partners:
Michael Van Dyk CA
Jarrad Newbold CPA

p. 08 8323 8411 f. 08 8323 9099 ABN : 71 108 480 128

van dyk newbold & co

June 2014 Update

The financial year is off to a flier and soon we will be counting down to Christmas.

We have delayed the release of our newsletter for a few reasons. Firstly, there has been little change in the tax system. While there have been lots of announcements there has been little progress from a legislation point of view. Hopefully the political deadlock will be settled and the business community can have some clear direction which will in turn lead to business confidence and a simulation of the economy.

The second reason is because we have been busy renovating and extending our office. This has taken a lot of time and energy however everyone involved with the process is very pleased with the outcome. A new facelift is exactly what we needed after ten years in business. It has and will continue to reenergize the partners and team as we tackle and plan for the next ten years. Thank you for your understanding during the inconvenience of the building changes.

In May we celebrated the tenth anniversary of taking over the business from Robin Christopher. We take this opportunity to thank our staff, clients and colleagues for their support over the last ten years and we look forward to their continued support for the next ten years and beyond.

Some say 'change is the new constant'. The longer one is in business the more this statement rings true. The past ten years have been an interesting ride as we have endeavoured to stay on top of and ahead of the curve. We also have more enhancements to roll out in the future which will lead to an improved experience for all our clients.

Michael Van Dyk and Jarrad Newbold

Facebook

Please like our Facebook page so that we can keep you up to date with all things tax in a timely manner. A link to this page can be found on our web page or at the bottom of any emails we send.

Bank account details for Tax Refunds

According to the ATO, the fastest, most secure way to receive a tax refund is to have it paid directly into a nominated Australian bank account using electronic funds transfer (EFT).

For the 2013 year the ATO would only pay, individual tax refunds by EFT. Now from 1 July 2014 the ATO are extending this to any tax refund for all tax returns (i.e. companies, self-managed super funds etc.)

The ATO have announced that if bank details are not provided, they withhold payment of the refund until they receive the relevant bank account details.

The Smart way to pay your professional fees

We are pleased to announce a new partnership we have formed with a firm called feelink. feeLink provide a finance facility with monthly payment options to our clients who prefer to fund their professional fees over a six or twelve month period.

As your advisor's we understand that astute cashflow management is essential for operating a successful business. In today's competitive environment many businesses prefer to spread their professional fees over the year rather than paying as a single lump sum just like rent or insurance premiums.

A feeLink loan is
- *Sensible* – existing cash or credit lines (e.g. Bank overdraft) are retained for other business needs.
- *Simple* – a feeLink agreement and Direct Debit authority are all that is needed
- *Stress Free* – avoid becoming an overdue debtor with your professional advisors
- *Smart* – the small credit charge is also a deductible expense to your business

We know that clients using feeLink are generally quite capable of paying their professional fee as a lump sum BUT they simply prefer to manage their cash more effectively.

If you wish to explore this option contact us today.

Budget 2014/15

The Government recently handed down the 2014/15 Budget. There were no major unexpected announcements, but a few of the new measures include the following:

- A three year temporary levy of 2% will be imposed on individuals' taxable income in excess of $180,000 pa, from the 1st of July 2014 until the 30th of June 2017.
- The Dependent Spouse Tax Offset (DSTO) will be abolished from the 1st of July 2014.
- The mature age worker tax offset will be abolished from the 1st of July 2014.
- The First Home Saver Accounts Scheme will be abolished from the 1st of July 2015.
- From the 1st of July 2014, taxpayers will receive a tax receipt, showing how and where their tax dollars were used.
- The income threshold at which students commence repayment of their Higher Education Loan Program (HELP) debts, will be reduced with effect from the 1st of July 2016.
- In addition HELP debts will be indexed at a rate equivalent to the yield on 10-year Government bonds (up to a 6% maximum) instead of CPI from the 1st of June 2016.
- Loan fees for undergraduate FEE-HELP and VET FEE-HELP will be abolished.
- Various reforms will be introduced to the pension system, including increasing the qualifying age for the Age Pension to 70 by the 1st of July 2035.
- Various reforms to the Family Tax Benefit (FTB) Part A and Part B payments will be introduced, including reducing the FTB Part B primary earner Income limit to $100,000 pa and changing certain eligibility requirements. These measures largely commence on the 1st of July 2015, with some transitional arrangements.
- The schedule for increasing the Superannuation Guarantee rate to 12% will be changed.
- The income threshold for the Commonwealth Seniors Health Card will be indexed annually to the CPI, from the 20th of September 2014.Payments of the senior supplement will also cease after the June 2014 payment.
- The Government announced their commitment to reducing the company tax rate from its existing level of 30% to 28.5% from the 1st of July 2015.
- Maintaining SG Contributions at 9.5% for 3 years from the 1st of July 2014.

