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Welcome

Welcome to the Winter edition of our Business Information newsletter and to a new financial year.

In this newsletter we discuss tax & superannuation changes effective from 1 July 2016 and what Budget announcements are likely to become reality. We also provide a list of documents BHT Partners requires in order to prepare your tax returns.

As of the 1st of July 2016, changes taking place in the accounting industry in relation to the provision of Self Managed Superannuation Fund (SMSF) and superannuation advice require us to be licensed under an Australian Financial Services (AFS) licence. In order to ensure we are meeting our clients' expectations in relation to advice and to maintain our service standards, we have decided to join the "SMSF Advisers Network".

Basic questions that will need to be answered under a licence include:

How much should I contribute into super?

Should I direct some of my company profit to super?

When do you think I should start my super pension?

What is the best structure to purchase property in my SMSF?

Being authorised under an AFS licence does require us to adjust the way in which we provide our superannuation advice to you:

When we provide advice for the first time, we will provide you with a Financial Services Guide (FSG) which we will ask you to sign off.

The information that supports our recommendations (your current situation and objectives) will need to be documented and held on file.

Any advice given to you will be presented in writing in a document called a Statement of Advice (SOA). This will also require your sign off.

While these things will change in the delivery of our service, we have worked to ensure that this will have minimal impact on our day-to-day dealings with our clients. We felt that it was important to communicate these changes so you are aware of what to expect when we next discuss superannuation.

If you wish to discuss the above matter in more detail, please feel free to contact our office.

What's changing on 1 July 2016?

Everyone

New rules to prevent foreign residents avoiding tax when they sell certain Australian assets will affect everyone buying or selling property with a market value of \$2 million or more. The 10% withholding obligation applies from 1 July 2016. Many transactions involving shares in a company or units in a trust will also be caught.

Business

New initiatives offer tax incentives for investment in early stage innovation companies. Simplified rollover rules commence enabling small businesses to restructure their business operations without triggering adverse implications under the income tax system.

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Tax Return Checklists

At this time of year our clients are likely to be preparing to send us documents for preparation of financial statements and tax returns. We take this opportunity to clarify the documents we require.

Business

Computer record keeping (eg. MYOB, Reckon) backup with all bank accounts reconciled. Reminder - you can use our Send this File facility on the Contact Us page of a website to send us large files.

PAYG Payment Summary Statement and Payroll Reports

Copy of Bank Statements with 30 June balance

Workcover Certification

Copy of Loan Statements with 30 June balance

Payroll Tax Annual Reconciliation

Trade Debtors listing at 30 June

Asset Additions and Deletions listing

Stock on Hand (count) at 30 June

Copies of Finance Schedules for financed assets

Trade Creditors listing at 30 June

GST Calculation workings

Individual

Details of your income and expenses including:

Farm management deposit scheme changes - increases the maximum amount that can be held in FMDs from \$400,000 to \$800,000. Easier withdrawals in times of drought without impacting on the tax treatment of the deposit in earlier income years. Amounts held in FMDs will be able to be used to offset loan account balances or the balances of other debts relating to a primary production business carried on by the FMD owner.

Superannuation - SMSFs

Strict compliance rules for collectable and personal use assets apply universally - any collectables or personal use assets held within your SMSF, regardless of when you acquired them, must meet strict compliance requirements:

- the asset cannot be leased to a related party;
- the asset cannot be stored in the residence of a related party;
- the asset cannot be used for personal use;
- trustees must record a decision on where the asset is kept;
- the asset must be insured in the trustee's name within 7 days.

You & your family

Large Family Supplement abolished.

Family Tax Benefit B removed for couples whose youngest child is 13 years of age or over (instead of 18 years). The changes do not affect single parents or grandparents but grandparents must register to continue to receive the payment.

If you are out of the country, the Family Tax Benefit, child care payments or Double Orphan Pension, and Single Income Family Supplement will now only be paid for 6 weeks (instead of 56) while you are temporarily overseas.

Higher Education Loan Programme (HELP) debtors residing overseas for 6 months or more need to make repayments of their HELP debt if their worldwide income exceeds the minimum repayment threshold at the same repayment rates as debtors in Australia.

What Budget announcements will become reality?

The Coalition has formed Government but what happens now to all those Budget announcements? We take a look at what announcements are likely to pass Parliament and why.

With the Senate count recently completed, like the last Parliament, the Coalition does not have a majority in the Senate. The Government needs the support of Labor, the Greens, or a combination of smaller parties and/or independents to successfully push through its Budget reforms. From the outset we know that there will be immediate problems passing some of the Budget measures through Parliament; already there are unpopular elements that are unlikely to be supported. We look at the key issues:

Business Tax Cuts

Prediction: Heavily amended

The Budget proposed a company tax rate reduction to 25% over 10 years - starting with businesses with a turnover up to \$10m accessing a 27.5% tax rate from 2016-17. It is unlikely these tax cuts will pass the Senate in their current form.

In general, tax cuts for Australia's largest corporations are deeply unpopular despite modelling that shows an overall reduction in the corporate tax rate stimulates the economy. The Greens have stated that they will not support tax cuts for big business; describing the announced reforms in their budget reply as "liberal corporate welfare".

