $1 over $18,200	16c for each $1 over $18,200	Nil
$45,000 to $120,000	$5,092 plus 32.5c for each $1 over $45,000	$4,288 plus 30c for each $1 over $45,000	$804
$120,000 to $135,000	$29,467 plus 37c for each $1 over $120,000	$26,788 plus 37c for each $1 over $120,000	$2,679
$135,000 to $180,000	$35,017 plus 37c for each $1 over $135,000	$31,288 plus 37c for each $1 over $135,000	$3,729
$180,000 to $190,000	$51,667 plus 45c for each $1 over $180,000	$47,938 plus 45c for each $1 over $180,000	$3,729
over $190,000	$56,167 plus 45c for each $1 over $190,000	$51,638 plus 45c for each $1 over $190,000	$4,529

Note those on the 5-year tax averaging system (such as Primary Producers) will not receive the benefit of the tax reduction immediately.

A permanent tax saving

Many taxpayers focus on timing issues around year-end by deferring income and bringing forward deductions. Legitimate steps can be taken to shift taxable income from one year to the next and most people would prefer to pay tax next year rather than this year. However, any benefit gained reverses in the following year when you have to do it all again just to stand still. It's a lot of effort for a once off timing advantage.

The difference with the 1 July 2024 tax rate changes is that reducing your taxable income in 2023-24 and increasing it in 2024-25 (where it is taxed at a lower rate) produces a permanent saving over the two-year period – a saving you get to keep. That may make such timing issues worth another look.

Legitimate steps can be taken to effectively shift taxable income from one year to the next

How much can you save?

That depends on where you sit on the income scales and how much taxable income is shifted. Very high income earners will have a marginal tax rate of 45% regardless of whether they shift income and deductions around, and those on lower incomes don't pay much tax to begin with, so their potential savings are less.

But for anyone who expects to fall in the taxable income range of $120,000 to $135,000, for example, there is a permanent saving of 7% on up to $15,000 in taxable income that is shifted from 2023-24 into 2024-25.

Take someone in that income range who owns a rental property which is in need of a $15,000 paint job, and who was planning to get it done by Christmas. They could save themselves $1,050 by arranging to have the job done in May or June.

So, how can you go about shifting taxable income into 2024-25?

Before looking at various options, it is necessary to point out that the tax laws include anti-avoidance rules that prevent tax planning strategies which have as their sole or dominant purpose the gaining of a tax advantage. However, if you are simply bringing forward ordinary business-related purchases that you would have made anyway, those rules are unlikely to be triggered. To make certain you stay on the right side of the tax rules you should check with us before taking any action.

Bringing deductions forward

Subject to that necessary reservation, and depending on your expected taxable income, bringing deductions forward into the 2023-24 income year offers the widest range of options for achieving a permanent tax saving. Bear in mind that bringing purchases forward does involve an earlier than planned cashflow impact that you would need to fund. Options include:

If you have a rental property that is in need of any sort of maintenance or repairs, why not get on to it now?

- If you have a tradition of gifting and donating, maybe to telethons and appeals that occur later in the year, consider making those donations to the charities before the end of June 2024
- Consider making before-tax/ concessional contributions into your super fund. But be mindful of contribution caps and the additional 15% tax on contributions made by high income earners. You should seek financial advice prior to taking any action.
- Defer investment income receipts or redemptions until after 30 June 2024.

For those in business, the following are some additional options worth considering before 30 June 2024:

- Depreciation: If a small business bring forward equipment purchases of under $20,000 to take advantage of the new instant asset write-off threshold.
- Bad Debts: Ensure any bad debts are written off in your accounts prior to financial year end.
- Obsolete Stock: Write off non-recoverable stock, and exclude them from your end of financial year closing stock figure.
- Pre-pay Expenses: Small businesses can claim in full pre-payments of expenses that are expected to be incurred within 12 months.
- Employee Bonuses: Confirm the amount and commitment to pay employee bonuses.
- Training Costs: Small businesses can take advantage of the Skills and Training Boost, which ends on 30 June 2024.
- Energy Efficiency Costs: Small businesses get a bonus deduction of 20% for eligible energy efficient assets first used or installed ready for use by 30 June 2024.
- Defer Income: Within reason, defer issuing invoices until the next financial year.