Super update from the ATO

Some SMSF statistics

As at 30 September 2013, there were over 516,000 SMSFs holding around $531 billion in assets.

Although SMSFs are nearing one million SMSF members (980,000), or 8% of the 11.6 million members of Australian super funds, they account for 31% of the $1.6 trillion total super assets as at 30 June 2013.

Common problems and ATO audit action

The top contraventions reported to the ATO on auditor contravention reports relate to:

- loans;
- borrowings;
- a lack of separation of assets;
- in-house assets;
- not investing at arm's length;
- making acquisitions from related parties; and
- sole purpose breaches.

This year the ATO will review every fund reported to it by approved SMSF auditors.

In 2012/13, the ATO's audits:

- made 150 funds non-complying; and
- disqualified 440 people from being a trustee.

New ATO powers and penalties

The government has announced that, from 1 July 2014, administrative penalties will apply to breaches of the super laws.

If the proposed legislation is adopted, SMSF trustees will be personally liable for penalties between $850 and $10,200, depending on the provision contravened.

As trustees will become **personally** liable for these new penalties, they cannot use the resources of the fund to pay the penalty.

While the start date is 1 July 2014, it should be appreciated that contraventions, such as loans to members or relatives, still existing on that date will come under the new penalty regime.

The ATO says the message for SMSF trustees is clear: "Rectify any contraventions as soon as possible or be liable for a penalty."

Cents per Kilometre Rate for 2013/14

The Tax Office has announced that the cents per km rates for claiming business kilometres for 2013/14, based on engine size, are as follows:

Non Rotary Engine	Rotary Engine	Rate Per Km
Up to 1,600cc	Up to 800cc	65 cents
1,601 to 2,600cc	801 to 1,300cc	76 cents
Over 2,600cc	Over 1,300cc	77 cents

Please note that this is the first time these rates have increased since the 2008/09 year.

ATO warning on 2013/14 work-related deductions

This tax time the ATO says that, in relation to work-related expenses, it will not be limiting its attention to certain occupations.

Instead, particular attention will be paid to work-related expense claims relating to:

- overnight travel;
- transporting bulky tools and equipment; and
- the work-related proportion of use for computers, phones or other electronic devices.

Taxable payments annual reports

The ATO has advised that it is phoning some businesses in the building and construction industry to:

- test the levels of understanding of the new reporting requirements for businesses in that industry; and
- help those businesses to comply with their taxable payments annual reporting obligations.

They have also been contacting them to:

- ensure lodged reports are correct and complete;
- follow up with businesses that have not yet lodged a report (where ATO records indicate they should have); and
- follow up with businesses who have advised that they are not required to report (where ATO records indicate they have a reporting requirement).

SMSF Supervisory Levy for 2014

On lodgement of the 2013-14 Self Managed Superannuation Fund Annual Tax Return), the superannuation fund will be required to pay 50% of the 2013-14 Supervisory Levy ($129) and 100% of the 2014-15 Supervisory Levy ($259).

This will result in a total levy payable of $388.

Repairs to a rental property formerly used as a home

In recent years, there has been an increasing tendency for home owners to use an existing home as a rental property, especially where a new home has been purchased.

In these situations, it is common for taxpayers to undertake repairs and maintenance to their existing home in order to make it more attractive to prospective tenants before the property is available for rent and/or actually rented to tenants.

However, according to the ATO, no deduction will be available for repair expenditure that is incurred before a taxpayer's home is held or used for income-earning purposes (e.g., before the property is genuinely available for rental).

