JUNE 2016 NEWSLETTER

As we reach the end of the financial year, John, Trent, Adrienne and all of the staff members of Mott Finnis & Co would like to thank our clients for allowing us to advise on your business and compliance needs for another 12 months.

To our new clients, welcome, and thank you for choosing us to be your business advisor and accountant.

We would now like to let you know of the latest change at Mott Finnis & Co.

We are delighted to announce that Mott Finnis & Co associates, Kellie Bald and Michael Parker, will be joining John, Trent and Adrienne as partners in Mott Finnis & Co.

Most clients of Mott Finnis & Co will already have met Kellie and Michael as both are longstanding, respected members of the firm with Kellie commencing employment with Mott Finnis & Co in 1994 and Michael in 2005.

Kellie and Michael have each received a Degree in Commerce from Deakin University, are qualified CPA's and hold Public Practice Certificates.

In addition, Kellie is a Certified Tax Advisor with the Tax Institute of Australia and is the first member of the firm to meet the requirements for RG146 compliance in Financial Planning, a necessity under new legislation related to giving certain financial advice.

Michael has completed further studies in the area of Self Managed Super Funds and is a SMSF Specialist Advisor accredited with the SMSF Association. Michael is also close to completing the requirements for RG146 compliance.

We take this opportunity to congratulate them both on their appointment to partner and look forward to entering the next stage of our business.

At Mott Finnis & Co, much of the work we carry out for each client is in the accounting area of compliance.

Compliance work assists clients in meeting government and statutory requirements with regards to their financial matters. Tax and BAS preparation is part of the compliance role.

However, compliance work is only a small portion of the services we can offer business.

Our goal is to provide assistance and information that allows you to make informed decisions to reach your goals and maximise the potential in your business, with the added advantage of avoiding unpleasant surprises when it comes time to prepare the tax return.

We can provide information and assist you in implementing business structures and business and succession plans.

We can assist in tender preparation and submission, budgeting and valuations of your business.

We are in contact with the majority of the local banks, credit unions and finance brokers and are on hand to assist with finance and refinance applications.

Members of our staff can ensure TFN, ABN, GST, WET, PAYG, Fuel Rebate, Return to Work SA, and Payroll tax registrations are updated on a client's behalf.

In addition, we are familiar with the processes involved in business name registration.

Mott Finnis & Co acts as the registered office for the majority of our client's that use an incorporated entity ensuring that all ASIC details and requirements remain up to date.

Payroll services, including wage negotiation and recruitment, are a part of our service offering.

Our accountants are conversant with the majority of accounting software and can give advice on bookkeeping solutions and data entry.

In short, if you have a query, just ask!

2016 FEDERAL BUDGET SUMMARY

The recent budget announced major changes for Superannuation and Small Business. However, with the government currently in caretaker mode until the election, none of the proposed measures will be in place prior to 30 June 2016.

Proposed from 3 May 2015 (Budget Night)

Only one budget measure was to become effective as of budget night. This related to non concessional superannuation contributions.

Non concessional superannuation contributions are contributions to superannuation funds that are generally voluntary and on which no tax is paid when the contribution is made.

A lifetime non concessional contributions cap of $500,000 will be introduced. Non concessional contributions made from 1 July 2007 will be included in the cap.

If a taxpayer has exceeded the cap prior to 3 May 2016, they will not be considered to have made excess contributions but will be unable to make any further non concessional contributions.

If excess contributions are made after the commencement date of 3 May 2016, the amounts will need to be withdrawn or be subject to penalty tax.

This lifetime cap limit will replace the existing annual caps which allow non concessional contributions of up to $180,000 per year (or $540,000 every three years for taxpayers aged under 65).

Given the uncertainty surrounding non concessional contributions we strongly advise clients to contact us before making contributions.

Proposed from 1 July 2016

BUSINESS

Small entity turnover threshold will be increased from $2M to $10M. The increase in this threshold means that business with an annual turnover of less that 10M will be able to access existing small business concessions, with the exception of concessions relating to Capital Gains Tax.

These concessions include;

- Small business company tax rate of 27.5% from 1 July 2016 (currently 28.5%).
- Access to simplified depreciation rules (Pooling), including the instant write off of plant items costing less than $20,000 (GST exclusive, if you are registered for GST).
- Simplified trading stock rules.
- Option to account for GST on a cash basis and pay GST instalments, as calculated by the ATO, with a year end GST reconciliation.
- Simplified method of paying PAYG instalments.

