

# ***INFORMATION REQUIRED FOR PREPARATION OF 2017/2018 RETURNS***

## **Wage & Salary Clients**

- PAYG Payment Summaries, Youth Allowance, Pension and Centrelink Statements
- Eligible Termination Statements, Superannuation Lump Sum and Income Stream details
- Details of all interest received including bank name and account number
- Details of all dividends received or reinvested, including imputation credits
- Details of all managed funds income including annual tax statement
- List of work related expenses with all supporting evidence available
- Personal Sickness, Accident and Income Protection Insurance costs and any amounts received
- Motor Vehicle logbooks/diaries if kept (needed every five years)
- Statements of rent received and associated expenses
- Private Health Insurance details including annual statement letter from insurance company
- Personal Superannuation and spouse contributions
- Details of any deductible donations and gifts during the year which you can substantiate

## **Business Clients – A check list is attached to assist**

- Reconciled data file if records done on computer (plus June 30<sup>th</sup> bank statement)
- Bank Statements, Cheque and Deposit Books for the whole year where manual records
- Statements for all loans showing balance outstanding at 30/6/2018 or the payout date
- Amounts owed by you to Creditors at 30/6/2018 - Please provide a list
- Amounts owed to you by Debtors at 30/6/2018 - Please provide a list
- Stock on Hand 30/6/2018 - an actual recorded count is required for business trading stock or livestock including number of deaths and killed for rations during year
- List of cash transactions supported by invoices/receipts
- Contracts of Sale & Settlement details of any property/business purchased or sold during the year
- All PAYG Payment Summaries of employees including, building subcontractors list if applicable
- Full details of all purchases of vehicles & equipment, including trade-in amount

## **Motor Vehicle Expense Claims**

Bring in all details of work related travel, log book if kept and motor vehicle expenses details if relevant.

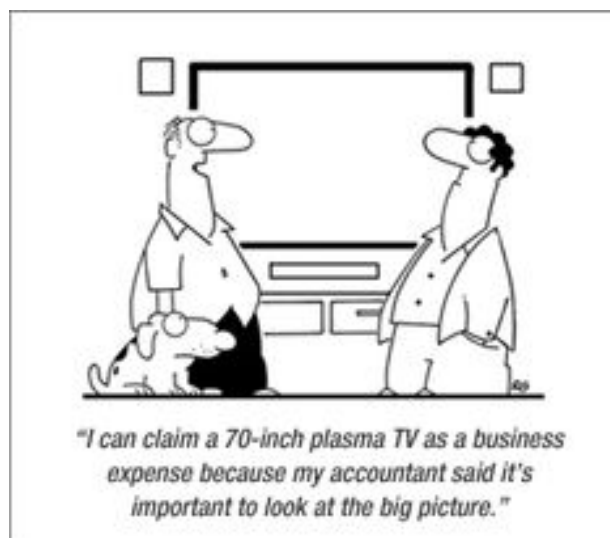
***A new logbook is needed each 5 years.***

**Note:** Odometer readings at start and end of the year must be recorded.

## **Capital Gains Tax**

Details of sales/disposals of any assets made during the year. The date of sale is the date a contract is signed, not when it is settled. This includes sale of properties, shares, rights and private assets.

Retain records of all costs incurred on an asset - these will be needed to calculate any taxable gain on sale, which may be MANY years later.



## POINTS OF NOTE / RECENT CHANGES

### Tax Rates (incl. Medicare Levy & Budget Repair Levy) – 2017/18

<u>Individuals</u>	<u>Tax Rate</u>
Less than \$18,200	Nil.
From \$18,201 to \$37,000	21%
\$37,001 to \$87,000	\$3,572 + 34.5%
\$87,001 to \$180,000	\$19,822 + 39%
Above \$180,001	\$54,232 + 47%

*Company tax rate is 30%. (reduced to 27.5% from 1<sup>st</sup> July 2016 for companies that have a turnover under \$25 million).*

## INCOME TAX

### **Recent Tax Announcements**

- From 12/5/2015 small businesses within the STS system can immediately deduct assets that cost up to \$20,000. These assets must be installed and ready for use. This concession has been extended and will now end on the 30<sup>th</sup> June 2019.
- From 1/07/2016 small unincorporated businesses will get an 8% reduction on their income tax capped at \$1,000 per entity.
- HELP/HECS repayment threshold has been lowered to \$42,000 from 1<sup>st</sup> July 2018.
- Deductions for rental property travel expenses have been scrapped from 1<sup>st</sup> July 2017
- Deductions for depreciation on rental furnishings acquired with a property purchased after 9/5/17 will not be allowed
- **The 10% wages rule, which restricted employees claiming for super contributions, is gone**
- The tax cuts announced in the Budget have been passed and will start on the 1<sup>st</sup> July 2018.

