

Dear Client,

With the Federal election now behind us, we now have a clearer picture of the tax landscape for the 2020 financial year. We thought we would take this opportunity to keep you up to date with the latest issues and some considerations that could be of benefit.

We hope that you find the newsletter informative. Please note however that the information is general in nature and we ask that you contact us to find out how it applies to your particular circumstances and/or if you have any questions.

Thank you for your support and we look forward to working with you again in the 2020 financial year.

Best Wishes & Kind Regards,

GSC Accountants Pty Ltd



BUDGET 2019

Here is a quick round up of Budget 2019.

- Increase of the low & middle income tax offset capped to \$1,080 per annum. The offset begins to phase out at \$90,000. The offset is to commence from 1 July 2018.
- Proposed changes to personal income tax rates from the 2023 financial year.
- Individuals aged 65 and 66 will be able to make voluntary super contributions without passing the work test, from 1 July 2020.
- Immediate write off of business assets costing less than \$30,000 has been extended until 30 June 2020 as of 7.30pm on 2 April 2019. Note lower asset threshold apply before 2 April 2019.

As always these are subject to the Government being able to pass them into legislation.

2019 TAX YEAR CATCH UP

Just a quick reminder of some items of note that apply to the 2019 tax year.

- The Division 293 tax threshold is \$250,000 (15% top up tax on deductible superannuation contributions).
- Travel expenses incurred in relation to inspecting and maintaining residential rental properties are no longer tax deductible.
- Depreciation deductions for plant & equipment in rental properties will be limited from 9 May 2017 to assets actually acquired by the owner. You will no longer be able to claim a deduction for assets purchased by a previous owner.
- From 1 July 2018, individuals aged 65 and over, will be able to contribute proceeds from downsizing their home into superannuation and will be exempt from rules surrounding normal non-concessional contributions.
- The Government will extend the Foreign Resident CGT withholding scheme from 1 July 2017. This is notable to all those clients who may be purchasing property from a foreign resident. If the property is valued over \$750,000, a buyer should ensure that their solicitor or conveyancer obtains a

clearance certificate from the vendor or 12.5% of the purchase price will be required to be withheld and paid directly to the ATO.

- Claiming superannuation contributions for eligible individuals is now easier with the removal of the 10% test. This means that employees no longer have to rely on salary sacrifice to make additional contributions over their compulsory employer amounts. Contributions can be made direct to the super fund and claimed as a deduction in the personal tax return subject to the completion of a form with the super fund. Please note the \$25,000 concessional cap still applies. Those 65 years or over must pass the work test before making any contributions to your fund. That is, you must work 40 hours in a 30 day period prior to making the contribution and in the year of making it.

SUPERANNUATION CONTRIBUTION LIMITS

The concessional contributions limit is \$25,000.

The non-concessional contributions limit is \$100,000. You may be able to 'bring-forward' 3 years of this limit in certain circumstances. Note if you super balance is \$1,400,000 or more, we suggest you seek advice in relation to non concessional contributions.

Please note that some advice in relation to superannuation contributions can be classified as financial advice. Both Glenn & Sonia are no longer licensed to be able to provide financial advice that you may need in relation to this. We would encourage you to talk to Glenn or Sonia, who will be able to refer you to a financial planner.

FINANCIAL YEAR END CONSIDERATIONS

Things to consider with 30 June just around the corner:

1. Income is not assessable until it is either invoiced or received in cash. This depends on whether your account on a cash or on an accruals basis. The timing of when an invoice is issued leading up to the end of the financial year can have a significant impact on the year-end tax result.
2. Expenses are deductible when they are incurred. If there are expenses that can be incurred prior to the year end, then they will be deductible. Simple examples are repairs, stationery and rent. Prepayments more than \$1,000 have special rules. If you are considering making large prepayments, please contact the office for specialist advice.
3. Small businesses should be aware that there is an immediate asset write off for all assets purchased to the value of less than \$20,000 or \$30,000 after 7 April 2019. As part of budget measures, which has yet to be legislated, this has been extended to 30 June 2020.
4. Business owners who have borrowed from their company and have existing loan agreements in place should ensure the minimum loan repayment including interest have been made before 30 June 2019.
5. Businesses with staff should consider making their compulsory superannuation contributions prior to 30 June 2019 as these are only deductible when paid.

Please note processing of super contributions, including through a clearing house, can take over 7 days to process. Please ensure that contributions are paid as early as possible to ensure they are received by the fund before 30 June, as the electronic contributions are only considered paid when they are received by the superfund. Where in doubt regarding the processing time, contact the clearing house who will be able to advise of the cut-off date.

