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Practice Update

Please read this update
and contact this office
if you have any queries

May - June 2016

2016/17 Federal Budget

The government handed down the 2016/17 Federal Budget on Tuesday 3rd May.

It included (among many changes) proposed personal income and company tax cuts from 1 July 2016, the extension of GST to all imports (irrespective of value) from 1 July 2017, an increase in the small business entity ('SBE') turnover threshold from 1 July 2016, and (as you may have heard) many, many superannuation changes.

The 2016-17 Federal Budget announcements on superannuation have caused a lot of concern. These include:

- A \$500,000 lifetime non-concessional contributions cap from Budget night
- A reduction in concessional contribution cap from 1 July 2017
- The removal of the tax exemption on earnings supporting transition to retirement income streams (TRIS) from 1 July 2017
- The extension of the 30% super contributions tax on high income earners
- Tax free super balances capped at \$1.6m from 1 July 2017

Many clients have asked, what should we be doing? The main area to be mindful of is the \$500,000 lifetime cap on non-concessional contributions as what you do now, may have a lasting and potentially detrimental impact.

Under the current rules, you can use the 'bring forward rule' and contribute up to \$540,000 across a 3 year period to your super fund. Anyone utilising these rules in the current year

may find that the proposed rules, if they come into effect, will radically change their position.

It's really important that anyone contemplating making large contributions to super or utilising the bring forward rule, get advice first.

Of course, these changes are all dependent on the Turnbull Government winning the election on 2 July and the legislation then surviving Parliament after that.

We will keep you informed!

ATO – SuperStream deadline rapidly approaching

With the SuperStream deadline of 30 June rapidly approaching, ATO Deputy Commissioner James O'Halloran says **now** is the time for employers who are not yet using SuperStream to cross it off their to-do list.

SuperStream is the new way employers must pay super. It means paying super and sending employee information electronically.

More than 60% of all Australia's small businesses are now using SuperStream.

"Employers who are using SuperStream have reduced the time they spend on super by an average of around 70%, each cycle," says Mr O'Halloran.

ATO's 'High risk industries' for super guarantee

Each year, the ATO identifies industries that they believe are at risk of not meeting their super guarantee obligations for eligible employees.

May - June 2016 - Practice Update

This year they are looking at these industries:

- ◆ bakeries;
- ◆ supermarkets;
- ◆ car retailers; and
- ◆ computer system designers.

Letters will be sent to clients in these industries advising of planned audits from July 2016.

Lifestyle assets and CGT

The ATO has advised that it has identified some instances where lifestyle assets, such as artworks and collectables, are not being properly accounted for.

They said that they want to help taxpayers with these kinds of assets comply and be aware they may be subject to CGT on disposal.

They said that it's important taxpayers are aware that:

- items purchased for more than \$500 on or after 20 September 1985 are subject to CGT, even if they are kept mainly for the personal use or enjoyment of your client;
- special CGT rules apply to items that form part of a deceased estate; and
- the date of purchase/auction needs to be accounted for, not the settlement date.

The ATO is currently working with insurance companies to identify owners of these sorts of assets.

Clients who may be affected should contact our office.

New rules for selling property over \$2 million

From 1 July 2016, new rules will apply to sales of taxable Australian property (e.g., real estate) with a market value of \$2 million or above.

A 10% non-final withholding tax may be applied to **all** contracts to sell such property entered into on or after 1 July 2016.

Australian resident vendors selling such property will need to obtain a clearance certificate from the ATO prior to settlement to avoid the 10% non-final withholding tax.

This new 10% withholding tax was really only intended to apply to non-residents selling Australian property.

*However, it equally applies to **Australian resident vendors** and forces them to obtain a*

clearance certificate from the ATO to, in fact, prove that they are Australian residents.

Generally speaking, clients will be affected for sales of residential and commercial properties, or companies or trusts that hold such properties.

Contractor payments data matching program

The ATO has advised that it is continuing its Contractor payments data-matching program.

It will acquire data from businesses that it visits as part of its employer obligations compliance program during the 2016/17, 2017/18 and 2018/19 financial years.

The data collected from businesses is used to identify contractors that may not be meeting their taxation obligations through:

- not registering correctly with the ATO;
- non-lodgement of returns;
- failing to report payments received; and
- not paying amounts of tax due to the ATO.

This is an ongoing data matching program and has been conducted for more than five years.

SMSFs and Collectables – last opportunity to comply!

From 1 July 2011, SMSF investments in collectables and personal-use assets have been subject to stricter rules than SMSF investments in other assets (such as shares and property).

Assets considered collectables and personal-use assets include things like artwork, jewellery, antiques, vehicles, boats and wine.

However, SMSFs that already had investments in such assets before 1 July 2011 were given five years to comply with these rules (i.e., until 30 June 2016).