### **Single Touch Payroll**

From 1<sup>st</sup> July 2018 all employers with 20 or more employees are required to use Single Touch Payroll (STP). You must have STP-enabled software to report the PAYG tax withheld and super information to the ATO.

You will need to report the following:

- employee payments such as salaries and wages
- Pay as you go (PAYG) withholding
- superannuation information (super guarantee, reportable super etc.)

Note this will be compulsory for all employers from 1/7/2019. You can elect to start early if you wish.

### **Small Business Concessions**

A 'Small Business Entity' is defined as an entity that is carrying on a business and whose aggregated group turnover is less than \$25 million (increased from \$10 million). The available concessions include:

- Simplified depreciation rules.
- Simplified trading stock rules.
- Special rules for prepaid expenses.
- Annual apportionment of GST credits for private expenses.
- Option to pay GST by quarterly instalments.
- \$20,000 asset write off limit (see below)
- Access to capital gains tax concessions for active business assets (i.e. 15 year asset exemption, 50% active asset reduction, retirement exemption and asset roll-over relief). Note is only available to those entities with turnover of less than \$2 million.

Note: there is an alternative \$6 million net assets test for the CGT concessions.

## **Non-Commercial Business Losses**

This legislation provides clear objective guidelines as to which business losses are deductible against other income. There are four basic tests relating to sales (must be at least \$20,000), business assets and profits.

There is a further concession for primary producers where their income from other sources is less than \$40,000. Failure to pass the test in one year results in the quarantining of the loss for that year. Also note that there is no ability for taxpayers with an adjustable income of greater than \$250,000 to deduct these losses, irrespective of passing any of the tests, unless the Commissioner exercises a special discretion.

## **Medicare Levy Surcharge and Private Health Insurance Scheme**

There is a tiered reduction in the Private Health Insurance Rebate amount once your income reaches \$90,000 for singles or \$180,000 for couples. This rebate amount cuts out all together for those with taxable income of over \$140,000 for singles or \$280,000 for couples. If you claim an incorrect rebate through the health insurance company it will be corrected in your notice of assessment.

There is also a penalty regime for people with taxable income, plus reportable fringe benefits, reportable super contributions, exempt foreign employment income and total investment net loss above \$90,000 for singles and \$180,000 for families, plus \$1,500 for each child after the first, who don't take out at least basic hospital cover for themselves and all of their dependents. An additional Medicare Levy Surcharge of 1% if income above \$90,000 (\$180,000 couples), 1.25% if your income is above \$105,000 (\$210,000 couples) and 1.5% if income above \$140,000 (\$280,000 couples).

## **ATO late lodgment penalties**

The ATO will increase a penalty unit amount to \$210 from 1<sup>st</sup> July 2017. This means that for each 28 days that either your activity statements or tax returns are late the ATO can charge an amount of \$210 with a maximum number of 5 penalty units, leading to an amount payable of \$1,050 per late lodgment. On top of this General Interest Charge will also accrue (currently 8.77%). Keeping this in mind please make sure you are keeping up to date with your reporting requirements. However if you do incur a penalty you should always request the Tax Office to reverse it. From the 1/7/2017 the ATO will disclose debt information to credit reporting bureaus.

## **SUPERANNUATION**

### **Concessional Contribution Limits**

The annual concessional limits this year on superannuation contributions are:

- Up to \$25,000 for employer, salary sacrifice and personal deducted contributions combined.
- Up to \$100,000 for personal undeducted contributions, or \$300,000 over three years if under 65.

Note there is a necessary work test for those aged 65 to 74 to contribute and no ability for those aged 75 or over to contribute. There were some significant changes announced this year, including:

- If the full deducted contribution of \$25,000 is not made in the 2017/18 and future years then a catch-up payment can be made.
- There is now a 1.6m cap on the amount of super that can be held in pension accounts.
- When total super funds, including pension and accumulation accounts reach \$1.6m, then no further undeducted contributions can be made.
- The transition to retirement pension will no longer exempt the fund's earnings from the 15% super tax rate.
- The 10% rule that previously prevented you from claiming a tax deduction for personal contributions if wages were more than 10% of your income, is gone.
- The income threshold for a spouse contribution has gone from \$13,800 to \$40,000.
- From 1<sup>st</sup> July 2018 up to \$300,000 from the sale of your home can be put into super.
- From 1<sup>st</sup> July 2017 prospective first home buyers can contribute up to \$15,000 per year (\$30,000 in total) to super and these funds can be withdrawn for a home deposit.

