



CHARTERED ACCOUNTANTS
AUSTRALIA • NEW ZEALAND



GREENTAYLOR
PARTNERS

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Quarterly Newsletter

Green Taylor Partners



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Some possible 'big ticket' 2016 Budget changes: (My guess)

Peter Cramer

Scott Morrison, the Federal Treasurer, spoke at the National SFSF Association Conference in Adelaide which Matt, Kerry and I attended. Here is my take on it:

- ❖ He said the Government supports negative gearing and taxpayers saving for their future, however they need to "look at excesses". This may indicate a limit to the tax losses that can be claimed to a dollar figure (eg \$10,000 or \$15,000). Above that, the losses may be quarantined and only used against future profits from the property investment.
- ❖ He quoted that around 80% of negative gearing claims are less than \$15,000 – so it won't be as politically dangerous to have a cut off as 'most' won't be affected.
- ❖ The taxation of Superannuation income streams won't be affected for over 60's. Great news for those receiving income streams!
- ❖ No mention of 'Transition to retirement income streams' – so if you are over 56 and not yet into your income stream – maybe you should be looking at this carefully?
- ❖ No retrospective changes to the Rules. So if you have a strategy in place before Budget night – you should be ok.
- ❖ I suspect taxpayers with higher individual taxable incomes will pay a higher rate of tax on their contributions (in the superfund), or have their effective tax savings reduced (in their tax return). I suspect this will be reduced to an effective tax saving for everyone of around 15%. They are being sucked into the argument that those with higher incomes shouldn't get a larger tax deduction than those on lower incomes. (I would argue that as they pay more tax they should get a higher deduction!)

- ❖ "Superannuation is not an Estate Planning Tool" – that I didn't like to hear! I suspect they may reduce the non-concessional contribution limits per year and may impose a lifetime non-concessional limit to super. It may be that they increase the requirement to draw down pension amounts – however there were some comments that it might be appropriate to reduce the required drawdowns due to current investment volatility.

So – what to do?

- ❖ If you were planning to purchase a property using debt and expected the net annual result to be a tax loss – then you might want to have the contract settled before May 2016.
- ❖ Consider structuring your next property purchase to be revenue neutral or only a small tax loss – so any 'changes' won't impact upon you.
- ❖ If you were considering moving large chunks of assets into super then doing so before May 2016 might be smart; (whether this be cash contributions up to \$540k or land or business assets). This has provided many clients with great retirement asset building and great tax advantage – make use of it in case it is restricted!

As always, you should talk to us before undertaking a significant strategic move – we can explain the rules and options to allow you to make an informed decision.

Finally – this is my reading of what might happen – no responsibility is taken if it is wrong! But sometimes it is good to take action in advance of what might happen – even if it doesn't!

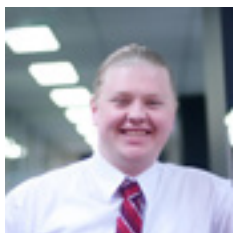


Relay for Life

The team at Green Taylor Partners are taking part in this year's Relay for Life on Friday the 18th of March at the Dock Lake Reserve Drung from 5:45pm.

If you are out and about come down to the Green Taylor Partners marquee and say G'day and help support this fantastic cause. Any and all donations to our team would be greatly appreciated.

Donate Here: <http://goo.gl/Zznxoy>



The future is in the cloud

Ryan Schirmer

'Cloud Computing' has been a buzz word of recent times, however it's more than just hype, it is now the way of the future. This is especially true for Accounting Software; with MYOB & Xero leading the charge in this area.

There is no time like the present to capitalise on the cloud!

There many benefits in the use of cloud accounting software from the word go.

- ❖ **Bank Feeds:** Instead of manually punching in transaction after transaction and statement after statement, bank feeds supply a direct feed of your data straight into the software dramatically cutting down processing time. This is brilliant!
- ❖ **Concerned about your account security?** MYOB, Xero and other cloud bank feed suppliers are required to have the same security as the banks, ensuring the highest level of protection.
- ❖ **Cloud software is 'live'** and does not require backing up. You allow us to log into your software 'in the cloud', so gone are the days of sending in a USB, (which sometimes doesn't work).
- ❖ **You and your accountant can collaborate** at the same time on your file ensuring due dates are met and queries are quickly resolved. Also MYOB, Xero, etc. have dozens of servers to ensure that your data will never be lost.
- ❖ **Cloud software contains almost everything** you ever need: invoicing, payables, payroll, and inventory management; and comply with the ATO's Super Stream.
- ❖ **MYOB & Xero have different monthly subscription levels** to tailor to your business needs, so you are not paying for something you don't need. If you find yourself needing expanded packages then upgrades are easy to get.
- ❖ **You always have the most up to date software** – so no more buying outdated and unsupported software.

If you are unsure of what the 'cloud' is – think internet. The main component you need to use the 'cloud' is a reliable and working internet.

If the 'cloud' sounds like something you'd like to go ahead with or like to learn more about, please contact us at Green Taylor Partners, and we'll help find the right software for your needs.



