

# NEWSFLASH

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BAN TACS  
Accountants  
Pty Ltd is a  
CPA Practice



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

## Year End Tax Planning

It is time to make an appointment with us to discuss your year end tax planning strategies. Our year end tax strategies booklet should be updated shortly and available at:

<http://www.bantacs.com.au/booklets/Year%20End%20Tax%20Strategies%20Booklet%202016.pdf>

## Time to start Diaries

You need to start a diary before 30<sup>th</sup> June, 2016 and keep it for one month if you want to claim part of your computer costs, internet costs, motor vehicle under the km method, pre paid mobile, home phone, home office, travel and accommodation expenses. It is important that you start now!

You can buy a spreadsheet diary for \$5.95 here <http://www.bantacs.com.au/shop-2/diary-template/> that is a very simple download.

So keen are we for you to keep these diaries that we are happy to give them away, all that matters is that you fill them out so we can claim lots of lovely tax deductions. Just like our facebook page

<https://www.facebook.com/BANTACSpropertypage> and send your email address to [facebook@bantacs.com.au](mailto:facebook@bantacs.com.au) we will email you back a diary spreadsheet for free and not ever use your email address for any other purpose.

## 2016 Budget

This year is a bit different to most in that we really don't know what we will be getting until after the election on 2<sup>nd</sup> July, 2016. This creates many problems for taxpayers simply because Malcolm Turnbull chose to call an election just after the end of the financial year, dissolving parliament just after the budget so nothing

could be debated. I wonder if he gave any thought at all to the timing. It couldn't be worse in my opinion. Taxpayers don't know what to do with their superannuation or business investment before the end of the financial year. Policies are also expected to change as the campaign moves along with amounts earmarked in the budget for pork barrelling but no detail.

I start with the changes that we can have reasonable confidence in as they are part of both Liberal and Labor's policies even though they may be dressed differently. For example you can be sure the price of cigarettes will increase. Other policies that are similar between the parties are:

Retirees can only expect to receive a maximum of around \$75,000 in tax free superannuation each per year. Any amount over this will be taxed at 15%. This will begin on the 1<sup>st</sup> July 2017. The way the two parties implement their version of this differs but the result is very similar.

People earning income of less than \$37,000 (shading up to \$40,000) who are working and contribute \$1,000 into superannuation out of their after tax pay receive a \$500 co contribution from the government, at the moment it appears Labor will keep this. The LNP intend to change this to a tax offset of up to \$500 payable to the superannuation fund. This will come into effect on 1<sup>st</sup> July, 2017 and will not require an after tax contribution by the taxpayer. It is designed to offset any tax payable on their employer's superannuation contributions or any contributions they make for themselves that they claim a tax deduction for. If the offset is not used up for this purpose then it is lost. Just a word of warning to taxpayers with a SMSF containing a negatively geared rental property; the tax offset is no use to you if the SMSF does not pay tax.

From 1<sup>st</sup> July, 2017 taxpayers with a "total income" of \$250,000 or more will have their deductible, non concessional or salary sacrificed contributions taxed at 30% instead of 15%.

From 1<sup>st</sup> July, 2016 the upper threshold for the 32.5% tax rate will move from \$80,000 to \$87,000. This means a reduction in income tax for all taxpayers whose taxable income exceeds \$80,000.

Now the rest of this boils down to who you think is going to win and of course there is still the question of whether the policies will make it all the way through parliament.

If the LNP wins:

Anti-detriment payments will be abolished from 1<sup>st</sup> July, 2017. This effectively means that families who lose the breadwinner before he or she retires will not receive the benefit of the 15% tax offset that would have applied if the member reached retirement. Yep a death tax. For more on this see my facebook rant for 8-5-16.

Taxpayers will only be entitled to put a maximum of \$500,000 in non concessional, un-deducted contributions into their superannuation in their life time. Anyone who has already put this amount in will no longer be able to make these sorts of contributions. Effective budget night 3<sup>rd</sup> May, 2016. Any excess contributions after this date will be returned but if you have more than \$500,000 that you contributed before budget night that pre budget night balance can stay in the fund. This could spell disaster for taxpayers who have signed to buy a property in their SMSF and were about to contribute the funds to their SMSF to buy it. They will have to default and lose their deposit.