## **Superannuation – Co-Contribution**

The Government Superannuation Co-Contribution is available to individuals who have made a personal undeducted super contribution during the year and at least 10% of their total income comes from employment, business or a combination of the two. **The government contribution of \$500**, on a \$1 for every \$2 you put in, decreases by 3.333c for each \$1 that your assessable income plus reportable fringe benefits and reportable super contributions exceeds \$36,813, reducing to nil at \$51,813.

## **Notice of Intent to claim a tax deduction**

The ATO have found an increasing number of tax payers are claiming a personal tax deduction for their superannuation contributions but not submitting the required paperwork to their fund before making that claim. Please ensure if you receive intent to claim notices from your super fund that you bring them in when you are having your tax prepared to ensure they are being submitted as required.

## **Superannuation Amnesty**

The government announced a temporary amnesty on the superannuation guarantee system (compulsory employee super contributions for employees). This is a good opportunity to self-correct any current shortfalls without the usual penalties and loss of tax deductibility.

## **Super Lump Sums and Pensions for those aged 55 to 59**

Generally member's accounts in a superannuation account contain both tax free and taxable components, which if able to be drawn out by meeting a release condition, must be drawn out proportionately. For lump-sums (pre-pension phase) the tax free proportion is not taxable income and the first \$200,000 of the taxable component is tax free, with any amount above this taxable at 15%. When shifting to a pension the income that comes from the taxable component is taxable at marginal rates but with a 15% tax offset available for those in the 55-59 age group.

## **CENTRELINK**

### **Claiming FTB**

To claim family tax benefit, you need to apply to the Family Assistance Office by either lodging online at [www.familyassist.gov.au](http://www.familyassist.gov.au) or a paper claim form in person at a Centrelink customer service centre or Medicare office. You can register and receive regular fortnightly payments or opt to receive a lump sum amount when your tax return is lodged. If you have not registered then you will need to lodge a lump sum claim form when your tax return is lodged. **Note: the claim period for these payments is 12 months meaning the 2017/18 claim must be completed by 30<sup>th</sup> June 2019.**

### **Seniors Health Care Card / Eligibility for Pharmaceutical Benefits**

The card is available to those who have reached age pension age, but do not qualify for the age pension, and whose taxable income is below \$86,076 for a couple and \$53,799 for a single. This gives only limited benefits - **BUT** it may give eligibility for Commonwealth Pharmaceutical Benefits. Please note that it is an adjusted income test, which will include reportable superannuation contributions

### **Pensioner Deeming Rates**

Centrelink deems a specified interest rate (currently for single persons 1.75% on first \$50,200 (couples \$83,400), 3.25% thereafter) on all financial assets, regardless of what they actually earn. You will need to check with your bank what rate they are paying on their deeming accounts as it may be not in line with the Centrelink rates.

### **Family Tax Benefits A & B**

Currently, the maximum Family Tax Benefit Part A is received if the joint taxable incomes of the family are below \$52,706 this entitlement cuts out completely when taxable income of the family reaches \$99,414 or more depending on number of children and ages. The maximum Family Tax Benefit Part B is currently received if the lower income spouse's taxable income is less than \$5,548. Part B is currently available where the child is 16 years or under (or a student under 18) and the primary income is less than \$100,000.

### **Pension Asset Test Changes**

In a major change to the assets test, from 1<sup>st</sup> January 2017, the government have increased the level when the pension starts to reduce for home-owners from \$202,000 to \$253,750 for singles and from \$286,500 to \$380,500 for couples. However by increasing the taper rate from \$1.50 to \$3 per \$1,000 in assets, they have doubled the rate at which the pension reduces now cutting out all together at \$556,500 for singles and \$837,000 for couples. This will greatly increase the importance for regular reporting of your assets to Centrelink as small changes will have twice the impact.

For anyone above the cut-off figures of \$556,500 for singles or \$837,000 for couples it is vital to review your figures regularly.

### **Youth Allowance**

Youth Allowance payments are subject to both a parental and personal income and assets test, unless the applicant is classified as independent. A 22 year old is automatically classed as an independent. If under 22 you may be considered to be an independent if you have supported yourself through full time employment for at least 18 months of the last 2 years or if you have a dependent child or unable to live at home due to extreme circumstances. Students from outer regional and remote areas can be assessed as independent after leaving school if they have worked part time (15 hours per week) for at least 2 years or earned at least 75% of a national training wage in an 14 month period (approximately \$25,000).

*Please raise any items you are unclear about and which may not be listed above.*

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**“You can pay me next year. My tax guy advised me to defer my income.”**