General

Superannuation Contribution Caps to Increase on 1 July

For the first time in three years, the superannuation contribution caps are set to increase from 1 July 2024.

Superannuation Contribution caps to increase

Due to indexation, the contribution caps will increase on 1 July 2024 as follows:

- Concessional contributions cap – from $27,500 to $30,000
- Non-concessional contributions cap – from $110,000 to $120,000
- The maximum non-concessional contributions cap under the bring forward rules – from $330,000 to $360,000

What are concessional contributions?

Concessional contributions (CC) are before-tax contributions and are generally taxed at 15%. This is the most common type of contribution individuals receive as it includes superannuation guarantee (SG) payments your employer makes into your fund on your behalf. Other types of CCs include salary sacrifice contributions and tax-deductible personal contributions. The government sets limits on how much money you can add to your superannuation each year. Currently, the annual CC cap is $27,500 in 2023/24.

What are non-concessional contributions?

Non-concessional contributions (NCC) are voluntary contributions you can make from your after-tax dollars. For example, you may wish to make extra contributions using funds from your bank account or other savings.

As such, NCCs are an after-tax contribution because your employer has already taken out the tax you need to pay on your income. Currently, the annual NCC cap is $110,000 in 2023/24.

What are the bring forward rules?

The bring forward rules apply to NCCs and allow you to make up to three years of NCCs in a single financial year, if you're eligible. This means you can put in up to three times the annual cap of $110,000, which means you may be able to top up your superannuation by $330,000 within the same financial year.

Using the bring forward rules can be beneficial for individuals who have a large amount of cash to invest which may have come from an inheritance or from the sale of an asset/property. However, how much you can make as a NCC will depend on your total superannuation balance (TSB) as at 30 June of the previous financial year (see table below).

Bring forward NCC amounts will also increase

In addition to the contribution caps increasing, the maximum NCC cap under the bring forward rules will also increase on 1 July 2024. The table below shows the TSB thresholds that apply to determine how much you can contribute under the bring forward rules:

YOUR TSB AT 30 JUNE 2024	MAXIMUM NCC CAP	BRING FORWARD PERIOD
< $1.66m	$360,000	3 years
$1.66 to < $1.78m	$240,000	2 years
$1.78m to < $1.9m	$120,000	1 year
$1.9m +	$0	$0

Take care before you contribute

The increase to the NCC cap under the bring forward rules will not apply to individuals who have already triggered the bring forward rule in either this year (2023/24) or last year (2022/23) and are still in their bring forward period.

This is because the NCC cap that applies to an individual is calculated with reference to the standard NCC cap when they triggered the bring forward rule in their first year.

For example:

If the NCC cap in the second and third year of a bring forward period changed to $120,000 due to indexation, your NCC cap will still be $330,000 ($110,000 x 3 years) and not $350,000 ($110,000 + $120,000 + $120,000).

For this reason, if you want to maximise your NCCs using the bring forward rule, you may wish to consider restricting your NCCs this year to $110,000 or less so you do not trigger the bring forward rule this year.

However, how much you can contribute and whether your fund is allowed to accept your contribution can depend on your age, your TSB and other eligibility criteria. The rules are complex and making contributions to superannuation that exceed the contribution caps can result in excess tax.

Contact our office you need any further information or would like to discuss your options.

On-farm Emergency Water Infrastructure Rebate

Insentives for primary producers to invest in becoming more resilient for future droughts.

Rebates of up to $25,000 are available until 30 April 2024 (or until funds are exhausted) to primary producers.

These are for costs recently or soon to be incurred associated with the purchase and installation of new on-farm water infrastructure, or to repair or replace damaged infrastructure for livestock and permanent horticulture that:

- addresses animal welfare needs during drought
- assists primary producers to be more resilient for future droughts
- assists primary producers to be more resilient for future droughts by protecting high value horticultural assets
- support primary producer recovery from Natural Disasters.

The rebate is calculated at 25% of the eligible costs, and is available to entities that meet the following conditions;

- you are a property owner, share-farmer or lessee in the livestock grazing industry or horticulture industry
- your business is registered with the Tax Office as a primary producer, has an Australian Business Number (ABN) and is registered for GST
- your property is located in South Australia
- you earn more than 50 per cent of your gross income from your primary production business under normal seasonal circumstances or anticipate doing so within 3 years of this application if your farming operation commenced between 1 July 2018 and 30 April 2024. Eligibility of new entrants will be considered on a case-by-case basis
- the water infrastructure in respect of your application is installed for livestock permanently residing on your property or for permanent horticultural plantings established on your property
- you have not received concessional funding from another South Australian/Australian Government program in respect of the same activities.