6. Business who hold stock, please ensure you complete a stock count as at 30 June 2019. Stock can be valued using these different methods – cost, market value, selling value and replacement price.

7. If you are paying interest that is tax deductible, consider a prepayment of interest prior to year-end. You will need to discuss this with your financial institution, to see if a prepayment is possible.
8. Please review your motor vehicle log book to ensure it reflects your current business usage and is not older than five years.
9. Please review your debtors and advise us of any bad debts to be written off.
10. Please review the asset schedule provided with last year's financial statements and/or tax return and advise us of any assets that you no longer hold and should be written off.
11. Donations should be made to deductible gift recipients prior to the end of the financial year. Please check that the charity has deductible gift recipient (DGR) status before you make the donation. You cannot claim a deduction for a donation for which you receive something of value in return or where the charity does not have DGR status. Please also note that making donations cannot create a tax loss.
12. If you have made a taxable capital gain during the year, you might want to consider the sale of other assets you hold, that will create a capital loss, to offset against the gains.
13. Any clients with a SMSF, please ensure that you have withdrawn your minimum pension for 2019.

SINGLE TOUCH PAYROLL

From 1 July 2019, all business that employ staff will be required to become single touch payroll compliant. Single touch payroll will require you to report employee payments such as wages and salaries, Pay As You Go Withholding and superannuation contribution information to the ATO when you pay your employees each payroll cycle. While it will create additional administration, at this stage there have been no changes to due dates of payments for superannuation or PAYG Withholding.

Most accounting packages such as MYOB & Xero are updating their products now to assist with direct reporting. We are endeavoring to contact each of the effected clients to see if you require help with selecting the right product and need assistance setting it up. However please don't hesitate to phone us to make an appointment to do this or have any questions about this. This is a significant change, and we encourage you to ensure that you have systems in place to comply with this new requirement well before implementation date of 30 September 2019.

SUPERANNUATION GUARANTEE

Superannuation Guarantee continues to be an area of focus for the ATO. The Government was unable to pass its amnesty legislation prior to the election, and it has now lapsed.

Where superannuation is overdue, it cannot be remedied by remitting the amount direct to superannuation fund. A Superannuation Guarantee Charge form needs to be complete and lodged with the ATO, sent together with a payment. The form incurs a charge for lodgment and interest penalties.

AUDIT INSURANCE

In previous years we have sent most clients the option to take up Audit Insurance. Audit Insurance is insurance you can elect to take up to cover additional accounting fees incurred in the event of an audit by various government departments including the ATO.

<https://www.accountancyinsurance.com.au/products-services/audit-shield>

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We have seen a significant increase in audit activity in recent years especially by the ATO. We are however no longer forwarding the election to all clients to take up insurance and will only forward those that have renewed in the past. If you do not receive a letter to take up the insurance and wish to do so, please contact the office and we can arrange to send one to you.

RECORD KEEPING

We thought we would again highlight the importance of record keeping when it comes to compliance with the ATO substantiation requirements for deductions, especially in light of increased audit activity and data matching.

MYGOV & DIGITAL NOTICES

MyGov is the online portal where you can access many government services including your tax records, which has been in use for some years now. We think it is important to note that where you have a MyGov account and have it linked to the ATO, you do not receive any postal correspondence from the ATO for many of their documents. You should receive an email or text message when a document arrives in your MyGov inbox and is ready to view. You may still wish to check your MyGov inbox periodically for any notices to ensure no deadlines are missed, as we are not directly notified of what is sent to you through. This is even though we may be able to access the document through our online services with the ATO. If you would prefer us to receive your correspondence on your behalf, please let the office now and will change the correspondence method with the ATO.

IMPORTANT MATTERS TO CONSIDER

We have developed an individual & business financial health checklist for you to consider. It is included in the email.

QUICK REFERENCE

Resident Tax Rates for 2018-2019

| <u>Taxable Income</u> | <u>Tax Payable</u> |
|-----------------------|---|
| \$0 - \$18,200 | Nil |
| \$18,201 - \$37,000 | Nil + 19% of excess over \$18,200 |
| \$37,001 - \$90,000 | \$3,572 + 32.5% of excess over \$37,000 |
| \$90,001 - \$180,000 | \$20,797 + 37% of excess over \$90,000 |
| \$180,001+ | \$54,097 + 45% of excess over \$180,000 |

Please note that this excludes medicare levy of 2%.