From 1<sup>st</sup> July, 2017 the maximum annual concessional deductible contribution that you can make into superannuation will be \$25,000. The good news is that from that date the cut off age for superannuation contributions will be lifted to 75 years of age, the age limit is also increased for non deductible non concessional contributions.

Taxpayers with employer superannuation support ie wage earners will no longer be prevented from making deductible concessional contributions for themselves. This will see the end of the need to utilise salary sacrifice to make additional superannuation contributions. Also there will no longer be a work test for taxpayers over 65 and under 75 to contribute to superannuation. Basically, from 1<sup>st</sup> July, 2017, you will no longer have to jump through a complex set of hoops to contribute deductible concessional contributions into superannuation. All you really have to worry about is the \$25,000 cap which includes contributions made by your employer.

If you have less than \$500,000 in superannuation and you have not used up your \$25,000 cap for deductible concessional superannuation contributions in a previous year you can roll the unused cap over into the current year to make a larger contribution. This rollover can only draw on unused caps dating back 5 years. This takes effect from 1<sup>st</sup> July, 2017.

The spouse contribution tax offset allows the high earning member of a couple to contribute up to \$3,000 into the superannuation fund of their spouse. The contribution is not taxed going in to the fund and the

contributing spouse gets a tax offset of 18% of the amount contributed up to a maximum of \$540. Currently this starts to cut out when the low income spouse's income exceeds \$10,800. From 1<sup>st</sup> July 2017 the shade out threshold increases to \$37,000 with no offset available once income exceeds \$40,000. Before you rely on this check the fine print as it is not based on taxable income, there are all sorts of add backs and the spouse must be under 75 years of age.

From 1<sup>st</sup> July 2017 transition to retirement pensioners will no longer qualify to hold their assets in pension phase. This means the earnings from these assets will no longer be tax free, they will be taxed at 15%. Rushing into a transition to retirement pension now won't help.

Removing paid parental leave entitlements for parents who's employer offers maternity leave but offering a \$1,000 baby bonus.

From 1<sup>st</sup> July, 2017 all businesses selling more than \$75,000 worth of goods to Australians per year will be required to pay GST.

In the current financial year unincorporated small business income received by individuals will qualify for a tax discount of 5% up to a total discount of \$1,000 for the year. From 1<sup>st</sup> July, 2016 this will increase to 8% for businesses with a turnover of less than \$5million.

Small business with a turnover of more than \$2mil but less than \$10mil should wait until after the 2<sup>nd</sup> July, 2016 to purchase plant and equipment under \$20,000. If the LNP are returned they will qualify for an immediate write off of the purchase price, but only for that financial year.

The definition of small business will vary depending on the concession that is being applied. Here they are all in the one place

Small Business CGT concessions*	\$2mil turnover or \$6mil in business assets
Unincorporated Small Business Tax Discount in 2015-2016 *	\$2mil turnover
Unincorporated Small Business Tax Discount from 1 <sup>st</sup> July, 2016	\$5mil turnover
Ability to immediately write off assets under \$20k for 2016-2017	\$10mil turnover
No need for stocktake if change less than \$5,000 from 1-7-16	\$10mil turnover
Can Calculate GST on a cash basis and pay instalments	\$10mil turnover
Reduced Company Tax to 27.5% 2016 to 2017 financial year	\$10mil turnover
Reduced Company Tax to 27.5% 2017 to 2018 financial year	\$25mil turnover
Reduced Company Tax to 27.5% 2018 to 2019 financial year	\$50mil turnover
Reduced Company Tax to 27.5% 2019 to 2020 financial year	\$100mil turnover
Reduced Company Tax to 27.5% 2020 to 2021 financial year	\$250mil turnover
Reduced Company Tax to 27.5% 2021 to 2022 financial year	\$500mil turnover
Reduced Company Tax to 27.5% 2022 to 2023 financial year	\$1bil turnover

\*Already law

By 2024/25 the company tax rate will reduce to 25%

120,000 internships over 4 years offering employers an upfront payment of \$1,000 and a youth bonus wage subsidy of between \$6,500 and \$10,000.

If Labor win then the above probably won't happen, Labor are offering:

A reduction in the company tax rate to 25% but only for businesses with a turnover of less than \$2mil.

