NEWSFLASH

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BAN TACS Accountants Pty Ltd

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*Visit **Bantacs.com.au** About Us section to view office location details and information about BAN TACS practitioners.*

Welcome to the BAN TACS News Flash. Our aim is to provide short but succinct updates on all tax issues

Welcome To Our New Offices

We now have 3 new capital city offices. Our Burwood office is expanding to open a new office in the centre of Sydney, Jane Zhang will be available in both offices. Just across the harbour is Deborah Roscoe in our new Chatswood office, though not really new as Deborah has been in practice for 10 years and reading our newsflash for that long! In Brisbane Colleen Tarrant is opening our Brisbane office in Murarie. All three ladies are very keen property investors, their details are available on http://www.bantacs.com.au/aboutus.php

Two New Booklets On The Web Site

Our **2015 Year End Tax Strategies** booklet is now up on the web site at http://www.bantacs.com.au/booklets/Year%20End%20Tax%20Strategies%20Booklet%202015.pdf

A booklet for all things tax to do with **Your Own Home**, you will be surprised just home many ways there are to fall into the trap for being taxed on your home. http://www.bantacs.com.au/booklets/Your_Own_Home.pdf

Medical Expenses Tax Offset

Before you go digging up all your medical expenses for the 2014/2015 financial year consider whether you have any chance of a claim. If you did not qualify for the medical expenses tax offset in 2013/2014 then you are only entitled to claim for the cost of providing care or disability aids. This year the threshold is $2,218 for low income earners and $5,233 for high income earners. For a full article on all the other requirements to qualify refer Newflash 289 http://www.bantacs.com.au/newsflash/Newsflash_289_1st-July-2014.pdf

In 2015/16 medical expenses will not qualify for the offset at all, only disability aids and carers expenses.

Before You Rush Out And Buy Plant and Equipment

Last month we gave you the basics on the new immediate tax deduction for any plant and equipment purchased after 12th May 2015 that cost less than $20,000. This was taken from the budget papers. A bill has now been prepared, to go before Parliament so we can give you a bit more certainty. The concession has bi partisan support in theory so you would expect it to get all the way through, but no guarantee there won't be minor changes. We would also like to correct some misinformation that is going around.

The $2 million turnover that you are required to be under in order to qualify as a small business to utilise this concession is worded as aggregate annual turnover, there may be some link together of businesses controlled by the same entity.

If it is the attraction of the immediate tax deduction that is the driving force behind your purchase it may be wise to delay until next financial year. If your low value pool is below $20,000 (opening balance at 1st July, 2014) and the legislation passes you are entitled to write off any remaining balance. This may already be enough tax deductions for the 2015 tax year, check with your Accountant, you don't want to drag yourself down into a low tax bracket this year and waste part of your claim when delaying the purchase a month would see you claim it next year when you are in a higher tax bracket. Consider that this immediate write off is only dragging future deductions into this financial year. Despite what the politicians have been spruiking the amount the government (through an effective tax refund) is contributing towards the purchase has not changed you are just going to get it sooner. Further there is a risk that getting it sooner, all in one year, means that you will actually get less of an effective tax refund for it because the tax deduction will push you down into a lower tax bracket. On the other hand if this year is a particularly good year and the future is not likely to be as good then this concession can benefit you. Basically, the higher your income in the year that you spend the money, the higher your tax bracket so the more the ATO will contribute towards the purchase.

If you lease equipment you will not qualify to depreciate the equipment at all because you don't own the asset, the lease company does. On the other hand it looks like if you have a lease that finishes up after 12th May, 2015 (including novated leases) and you pay the residual to purchase the asset, if that is under $20,000 you can claim the immediate write off. Note if your method of finance is hire purchase or chattel mortgage then if you buy something under $20,000 now you could qualify for the immediate write off. But if you already have equipment financed under hire purchase or chattel mortgage, the balloon payment will not qualify for immediate write off.

The concession applies to both new and second hand plant and equipment. The $20,000 threshold includes the GST if you are not entitled to claim GST input credits. If you are registered for GST, so entitled to claim input credits then the $20,000 threshold does not include GST. Identical items individually costing less than $20,000 are ok, there are no grouping provisions.

If there is some non business use of the asset you are only entitled to write off the business portion. Nevertheless the $20,000 threshold applies to the whole price of the asset, not just the business portion.

If you improve a current asset or relocate it and spend less than $20,000 you can immediately write it off.

There has been talk in the press about people going out and getting an ABN and buying plant and equipment thinking they will be able to offset it against their wages income. The politicians have been using words like established long term business to discourage this though these are not the sorts of words that can be put into legislation. What we do already have in legislation is division 35, the non commercial loss rules that prevent you from claiming business losses against your wages income. Here is a link to our booklet on the topic http://www.bantacs.com.au/booklets/Division_35_Offsetting_Business_Losses_Booklet.pdf at the very least you have to be able to show that if your business had run the full year it would have had income of more than $20,000, before you can use the deduction.

Now here is a little trap. You may have a small business capital gain and are considering buying a replacement asset so you can roll the gain into that. The small business rollover concession effectively allows you to ignore a capital gain until the replacement asset is sold. Under these circumstances it is better to declare the capital gain, not roll it over. Then buy the replacement asset and offset it against the capital gain. Cancelling it out once and for all rather than having it raise its ugly head again when you sell the replacement asset. In short if the replacement asset is less than $20,000 it is better not to utilise the CGT replacement asset rollover concession.

Column By Noel Whittaker

Superannuation still remains a superb vehicle for saving tax but the price of growing your money in a low tax environment is loss of access to it until you reach “preservation age”. For people aged 32 or more at 1 July 1992 the preservation age is 55, but it is being slowly increased with the aim of having all benefits preserved until age 60 by the year 2025.