Claiming the cost of your website

Rohan Brown

Can you get a tax deduction for the costs of your webpage? (Yes! – but only if incurred in earning income).

The design and setup costs of a website are tax deductible to a business, however the timing of incurring the expense will dictate over what period you can claim the deduction.

Establishment and setups costs

- ❖ If incurred before starting the business, the deduction will be claimed at 20% per year once you begin business.
- ❖ **Small Business (<\$2m turnover)**
 - ❖ If you have already started your business:
 - ❖ If expense incurred between 12/5/15 – 30/6/17:
 - ❖ Costs < \$20,000, claimable in that year
 - ❖ Costs > \$20,000, will be depreciated in SBE Asset Pool
 - ❖ Prior to 12/5/15, the amount was \$1,000 for each of the above test.
 - ❖ If you have elected to use a Software Development Pool, the expense is claimed over 5 years (20% per year)
 - ❖ **Non-Small Business**
 - ❖ If the expenditure is <\$100, immediate write off, else;
 - ❖ Depreciate or use a Software Development Pool

Ongoing operating costs

Ongoing maintenance and running costs of the webpage are deductible as the expense is incurred. Remember – keep the invoices to support the claim.



GTP Anniversaries

January

- ❖ Jess Sluggett (8 years)

March

- ❖ Penny Fisher (15 years)
- ❖ Natasha Gardner (14 years)

May

- ❖ Hannah McIlree (2 years)



Have you “Lost” your super?

Ross Laycock

We have all seen and heard on TV the millions of \$\$ held in unclaimed super accounts. We thought it might be an idea to explain how this happens and what you can do about it!

How does it become “Lost” Super? (Typically two or more apply)

- Account balances under \$4,000
- No current address known by super fund
- No recent communication with super fund
- No contributions to the fund in the past 5 years
- Incorrect personal details with fund

What happens to “Lost” super?

- The super fund is obliged to transfer the balance to the ATO
- Any insurance cover related to the fund ceases (!!!).

You need to think about your super if you -

- Have changed your name
- Have changed your address
- Have changed your job
- Had casual or part time employment

What can you do to recover your “Lost” super?

- Register with the ATO through “myGov”
- Seek details of all your super accounts
- Find ATO held super
- Transfer “Lost” super to your nominated super account (takes around 3 days)
- You need to meet a condition of release to be able to receive funds in cash
- Otherwise funds need to be transferred to another eligible super fund

Advantages of consolidating your super fund balances?

- Save on management fees
- Reduce paperwork
- Easier to track
- Added potential for growth of your fund balance



New Small Business Restructure Tax Relief

Chris Foster

On 29 February 2016, Parliament passed the Tax Laws Amendment (Small Business Restructure Roll-over) Bill 2016 to enable Australian small businesses to change their legal structure without attracting a capital gains tax (CGT) liability at that time.

This roll-over was announced in the 2015-16 Budget as part of its Growing Jobs and Small Business package.

This Bill:

- provides greater flexibility for small business owners to change the legal structure of their business by allowing them to defer gains or losses that would otherwise be realized when business assets are transferred from one entity to another.
- provides small businesses with a new roll-over for gains and losses arising from the transfer of active assets that are CGT assets, trading stock, revenue assets and/or depreciating assets between entities as part of a genuine restructure of an ongoing business.
- applies to transfers that do not result in a change in the ultimate economic ownership of the assets.
- is in addition to roll-overs currently available where an individual, trustee, or partner in a partnership transfers assets to, or creates assets in, a company in the course of incorporating their business.
- extends the relief to include transfer of trading stock, revenue assets, and depreciating assets.

These changes apply to transfers occurring on or after 1 July 2016.

It is important to note that these changes only apply to an entity operating a small business. Simply put, the turnover of the business must be below \$2m.

Finally, subject to meeting the eligibility criteria, this will remove the potentially significant tax and capital gains tax implications of changing a business operating structure.

Examples of such changes would be:

- Sole Trader to Partnership, Company or Trust
- Partnership to Company or Trust
- Company to Trust or Partnership
- Trust to Company or Partnership.....Providing there is not a change in the ultimate ownership of the business (eg ownership and control must vest in the same “people” in the same “proportions”).

At GTP we anticipate this to be very useful in strategic planning for our clients post 1/7/16.



Changes to Tax Free Benefits

Tracy Richardson

Some fortunate employees of Public Benevolent Institutions (eg Hospitals) are able to package their salary to pay for otherwise private expenses tax free.

Currently this has allowed them to pay private & certain other expenses tax free per the following -

- General expenses grossed up cap of \$17k (or in net dollars between \$8,234 and \$9095 remuneration tax free); plus
- an unlimited amount on restaurant meals and some holiday expenses: commonly known as the “meals card”

Many have been able to salary package holidays, 21st and wedding receptions! But – the fun has been curtailed somewhat...