Most Australian businesses are small and medium businesses - over 800,000 companies, only 0.3% are large or very large. Despite the big business focus during the election campaign, there is base level support to increase the threshold to access the current 28.5% small business company tax rate from \$2m to \$10m - a position supported by Senator Xenophon's team which holds three Senate seats (the Greens also supported the current reduced tax rate for small business).

Our prediction; if the company tax cut makes it through Parliament it will be limited to expanding the existing small business tax rate to businesses up to \$10 million turnover.

Payment summaries from employers, superannuation funds, Centrelink or Department of Veterans' Affairs
Statements from banks and financial institutions showing interest received
Details of foreign pensions or other foreign income received
Employment termination payment summaries
Receipts for gifts, donations and work-related expenses including motor vehicle expenses
Details of any child support payments made.

If you have a spouse, you will need details of their income and expenses to complete the income test questions to ensure we get your entitlements right.

If you have shares, units, managed funds or other investments you will need details of:

dividend payments and distributions from managed funds
any investment gains or losses from the disposal of shares, units and rental properties

If you own a rental property you will need details of:

rental income earned
interest charged on money you borrowed for the rental property
other expenses relating to the property, including any expenditure on capital works

BHT Partners' Tax Rate Card

As many clients would be aware, in July each year BHT Partners produces a Tax Rates card. This Tax Rate card provides easy access for our clients to information on marginal tax rates, lump sum leave payments, superannuation contribution limits, superannuation fund payments, superannuation income streams and ATO lodgement/payment dates.

For those of you who may be waiting for our Tax Rates card it will be sent out within the next few weeks - it has been delayed this year due to the timing of the Federal Election and the election 'promises' made by the major parties which affect the information contained in the Tax Rates card.

Income tax cuts

Prediction: In doubt

Depending on your perspective, the Budget announcement to increase the 32.5% personal income tax threshold from \$80,000 to \$87,000 from 1 July 2016 is a stopgap against bracket creep or a hand out for middle-income households.

The Greens have rejected the reform but Pauline Hanson, whose One Nation party has four Senate seats, is quoted as saying, "...there are a lot of Australians who need a break in the cost of living, who face bracket creep and are paying a lot of income tax."

There is a chance the personal tax cuts will pass Parliament, potentially with a different start date and depending on the final Senate composition. But, there may be a sting in the tail for high income earners with Mr Xenophon calling for the Temporary Budget Repair levy (debt tax) to be extended (it's due to expire on 30 June 2017). The debt tax came into effect on 1 July 2014 and is payable at a rate of 2% on every dollar of a taxpayer's annual taxable income over \$180,000 – increasing the top marginal tax rate to 49%.

Superannuation reform

Prediction: Amended

Superannuation reform will happen. The simple reason is that increasingly, SMSFs in particular, are used for tax and estate planning rather than strictly for retirement purposes. According to a 2015 report by the Association of Superannuation Funds of Australia, "...around \$360 billion is held in superannuation by those with more than \$1 million in super."

The more controversial budget measures: limiting the non-concessional contributions cap to a lifetime limit of \$500,000 from Budget night (applies to all non-concessional contributions made on or after 1 July 2007); and capping tax-free earnings on super balances to \$1.6 million, are in doubt in their current form, in part because they do not shelter existing retirees. However, it is likely that we will see an amended form of these announcements.

The other announced superannuation reforms are more likely to pass Parliament as most parties broadly support reforming the way tax concessions apply to superannuation. These include a reduction in concessional contribution caps, an extension of the 30% tax on the super contributions of high income earners, and the removal of the tax exemption on earnings supporting transition to retirement income streams (TRIS).

One of the positives of the Budget reforms is the removal of the contribution restrictions for those 65 to 74. Under these reforms, people under the age of 75 will no longer have to satisfy a work test and will be able to receive contributions from their spouse.

We'll keep you posted.

Key Dates - July to October 2016

14 August	PAYG Withholding Payment Summary Annual Report - due for lodging.
21 August	July 2016 monthly activity statement - due for lodging & paying.
25 August	Quarterly activity statement, quarter 4, 2015-16 - due date for lodging and paying if you are lodging via BHT Partners.
28 August	Taxable Payment Annual Report for the building & construction industry - due date for lodging.
21 September	August 2016 monthly activity statement - due for lodging & paying.
21 October	Annual PAYG instalment notice for year ending June 2016 - due for lodging & paying. September 2016 monthly activity statement - due for lodging & paying.

28 October	<p>Quarterly instalment notice, quarter 1, 2016-17 - due date for lodging and/or paying. Lodgement is only required if the instalment amount is to be varied.</p> <p>Quarterly activity statement, quarter 1. 2016-17 - due date for lodging and paying if you are lodging via paper directly to the ATO.</p> <p>Superannuation guarantee contributions for quarter 1, 2016-17 - contributions to be made to the fund by this date.</p>
31 October	<p>Tax return for all entities where one or more prior year tax returns were outstanding as at 30 June 2016.</p>

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