Undertake repairs when property is available for rent

Where appropriate, a taxpayer should consider 'holding-off' undertaking repairs to the former home until the property is either genuinely available for rent (e.g., listed with a real estate agent for rental) or actually rented to tenants.

In these circumstances, a deduction for repairs may be available even though:

- the property was previously used by the taxpayer for private purposes (i.e., as the taxpayer's home); and
- some or all of the defects, damage, or deterioration are attributable to the period the property was used as the taxpayer's home.

High risk industries targeted for super obligations

The ATO has identified that employers in the following industries have a higher risk of not meeting their super obligations:

- hairdressing and beauty;
- clothing retailing; and
- management advice and consulting.

The ATO is currently running an education campaign for business owners in these industries to help them better understand their super obligations.

Further, from July 2014, it will be undertaking audits of employers who continue to not meet super obligations for their employees – including:

- paying their minimum super contributions quarterly (or lodging an SGC statement);
- offering employees a choice of fund;
- keeping accurate records; and
- passing on an employee's TFN to their super fund as required.

The importance of Binding Death Benefit Nominations in Superannuation

Two recent court cases dealing with self-managed superannuation funds (SMSFs) have highlighted the importance of making, and recognising, Binding Death Benefit Nominations (BDBNs).

A member of a superannuation fund may generally make a 'BDBN' which, if valid, requires the trustee of the fund to pay out their death benefits (i.e., after they die) exactly as set out in the BDBN.

In the first case, a member of an SMSF expressed a desire in her Will that her superannuation benefits be left to her children (and specifically not to her husband).

However, she did not make a BDBN, and the Supreme Court of Western Australia held that the preference in her Will did not affect the rights or duties of the trustee of the fund under the fund's trust deed. Consequently, the remaining trustee (i.e., the husband) had no obligation to appoint the deceased's executor as a trustee of the fund, and was also entitled to distribute the death benefits at his discretion, contrary to the direction in the deceased's Will.

In the second case, the deceased member of an SMSF had executed a BDBN in favour of his two children, but the trustees (basically the deceased's spouse and her son from a previous relationship) had wrongly believed that the BDBN was invalid and so had ignored it.

Nonetheless, the Supreme Court of Victoria held that the BDBN was valid and binding on the trustees of the SMSF, and ordered that both the current trustee of the fund and the deceased's spouse personally were liable to make payment of the full amount of the deceased's benefits as at the date of death, plus an interest component and costs, to the nominated beneficiaries under the BDBN.

Six year rule for CGT exemption for main residence

Providing you do not have a second main residence, you can choose to treat your home as your main residence for up to six years, even though you are renting it out.

If you sell it within the six years, you'll be exempt from Capital Gains Tax. The six year period can be extended for a further six years, if you legitimately

return to your main residence before the end of the six years and subsequently elect to rent it out again.

Super caps increased for 2014/15

The ATO has announced the following changes to the superannuation contributions caps.

Concessional contributions cap

These include:

- employer contributions (including those under a salary sacrifice arrangement); and
- personal contributions claimed as a tax deduction by a self-employed person.

The amount of the cap will be increased from $25,000 in 2013/14 to $30,000 in 2014/15.

Non-concessional contributions cap

Non-concessional contributions include personal contributions for which taxpayers do not claim an income tax deduction.

The amount of the cap will be increased from $150,000 in 2013/14 to $180,000 in 2014/15.

The ATO, TFNs and Australia Post

The ATO has announced that red tape affecting Tax File Number (TFN) applications has been removed thanks to a partnership between the ATO and Australia Post.

TFN applications are now simpler and easier, as they can now be applied for online at www.ato.gov.au/TFNapply and a printout of the application summary can then be verified at one of the 460-odd Australia Post retail outlets throughout the country.

Additional services also now available at Australia Post include updating a date of birth on a taxpayer's ATO record and providing notification of a deceased person.

Disclaimer

We suggest that you do not act on the basis of the information in this report as they are general comments only and may be subject to misinterpretation.

Also, changes in legislation occur quickly and we recommend you seek our advice before acting in any of these areas.

office : 233 Main Road - McLaren Vale   postal : P.O. Box 728 McLaren Vale SA 5171

accountants and business advisors