Please contact our office or visit pir.sa.gov.au/funding_and_support/funding/emergency_on_farm_water for more details.

Thinking About Aged Care for Yourself, Your Parents or Loved One?

There is a fast-growing need to help ageing loved ones to stay at home and remain independent or enjoy their twilight years with the care and assistance they richly deserve.

Navigating the aged care maze can be difficult, time consuming and emotionally exhausting for all involved. However, understanding how it works and gaining appropriate help can be a positively life-changing experience for all parties.

Whilst we do not profess to be experts in this field, we do have access to information and resources to assist in this regard. This includes information booklets and checklists on the following topics;

- How the aged care system works
- Getting started in the system
- Accessing the system – RAS or ACAT Assessment
- Types of care available and how to fund them
- Staying at home and being independent

If you require further guidance or information on aged care, please feel free to contact our office.

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Principal Promotions

We are proud to announce the promotion of Anthony Francesca, Oliver March & Sharon Lawrence and welcome them as Principals of RJC Evans & Co. Having long excelled in assisting and caring for clients, they each now have a vested interest in the long-term success of our firm and clients. Their continued commitment and expertise will serve our clients well into the future.

Anthony Francesca

Since joining the RJC Evans & Co team in 2017, Anthony has become an invaluable source of timely tax and business advice to individuals and businesses of all sizes, helping them achieve sustainable growth and success.

Working closely with Luke Harris and Paul Anson, Anthony has assisted businesses in the agriculture, health care, retail, trade and other industries, implement effective accounting systems to assist them in achieving their objectives and make regulatory compliance simple.

With the ever-changing landscape of the digital age, Anthony has accustomed himself with an extensive range of accounting software, helping clients grow and find new innovative solutions for their business through education and technology. Having become a Xero Certified Adviser, Anthony can provide extensive knowledge within the Xero space.

Anthony holds a Bachelor of Commerce in which he minored in management, he also is a member of Chartered Accountants Australia and New Zealand (CAANZ).

Oliver March

Originally from Penola in South Australia's South East, Oliver moved to Adelaide to attend Flinders University in 2014. After completing his studies he joined RJC Evans & Co in 2018 working alongside Andrew Evans and Sharon Lawrence.

Having grown up in the country, he has experience in and a passion for the rural and small/medium business sector. Not just assisting them with their bookkeeping, tax and payroll compliance needs, but also providing tax and business advice to assist client's in achieving their goals.

Being accustomed to a large range of accounting software, he enjoys working with clients to understand their technological needs, and using it to make clients lives easier and grow their businesses. Oliver has a vast knowledge of Xero as a Certified Advisor.

Oliver is also a member of the Chartered Accountants Australia and New Zealand (CAANZ) and attained a Public Practicing Certificate.

Sharon Lawrence

Sharon is a highly specialised tax practitioner who joined RJC Evans & Co in 1990. With over 30 years of experience, most of which spent alongside Andrew Evans, she is well positioned to provide tax and business advice to a wide range of clients.

She is a member of Chartered Accountants Australia and New Zealand (CAANZ) and Tax Institute of Australia, holding a Certificate of Public Practice and recognised as a Chartered Tax Adviser. She is also a registered Tax Agent.

Throughout her career, she has had extensive experience in the rural sector as well as other general business industries utilising all types of business structures.

Sharon also has special interests in capital gains tax and small business concessions, estate planning and assisting with deceased estate administration, as well as assisting clients with their electronic record keeping over a wide range of software.

NowInfinity

We are now using the program "NowInfinity" to manage ours and your company's ASIC compliance.

Going forward, company representatives will receive emails from nowinfinity@rjcevans.com.au concerning their company's ASIC Annual Reviews and other ASIC changes or updates.

NowInfinity uses an electronic signing system, which will require company representatives to click on a link to access documents and attend to the electronic signing.

If you have any questions or concerns in relation to any emails purported to be from our office, please do not hesitate to contact our office via phone or email.