INDIVIDUALS

- A tax offset was introduced on 1 July 2015 for small business owners not operating as a company. This offset is known as the Unincorporated Small Business Tax Discount and hopefully we will come up with a shorter name in the near future!

  The effect of the offset was to reduce the tax payable on business income by 5% (up to a maximum of $1000). From 1 July 2016 the offset will increase to 8% and will be available to taxpayers involved in a small business with turnover up to $5M. However, the maximum offset will remain at $1000.

- The threshold at which the 37% marginal tax rate for individuals commences will increase from $80,000 to $87,000.

  The current individual tax rates from 1 July 2016 are as follows;

Taxable income	Tax on this income
0 – $18,200	Nil
$18,201 – $37,000	19c for each $1 over $18,200
$37,001 – $80,000	$3,572 plus 32.5c for each $1 over $37,000
$80,001 – $180,000	$17,547 plus 37c for each $1 over $80,000
$180,001 and over	$54,547 plus 45c for each $1 over $180,000

  The proposed rates from 1 July 2016;

Taxable income	Tax on this income
0 – $18,200	Nil
$18,201 – $37,000	19c for each $1 over $18,200
$37,001 – $87,000	$3,572 plus 32.5c for each $1 over $37,000
$87,001 – $180,000	$19,822 plus 37c for each $1 over $80,000
$180,001 and over	$54,232 plus 45c for each $1 over $180,000

- The low-income thresholds for the Medicare Levy and Surcharge will increase. Both the levy and surcharge are linked to the CPI.

However, the pause in the income tax thresholds for the Medicare Levy Surcharge and the private health insurance rebate will continue for another 3 years.

- From 1 July 2016, access to the government Parental Leave Pay scheme is to be denied where an employee has simultaneous access to employer-funded benefits at the same level or more than the government scheme.

  The Government will pay the difference between Primary Carer Pay and Parental Leave Pay where the Primary Carer Pay is less than the individual's Parental Leave Pay entitlement.

  Dad and Partner Pay are not affected by this measure.

Proposed from 1 July 2017 and onward

SUPERANNUATION

- Division 293 tax income threshold to be reduced. This threshold relates to the point at which high income earners pay additional contributions tax (currently an additional 15% on top of the regular concessional contribution tax rate of 15%). This threshold will reduce from $300,000 to $250,000 from 1 July 2017.

- Concessional contributions caps will reduce to $25,000 for all taxpayers from 1 July 2017 not using a constitutionally protected fund.

- The tax exemption on earnings from super fund assets that support a 'transition to retirement' pension will be removed from 1 July 2017.

  A rule that allows individuals to treat certain superannuation income stream payments as lump sums for tax purposes will also be removed.

- The contribution rules that apply specifically to tax payers aged 65 to 74 will be removed from 1 July 2017. Individuals will no longer have to satisfy a work test and will be able to receive contributions from their spouse.

- From 1 July 2017, all individuals will be able to claim a tax deduction for superannuation contributions up to the concessional contribution cap ($25,000). Currently a person who earns more than 10% of their income from employment is ineligible to claim personal superannuation contributions as a tax deduction.

- Individuals with a superannuation balance less than $500,000 will be allowed to make additional concessional contributions where they have not reached their concessional cap limit in previous years. This will apply from 1 July 2017.

  Amounts are to be carried forward on a rolling basis for a period of five consecutive years and only unused amounts accrued from 1 July 2017 can be carried forward.

  For example, presuming that the concessional cap limit remains at $25,000, this would mean that an individual could make concessional contributions of $10,000 for 4 years from the 2018 to 2021 financial year and then make a concessional contribution of up to $85,000 in 2022.

- A superannuation transfer balance cap of $1.6M on the total amount of accumulated superannuation an individual can transfer into the tax-free retirement phase will be introduced on 1 July 2017.

  Currently, when a superannuation fund is not paying a transition to retirement income stream (TRIS) or pension, it is considered to be in accumulation phase and all earnings are subject to tax at 15%.

  Any earnings in a superannuation fund that arise from assets that are supporting a TRIS or pension are not taxable.

  Going forward, any excess amounts above 1.6M, will remain in accumulation phase and continue to pay 15% tax on earnings.

  Members already in retirement phase, with accumulated balances above $1.6M, will be required to reduce their retirement balance below the threshold by 1 July 2017. Excess balances may be converted back to accumulation phase accounts and retained within the super funds.

