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Chartered Accountants

June 2016 Newsletter

Year-end tax planning

A taxpayer might consider:

- Deferring income into a later tax year;
- Whether a lump-sum receipt is really income for services to be provided in a following year;
- Bringing forward deductible expenses or losses;
- Minimum pension amounts required to be paid to a member of a super fund who is in pension phase;
- Tax deductible gifts/donations to Deductible Gift Recipients will reduce your taxable income. Remember they cannot create a loss and that a tax deduction reduces tax otherwise payable;
- Payments that receive special tax treatment eg. certain superannuation contributions. Remember superannuation contributions are treated as made in the year in which the fund actually receives them, so it is prudent to allow a few days for funds to clear before year end;
- If there is scope to shift income (eg. of a discretionary family trust) to a taxpayer with a lower marginal tax rate;
- For those on an accruals basis (recording income/expenses when an obligation exists rather than just when cash is transferred), reviewing your debtors list for items that can be written off as bad (unlikely to be paid) before year end;
- Reviewing depreciable items to scrap and write-off amounts, self-assess effective lives or allocating assets to a low value pool; and
- Performing a stock take at 30 June to identity any obsolete or old stock that may be scrapped or written down in value.

Note the above assumes a relatively consistent income across years. Additional consideration is required if your income fluctuates from one year to the next.

$20,000 instant asset write-off

From 1 July 2015 and up to 30 June 2017 small businesses* (those with a turnover of less than $2m and excluding passive investment such as residential rental) may claim an outright deduction for the purchase of plant and equipment costing less than $20,000 (excluding any GST entitled to be claimed back).

*Importantly the definition of a small business is extended from 1 July 2016 to include businesses with a turnover of less than $10m.

Primary producers have an additional outright deduction available for capital expenditure on fencing, water facilities and fodder storage sheds.

Increase in marginal tax threshold

From 1 July 2016 the 32.5% personal income tax threshold will increase from $80,000 to $87,000. This is an attempt to address bracket creep whereby inflation pushes people into a higher marginal tax bracket over time.

Non-concessional super contributions life-time limit of $500,000

As of 4th May 2016 the government introduced a lifetime non-concessional contribution limit of $500,000 per person relating to contributions made since 1 July 2007.

Where a person has made non-concessional contributions exceeding $500,000 before 4th May 2016 they will be treated as having reached their $500,000 threshold and unable to make further non-concessional contributions.

Those who have made non-concessional contributions of a material amount but less than $500,000 since 1 July 2007 will need to carefully consider this threshold going forward.

We have asked the Tax Office to confirm the non-concessional contributions for our clients since 1 July 2007.

CGT roll-over relief for change in business entity structure

From 1 July 2016 small businesses (aggregated annual turnover of less than $10m, increased from $2m) may change legal structure (eg. sole trader to a company) without attracting a CGT liability at that point due to a small business CGT rollover.

The measure recognises that new small businesses might choose an initial legal structure that they later find does not suit them when the business is more established.

Importantly South Australian stamp duty exemptions now include transfers of non-real business property (eg. goodwill and intellectual property).

Accordingly there is increased scope to change the type of structure used by a small business eg. from sole trader to a trust or company, or company to trust or trust to company.

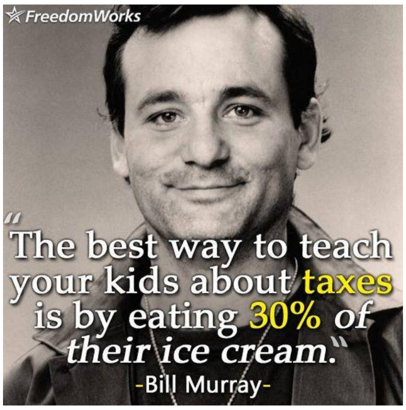
All employers: SuperStream data and payment standard

The SuperStream standard is part of the Government's Super Reform package which will provide a consistent, reliable electronic method of transacting linked data and payments for superannuation.

From 1 July 2016 SuperStream applies to small employers (less than 20 employees) and self-managed superannuation funds which receive employer super contributions from non-related parties.

Employers have a number of options for meeting SuperStream, by either:

- upgrading payroll software;
- using an outsourced payroll function or other service provider; or
- using a commercial clearing house or the free Small Business Superannuation Clearing House (this applies for employers with 19 or fewer employees). This is really easy to use and saves a lot of time once set up.



Please contact our office should you have any accounting or taxation questions.

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