Therefore, any SMSFs with such investments need to consider their situation carefully and take appropriate action (if necessary) before **1 July 2016**.

Such action may include (for example):

- ◆ reviewing current leasing agreements (items can't be leased to or used by a related party, including business premises);
- ◆ making decisions about storage (items can't be stored or displayed in a private residence of a related party, and decisions about storage must be documented and

the written record kept); and

- ◆ arranging insurance cover (items must be insured in the fund's name).

In addition, if the trustees of the fund are considering disposing of these items, they can be transferred to a related party without a qualified independent valuation, *but only if* the transfer takes place before 1 July 2016 and the transaction is made on arm's-length terms.

If these requirements are not met from 1 July 2016, penalties may apply.

ATO's continuing focus on trust property developers

In recent years, the ATO has focused on trusts developing and selling properties as part of their normal business.

When these developed properties are sold, some trusts incorrectly claim a 50% CGT discount.

The ATO will continue to target arrangements that display the following characteristics:

- ❑ clients have experience in either developing or selling property (or experience in the industry) and establish a new trust to acquire property for development and sale;
- ❑ circumstances surrounding the arrangement are inconsistent with the stated purpose of developing the property as a long term investment;
- ❑ the development is advertised as available to purchase before completion, or is sold soon after completion; and
- ❑ the trustee claims the 50% CGT discount on the sale of the property.

The ATO is encouraging taxpayers to review their circumstances with their tax agent/adviser.

The ATO has also advised that they may contact property developers directly to "help them meet their obligations during development and disposal of the property. However, we may contact your clients at any stage of a development, not just on the sale of the property."

If you get any such contact – let us know!

New Simpler BAS on the way

The ATO has been working on ways to deliver a simpler business activity statement (BAS) to simplify account set-up, record keeping, BAS preparation and lodgement for agents and their clients, and make it less costly.

To achieve this, several GST labels will be removed from the BAS, with small businesses only required to report:

- ◆ GST on sales (1A);
- ◆ GST on purchases (1B); and
- ◆ Total sales (G1).

They will begin user testing from 1 July 2016 and a simpler BAS should be the standard option for all small business from 1 July 2017.

ATO warns about iTunes scammers

The ATO is reminding the public to be alert to scammers impersonating the ATO demanding iTunes gift cards as a form of tax debt payment

Of the 8692 phone scam reports the ATO received in April 2016 in relation to the fake ATO tax debt scam, 58 reports mentioned the scammer demanding payment by iTunes (and apparently 26 people unfortunately payed \$174,830 to fraudsters!)

Importantly, the scammers don't need the actual physical card; they just need the gift card number, which they get victims to read over the phone.

The ATO states: "We will never request the payment of a tax debt via gift or pre-paid cards such as iTunes and Visa cards. Nor will we ask for direct credit to be paid to a personal bank account.

"And if the person calling you is rude and aggressive, threatening police or legal action if you don't do something immediately – it's not the ATO".

ML Partners have noticed an increasing number of clients affected by more and more sophisticated scammers. Please be alert for emails and phone calls from people requesting personal information, money or credit card details. Always consider the possibility of identity theft. Don't click on a link in an email unless you are sure it is from a trusted source.

End of Financial Year – To do list

Time is running out to make an appointment to see us before 30th June regarding any tax planning opportunities that may be available to you. If you wish to make an appointment, but have not already done so, please do not leave it until the last minute as June is a very busy month for us.

Staff Changes

ML Partners wish to extend a warm welcome to Anita Mitchell who commenced work on a part-time basis in the Ayr Office on the 26th April 2016. Anita is currently working in the Financial Planning Department. Anita has had previous experience in the areas of accounting, tax and financial planning. Welcome Anita!

We also wish to wish Mavis Paige well in her retirement. Mavis will be missed by us all at ML Partners, but we wish her well in her new role as a first time grandparent.

Jodi Levitt is currently on maternity leave with her second child who was born in early May. Congratulations to Jodi & Jamie on the birth of Flynn!



Above: Anita Mitchell



Above L-R: Jodi Levitt & Mavis Paige

Advancement to Fellow of CPA Australia



Congratulations to Peter McKaig & John Licciardello who were recently advanced to Fellows of CPA Australia at the awards night in Townsville.

Progressing to FCPA status means that you are recognised as an expert in your field. FCPAs are renowned worldwide as having gained unparalleled experience in the field of accounting and finance. FCPAs are also recognised and respected the world over as being leaders in their industries, and the fellowship marks the strong, ongoing relationship with CPA Australia.

John is pictured below receiving his certificate. Unfortunately Peter was unable to attend the awards evening due to other commitments.

Quote for the month:

Success is not final, failure is not fatal: it is the courage to continue that counts. – Winston Churchill

Please Note: Many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the information's applicability to their particular circumstances.