TAX

- The company tax rate will be progressively reduced (based on aggregated turnover) to 27.5% for all companies by the 2024 financial year.

  Further reductions in the company tax rate have been suggested for a following three financial years such that the company tax rate will be 25% in 2027.

- A corresponding increase in the percentage applied to the Unincorporated Small Business Tax Discount for individuals is also planned although the maximum discount will remain at $1000.

GST

GST will be extended to low value imported goods from 1 July 2017. Currently GST is only charged once the value of the goods exceeds $1000. Going forward, suppliers that sell goods to Australian consumers in excess of $75,000, will be required to be registered for GST and collect GST on all transactions, irrespective of value.

WET TAX

- The WET rebate cap will be reduced from $500,000 to $350,000 on 1 July 2017, and reduced further to $290,000 on 1 July 2018

- New criteria regarding eligibility to claim the rebate will be imposed from 1 July 2019. Under these criteria, a wine producer must own or have a long term lease over a winery and sell packaged, branded wine domestically.

LEGISLATIVE UPDATES

FARM MANAGEMENT DEPOSITS

The following three changes to the Farm Management Deposit (FMD) Scheme are commencing on 1 July 2016;

- The FMD cap will double to $800,000

- Re-establishment of an early access trigger due to times of drought, without loss of taxation benefits if the following criteria are met;
  - FMD must be made in prior financial year
  - FMD must have been held for a minimum of 6 months
  - Primary Producer can demonstrate that an area of a farming property has been affected by rainfall deficiency for six consecutive months
  - Further FMD deposits later in the same year a withdrawal has been made due to drought are not eligible for a tax benefit

- Allowing FMD's to be used to offset the interest costs of Primary Production debt

NATIONAL MINIMUM WAGE

An increase to the National Minimum Wage and Modern Award Minimum Wage of 2.4% has been approved from 1 July 2016. The minimum wage will increase to $672.70 per week ($17.70 per hour).

For those clients who are employers please be aware that the Awards will be updated at the end of the financial year and new wage rates published. To ensure you are paying the correct rate, the Awards can be accessed at the Fairwork Australia website.

COMPLIANCE ACTIVITY

ATO

The ATO has commenced forwarding letters that indicate when amounts you have claimed in your tax return or BAS are outside the average for your employment or business type.

Generally, no action will be necessary. However, if you receive one of these letters we suggest that you review your documentation and contact us if you think you have made an error.

RETURN TO WORK SA

We have seen a recent surge in compliance activity from Return to Work SA, previously known as Workcover.

In particular, the focus appears to be on the use of Subcontractors and Labour Hire firms.

If an individual subcontractor is, in effect, working as an employee, they need to be included in Return to Work SA for your business.

For all subcontractors you need to ensure you have a record of their ABN on file.

If you contract with Labour Hire firms you have an obligation to ensure that they are properly registered with Return to Work SA.

AUDIT INSURANCE

Clients holding Audit Insurance should be aware that it covers our fees for work on all government audits, including Return to Work SA and RevenueSA, not just ATO related activities.

TAX PLANNING

BUSINESS AND SUPERANNUATION

- As previously mentioned, small business with a turnover of less than $2M are entitled to write off Plant and Equipment purchases up to $20,000 (GST exclusive if your business is GST registered) until 30 June 2017.

  You will need to ensure that the plant item is installed and ready for use prior to June 30 this year to take advantage of this measure in the 2016 financial year.

- Primary producers can immediately deduct all of the capital expenditure on fencing and water facilities (dams, tanks, bores, irrigation channels, pumps, windmills etc.).
- Primary producers are also eligible to depreciate over 3 years the cost of fodder storage assets.
- Review and complete any necessary repairs and maintenance prior to the end of the financial year.
- Stock up on business consumables, this could include anything from office supplies to fuel depending on your business type.
- Complete a stocktake; review the valuation and write off any damaged or obsolete stock.
- Keep a motor vehicle logbook to maximize car travel expenses. Claims for motor vehicles can now only be made on logbook percentage or on a cent per km basis (66c/km for a claim up to a maximum of 5,000km).

  Logbooks need to be kept for a minimum of 12 weeks and renewed every 5 years unless business usage changes.

