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Client Newsletter

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Just a few weeks left and we will again be at the end of yet another financial year.

Time again for an update on some of the changes which apply for the first time this year, what to expect further down the track and also some general reminders.

I have also included a summary of the key changes to tax and superannuation announced in the recent Federal Budget, even though it is too early to say how many of these will actually become legislated.

As always, please give me a call or send an email if there is anything you would like further information on. It is not possible to explain everything in detail here in this newsletter. As mentioned in the disclaimer below, you should seek specific advice before taking action on any of this information.

Current Year (2015-16)

Individual Tax Rates
These have not changed for the current year. They are:

Taxable Income	Tax rate
Up to $18,200	NIL
$18,201 – 37,000	19.0%
$37,001 – 80,000	32.5%
$80,001 – 180,000	37.0%
Over $180,000	45.0%

Note that the above rates do not include the medicare levy, which is now 2% of taxable income. The "budget repair levy" of 2% is also still applicable to taxable incomes above $180,000.

Medical Expense Tax Offset
For most people, this offset is effectively gone. It had already been significantly restricted, and will be phased out altogether by June 2019. Until then, the only expenses eligible to claim are those which relate to disability aids, attendant care or aged care.

Car Expense Claims
As mentioned in last year's newsletter, the only 2 methods now available to claim car expenses are:

1. A proportion of expenses based on a log book, or
2. 66 cents per kilometre.

For method 2, the number of kilometres claimed cannot exceed 5,000. No log book is required, but you do need to be able to show how you arrived at your estimated number of kilometres.

Previously, the rates were as high as 77c per km, depending on engine size. For larger vehicles which are used extensively for work, it may be worth switching to the "log book" method. If you have not yet kept a log book, *I suggest starting now*. It must be kept for at least 12 weeks, and is valid for up to 5 years as long as the pattern of vehicle use does not change significantly.

Family Tax Benefit (FTB)
If you are eligible for FTB, please remember that Centrelink has reduced the time limits for lodging tax returns or otherwise advising them of your income. *This means that you will miss out on 2015 FTB unless you lodge your 2015 tax return by 30 June 2016. There are just a few weeks left, so please let me know if you need any assistance in attending to this.*

Small Companies
The tax rate for companies with a turnover of less than $2 million has been reduced to 28.5%.

Other Small Businesses
Individuals who derive small business income (for example, as sole traders or through trust structures or partnerships) now get a tax discount of 5% of the tax attributable to that income. The maximum discount is limited to $1,000.

Assets costing less than $20,000
The ability to immediately claim the total cost of these assets as a tax deduction will remain in place until 30 June 2017.

"SuperStream"
This government initiative seeks to move all transactions relating to contributions and reporting to an electronic environment. If you are an employer, you must comply with these new arrangements by 30 June 2016.

For more information, go to: ***www.ato.gov.au***. In the search box, type: "superstream for employers" and select the first blue link (Employers | Australian Tax Office). You will find a step-by-step guide outlining your options.

If you are using payroll software, Superstream functionality is probably already included and should be fairly easy to set up. If you have only one or two employees and are keeping records manually, it may be simply a matter of using their super fund's online system.

If you, as an employer, are contributing to your own self-managed super fund, then you are exempt from these new requirements.

NIL Activity Statements
Just a reminder that all Activity Statements must be lodged, even when there is nothing to be paid.

The ATO can still apply penalties for non-lodgement of these.

If you have ceased trading and need assistance with removing your GST or PAYG registrations, please let me know.

ATO Data-Matching
The ATO is continuing to find new ways to cross-check the data in tax returns with information from other sources. One method is to obtain information from insurers about "lifestyle assets" (eg: boats, sports or luxury cars, collectibles). If the market value of these assets seems excessive when compared with the reported taxable income in a person's tax returns, the ATO will want to know how these purchases were funded.

2016 FEDERAL BUDGET

Please note that the following is simply an outline of what was announced in the recent Budget. *There is great uncertainty about how many of these measures will make it into the legislation . . .*

Tax Cut For (Some) Individuals
From 1 July this year, the 37% marginal tax rate will cut in at $87,000 (previously $80,000).

Small Business
The definition of "small business" will be extended to those with a turnover of less than $10 million (currently $2 million).

This means that (from 1 July 2016) these businesses will be able to access the following tax concessions:

- The reduced corporate tax rate.
- The instant asset write-off (for assets costing less than $20,000).
- Simplified depreciation rules.
- The option to account for GST on a cash basis.

Superannuation
This is the one getting all the attention. The financial press was widely predicting that some of the tax benefits enjoyed by super funds would be restricted, and this has indeed happened. Most of the changes apply from July 2017.

The key changes that have been announced are:

- For those with adjusted taxable incomes of more than $250,000, some or all of their super contributions will be taxed at 30% instead of 15%. The previous threshold was $300,000.
- The earnings from a pension account which supports a Transition to Retirement Income Stream (TRIS) will no longer be tax-free within the super fund. This will apply regardless of when the TRIS commenced.
- There is to be a big reduction in the after-tax (ie: non-deductible) amount a person can contribute to super. The current $180,000 per year has been reduced to a ***lifetime limit*** of $500,000, ***and is effective immediately***. (If more than this had already been contributed before Budget night, it does not need to be removed, but no more can be added).
- The annual tax-deductible contributions limit is to be reduced to $25,000 regardless of age. However, a person can make "catch-up" contributions if lower amounts have been contributed over the previous 5-year period.
- It is common for retirees to transfer large amounts to a "pension account" within the fund, with the earnings from these assets being tax-free. The balance of these tax-free pension accounts will now be restricted to $1.6 million. Anything in excess of this will need to be held in an "accumulation" account with earnings taxed at 15%. Any who have pension balances in excess of $1.6 million will need to reduce their balance to this level by 30 June 2017.
- The "10% rule" is to be abolished, so that anyone can make additional super contributions and claim them as tax-deductible regardless of their employment status.

A FEW OTHER MATTERS

Electronic Correspondence
The ATO is continuing its push to communicate electronically wherever possible. It has outlined a "Digital by Default" initiative under which eventually very little paper correspondence will be issued (for most people, none at all).

We are planning to be on the front foot with this and have already started sending all correspondence electronically when we can.

To help us with this, and to ensure that you don't miss anything, please let us know **promptly** if your email address changes. You can advise us by emailing me at: **tony@kmtconsulting.com.au.**

Or, you can use the "Contact Us" page on our website.

Requesting Copies of Documents
We are subject to very strict ethical requirements which include safeguarding the confidentiality of client information. We must have your permission before we release any of your documents.

This means that you can ONLY request copies of YOUR OWN documents. If you are requesting them on behalf of another person (even a family member, a spouse or partner) we CANNOT release them without that other person's consent. So, in these cases, please ask the other person to call and give us their permission to release the documents to you.

And finally . . .
Please give me a call if you have questions about any of the matters discussed in this newsletter, or if you would like assistance with year-end tax planning.

- *Tony Kernan*