Limiting the amount of money private vocational education students can borrow under HECS to \$8,000 per student per year. Note this is not about University and TAFE courses it is about the private providers recently criticised in the press.

Not remove the 2% deficit repair levy on taxable incomes over \$180,000 until the deficit is repaired

Maintaining the current paid parental leave scheme where eligible parents receive 18 weeks of the minimum wage, regardless of employer support but not paid at the same time as employer support is received. More about this in our facebook Sunday soapbox on 15<sup>th</sup> May, 2016.

Removal of negative gearing for properties purchased after 1<sup>st</sup> July 2017 unless they are new builds. Chris Bowen explained new builds as completed within the last 12 months and the investor is the first owner after the developer. See Newsflash 306 [http://www.bantacs.com.au/newsflash/Newsflash\\_306\\_15th-February-2016.pdf](http://www.bantacs.com.au/newsflash/Newsflash_306_15th-February-2016.pdf)

Reduction of the CGT Discount to 25% on properties purchased after 1<sup>st</sup> July, 2017. More on this in Newsflash 306 [http://www.bantacs.com.au/newsflash/Newsflash\\_306\\_15th-February-2016.pdf](http://www.bantacs.com.au/newsflash/Newsflash_306_15th-February-2016.pdf)

Put a price on carbon and abolish the LNP scheme of paying polluters not to pollute.

No doubt there will be plenty more to add to this over the next two months. Please join us on facebook <https://www.facebook.com/BANTACSpropertypage> for all the latest.

## New Website

Check out our new web site! Still the same address [www.bantacs.com.au](http://www.bantacs.com.au) still all the great free information but a great new layout that will make it so much easier to navigate and is now mobile friendly.

Have a look at our Library tab at the top right of the page. There are the old favourites, newsflash and the booklets. We have added a section for webinars which already has lots of videos for property investors. There is also a blog section. If your business relates to property feel free to use any of the articles in this area.

Also have a look under the Topics tab (top right) select the menu option that best describes your area of interest and it will take you to all the information on the site that is relevant to you.

The forum has been removed as our facebook page is now providing that service <https://www.facebook.com/BANTACSpropertypage/> the beyond newsflash articles that were on the forum are now under blogs. The menu at the top right is where you will find the details of each office and practitioner under about us, there is also a tab for askbantacs and seminars.

## Facebook

For daily property tax tips and a bit of fun like us on <https://www.facebook.com/BANTACSpropertypage/> Take advantage of this totally free resource aimed at helping to educate property investors, we even troll other property sites to give you their interesting posts when we know they are credible.

Over the last month we have covered some great issues like combining a holiday home with an investment property, and ABS Data from We Find Houses. What happens when you die to properties you hold in trust? There were also posts on Granny Flats, how to check on rising sea levels, an amusing look at some of the taxes we have had over the centuries, details about the budget's effect on superannuation, how the spouse superannuation contribution can net you an 18% return overnight, tax on exchange rate fluctuations, a risk quiz and various news articles

My Sunday Soap box rants have covered the budget, the suggestion of a 5% GST hike and asked what voters really want? Wednesday Webinar covered Scrapping, Friday forums facilitated discussion on land tax and the Sydney market, what buyers should be looking out for and how many properties you need to retire

## How to Make Sure Your Next Property Is a Good Investment

- Do you really know how much the property is going to cost you to hold?
- What name should the property be purchased in?
- Will this property fit your investment strategy and goals?
- What does the contract say about GST?
- How does the price compare with similar sales in the area?
- If it is negatively geared, how much capital growth is required before you breakeven?
- Do you know what records you need to keep and how?
- Are your financing arrangements maximising your tax deductions?
- What happens if interest rates rise?

.....and the list goes on!

To ensure you don't make a costly mistake with your next purchase, contact us today [http://bantacs.com.au/Bantacs\\_pipkit.php](http://bantacs.com.au/Bantacs_pipkit.php)

**Disclaimer:** Please note in many cases the legislation referred to above has only just passed through parliament. The full effect is not clear yet but it is already necessary to make you aware of the ramifications despite the limited commentary available. On the other side of the coin by the time you read this information it may be out of date. The information is presented in summary form and intended only to draw your attention to issues you should further discuss with your accountant. Please do not act on this information without further consultation. We disclaim any responsibility for actions taken on the above without further advice as to your particular circumstances.