- Primary Producers should also conduct a stock count if they are carrying out activities that are conducive to doing so, such as crutching or drenching.
- Review debtors prior to June 30 and write-off any bad debts.
- Review work-in-progress and do not render accounts earlier than necessary.
- Review depreciation schedules and note any obsolete or scrapped plant.
- Consider prepaying interest on loans.
- Primary producers should review their Farm Management Deposits.
- If you are in a business loss position and have other taxable income, such as from employment, ensure you have met the eligibility criteria for non-commercial losses.
- If intending to sell assets, check the capital gains consequences such as discounts for holding assets longer than 12 months, small business CGT concessions and realising capital losses to offset capital gains.
- Ensure all employee obligations such as superannuation guarantee, staff bonuses and other payments are made prior to 30 June.
- Concessional Superannuation Contributions (contributions you are planning to claim as a deduction) need to clear your superannuation account prior to 30 June.

  This also applies to business claiming a deduction for super guarantee contributions paid on behalf of their employees, therefore contributions for the June quarter should be made as early as possible.

INDIVIDUALS

- Top up on uniform and protective clothing if it is a requirement of your employment.
- Work tools individually valued at less than $300 can be immediately deducted (unless part of a larger set of tools).
- Review your insurance needs, income protection insurance is tax deductible.
- Make a donation to a charity prior to June 30, however, note that if you receive something in return (such as a raffle ticket) it is generally not considered a donation.
- The Medical Expense Offset has been scaled back to include only disability support aids, attendant care and aged care. However, hearing aids are considered to meet this new criteria.

- Review share portfolios; if you have realised a significant capital gain this year it may be worth crystalizing losses from underperforming shares.

- If a couple, consider holding assets in the name of the lower income earner and utilising any differences in individual tax rates.

- If you are in receipt of Family Tax Benefits, plan to get your tax done early to receive any adjustment amounts as soon as possible.

SUPERANNUATION

CONTRIBUTION LIMITS

For the 2016 and 2017 financial year the concessional contribution limit is $30,000 if the taxpayer does not attain 50 years of age prior to the end of the financial year in which the contribution is made.

For other taxpayers who have reached 50 years of age prior to June 30 of the financial year in which the contribution is made, the concessional contribution limit is $35,000.

Note that taxpayers over the age of 65 will still need to pass a work test to make superannuation contributions and taxpayers over the age of 75 may only receive superannuation guarantee contribution from their employers under the current arrangements.

As stated earlier, contribution limits after 1 July 2017 will depend on which of the proposed budget measures gain assent and become law.

We strongly recommend that anyone thinking of making a non concessional contribution to their superannuation fund call us to discuss their options prior to making the contribution.

PENSION WITHDRAWALS

All members of SMSF who are in a transition to retirement arrangement or whose funds are in pension phase need to ensure that they withdraw the appropriate pension amount from their fund prior to June 30.

Failure to do so will mean that the SMSF will no longer be eligible to receive the related tax concessions.

Please contact us if you are unsure of the correct amount to withdraw.

PRESERVATION AGE

Preservation age is the age at which you can access funds from your Superannuation Fund, usually via a transition to retirement arrangement.

For those born prior to 1 July 1960, the preservation age was 55. Legislation introduced some time ago increased the Preservation Age in steps until it reached 60 for those born after 30 June 1964.

Date of Birth	Preservation Age
Before 1 July 1960	55
1 July 1960 – 30 June 1961	56
1 July 1961 – 30 June 1962	57
1 July 1962 – 30 June 1963	58
1 July 1963 – 30 June 1964	59

Please contact us if you are a member of a SMSF and reach preservation age prior to 30 June 2016, or in the upcoming 12 months, to discuss if a transition to retirement arrangement would be an effective tax strategy for you.

SUPERANNUATION CO-CONTRIBUTION

Year	Maximum Entitlement	Lower Income Threshold	Upper Income Threshold
2015-16	$500	$35,454	$50,454
2016-17	$500	$35,021	$51,021

The matching rate remains at 50 cents co-contribution for each $1 contributed until 30 June 2017.

MOTT FINNIS & CO

- 66 Smith Street NARACOORTE 08 87623644
  www.mottfinnis.com.au
  8.50am to 5.30pm Monday to Friday
  Visiting Bordertown weekly
  Other times and locations, via arrangement

- Due to increases in postage costs we intend to commence forwarding invoices via email from 1 July 2016. Invoices will be forwarded from the email address admin@mottfinnis.com.au.

  Should you wish to continue to receive invoices via the post please call the office on 08 8762 3644 and indicate this on the enclosed checklist when you drop your documents in for tax preparation.