You can access your superannuation as a lump sum once you reach 55 if you “retire”. Retirement however, is a state of mind, so it is possible for people to retire at 55, draw part of their superannuation and then return to the workforce a few months later because they are sick of doing nothing.

You can access your superannuation when you reach 60 if you retire from any job – it needn’t be your main job. At age 65, access is automatic.

In 2006, as part of a total reform of the superannuation system, the access rules were relaxed so that anybody who wanted to continue working after their preservation age was able to take part of their superannuation as an income stream. This income stream – the transition to retirement pension (TTR) – is similar to a normal account-based pension except non-commutable. That’s a fancy term that means you can’t make lump sum withdrawals from it.

TTRs have become extremely popular, and most eligible workers are now boosting their retirement nest egg by salary sacrificing a portion of their salary to super and using the transition to retirement pension to fund any shortfall in their living expenses. TTRs have some limitations until you reach 60 as, prior to that age, withdrawals from the taxable components are taxed at your marginal rate less a 15% rebate. It’s a no-brainer once you reach 60, as the contributions lose just 15% in entry tax, while the withdrawals are tax free.

A knowledge of the access rules is essential for anybody making long term investment plans. Put simply, the younger you are the more you should opt to invest outside of the superannuation system, the older you are the more you should favour it.

Noel Whittaker is the author of Making Money Made Simple and numerous other books on personal finance. His advice is general in nature and readers should seek their own professional advice before making any financial decisions. Email: noelwhit@gmail.com.

Quick Check List Of Must Dos Before 30th June 2015

If you have not lodged your 2014 income tax return you must do so before 30th June, 2015 or you will miss out on all your Centrelink entitlements.

If you made a personal superannuation contribution during the 2014 financial and you have not yet lodged your income tax return you must make sure you advise your superannuation fund if you are going to claim the contribution as a tax deduction in your 2014 tax return. Once the 30th June 2015 ticks over you will not be able to claim the deduction unless you have already received a certificate from your superannuation fund stating that they are aware that you will be claiming a tax deduction for the contribution.

If you have a discretionary trust make sure you have a minute on the distribution of the 2015 profit.

Employers have until the 28th July to make the superannuation contributions they are obligated to pay in relation to the June period, under the superannuation guarantee. But if the contribution is made after the 30th June, 2015 the employer will not be entitled to a tax deduction for it until the 2015/2016 financial year even though the liability fell in the 2014/2015 financial year.

If you are contributing salary sacrificed contributions or have employees who are close to their cap you should carefully look at their particular circumstances. The amount contributed for the purposes of the cap is also based on the date it is received by the fund, providing the fund allocates the amount immediately to the member’s account. If an employer delays making the contributions relating to the June quarter until after 30th June it could result in the employees missing out on maximising their cap this year and possibly exceeding their cap next year. Or if last year you made the June contribution in July but this year you are making it in June your employees will have 5 quarters’ worth of contributions in the 2014/2015 financial year. So before you do this make sure you will not be pushing anyone over their cap.

Likewise personal contributions that you wish to claim a tax deduction for in the 2015 financial year must be received by the fund before 30th June, 2015.

Tax Rates for 2015-2016 Financial Year

Labor has agreed to pass changes through the senate that will mean the 2016 tax rates stay the same as 2015.

Pay No Tax if Under $20,582		$18,201 to $37,000	19%	$80,001 to $180,000	37%
Up to $18,200	Zero Tax	$37,001 to $80,000	32.5%*	Over $180,000	47%

*Can be as much as 34% while low income tax offset shading out
Note amounts do not include Medicare Levy – generally 2%
At this stage it is intended that the 2016-2017 tax rates be the same as the 2015-2016 rates.
For Foreign Residents their tax rate starts from the first dollar at the tax rate for income under $80,000. Once it exceeds $80,000 the rate is the same as it is for residents, including the 2% Deficit Levy once they reach $80,000 but no Medicare Levy

APRA Instructing Banks To Reduce Investment Lending

Just to clarify it is not correct that APRA has instructed the banks to reduce their lending for investment properties to 10%. Investment lending has grown by more than 20% and APRA would like to see this growth reduced to 10%. I wonder how APRA will enforce this on the banks? It would seem to me that any investors concerned about this would simply tell the banks they intend to live in the house they are about to buy and rent out their current house which already has the loan in place. I'm sure that is what the banks would want to hear anyway.

Join BAN TACS All We Need Now Is Melbourne

In July we will be launching our new service for first time property investors with a national advertising campaign. This is why we have been inviting capital city offices to join us. All we need now is a Melbourne office to come on board and we will have the east coast and most of the south coast covered.

BAN TACS is about Accountants getting together to share resources and knowledge in order to provide their clients with the wide experience base and economies of scale that larger firms enjoy while still keeping that local practitioner personal service.

The monthly (no locked in contract) fee to become part of the BAN TACS group is less than what you can save through our shared resources and quantity discounts, for example tax software for $148 per licence per year. Not to mention the huge knowledge bank available through our phone a friend mutual sharing of expertise. It is a win win situation for our members and their clients. To find out more go to http://www.bantacs.com.au/opps_practice.php

Where Is Julia?

Julia will be heading to sunny Mackay on 25th June. Around the end of August beginning of September she will travel to Townsville and Cairns then return to Mackay until mid October.

Askbantacs Notice Board

One very generous askbantacser has allowed their question and answer to be posted on the notice board. http://www.bantacs.com.au/QandA/index.php?xq=667 Three families buying a house, demolishing it and building three units with individual titles.