As of 1st April 2016 a cap has been placed on the amount of remuneration that can be directed towards the “meals card”. The new amounts that apply are as follows:

- Restaurant meals will now be capped at a grossed up amount of \$5k (or in net dollars \$2,442)
- A general expense grossed up cap of \$17,667 (or in net dollars between \$8,557 and \$9,452)

Going forward, the ATO have advised that if the meals cap is exceeded, the excess will be applied to the general cap. In turn, if the general cap is exceeded, the excess will then become income subject to tax.

Tip: If this relates to you, revisit your ongoing salary packaging defaults to ensure you don't go over the new caps. Perhaps package your expenses towards fringe benefits tax exempt items such as superannuation and otherwise deductible work or investment related expenses ie. subscriptions, laptops, rental property interest expense etc.

“Otherwise deductible” salary sacrificing perks for all employees' effective 01/04/16

Previously employees could only salary sacrifice one portable electronic device if they were used primarily for work/business per year eg. mobile phone, ipad, laptop etc. From 1/04/16 the same employee can salary package 2 ipads / 2 smart phones and/or 2 laptops in the same year. Take advantage of this if you are able!

Check your car's speedo - Fringe Benefits Tax (FBT)

The 31st March marks the end of the FBT year. We will shortly be sending mail-outs to clients of whom we are aware that FBT may apply to. In the meantime, could you please highlight the date on your calendars and record the speedo readings of all cars as at the 31st March 2016. This can be as simple as taking a photo of your cars odometer/s on your mobile phone or jotting it down. We will also be looking for copies of any new car tax invoices for cars acquired in your business between the period 01/04/15 - 31/03/16.



GTP Tid Bits

- Congratulations to Kathryn Bowles and Greg Hamilton who are expecting their first baby in May.
- We welcome Kylie Millington to the Green Taylor Partners Team. Kylie has just started with us on the 29th of February, we are excited to be working with her and look forward to introducing her to our clients in the near future.
- Good luck to Kayla Hawker and the Telangatuk East A Special side for the Tennis finals - we hope you make it all the way.



GTP Birthdays

- 31st March - Daniel Blay
- 30th March - Kerry Schultz
- 10th April - Kylie Fiedler
- 22nd April - Chris Foster
- 23rd April - Jodie Mills
- 30th May - Penny Fisher



How to lose \$50m when it wasn't your fault!

Peter Cramer

Critically Important information for any business whose assets are on someone else's property!

Do you lease any assets to another business?

Do you sometimes leave your plant and equipment on another business's land or building site?

Have you registered those assets or that lease under the Personal Properties Securities Register (PPSR)? If not, those assets are potentially at risk!

In the Court Case of Forge Group (In Liqn) vs General Electric, the owner of \$50m of turbines lost the asset to the Liquidator of Forge Group because they had not registered those turbines on the PPSR as their asset under the lease agreement to Forbes.

General Electric leased \$50m of turbines to Forge Group. Forge Group subsequently went bust and a Liquidator was appointed to 'collect the assets, pay off the liabilities and distribute anything left to shareholders'. Because the turbines were on Forge Group property, they were seized by the Liquidator as an asset of Forge Group and therefore used to pay off liabilities. The Court Case confirmed this was correct.

General Electric should have registered the turbines under the PPSR (which is a bit like putting a caveat on a Title saying "this asset is mine and you can't touch it!") The PPSR is a legal register which records the ownership of an asset. Every finance contract over an asset or vehicle lease for example will be recorded on the Register. (It doesn't apply to real estate – that is covered by Titles and Mortgages etc).

The BIG risk is – if your asset is used by another business or is left on another business premises and they go broke – you are at risk of that asset being taken by the Liquidator or Administrator and sold to pay the debts of the bankrupt!

How to protect yourself? Have that lease or asset registered under the PPSR! The fee to put it on the Register is typically less than \$20 – if you get someone to do it for you, you will have their fee as well.

We strongly recommend you take an immediate look at all your assets to see what might be at risk. Then immediately contact your Solicitor to get this fixed and have 'at risk' assets included on the PPSR!



Buying Property in your SMSF

Matt Richardson

I recently attended a session at the National SMSF Association conference in Adelaide which dealt specifically with how SMSF trustees can purchase a property without having enough cash reserves to buy the property outright. These options include:

1. Borrow using a Limited Recourse Borrowing Arrangement (LRBA) - this is a highly regulated and complex method in an SMSF but can be done. But..... it must be done correctly!
2. Buy a property jointly with another investor - that investor might be an individual (Eg - it might be you or your Family Trust). The main issue to remember is if the other investor needs to borrow they cannot use the property as security for the borrowings;
3. Buy the property through an Ung geared Unit Trust (no borrowings by the Trust). This may involve the SMSF and another investor purchasing units in the Unit Trust. There are a number of strict criteria with this type of investment – one of which is the property is not to be used as security for borrowings.
4. Borrow via a Geared Unit Trust. This Trust can borrow but it is essential the unit holders satisfy the "unrelated parties" definition and no one investor controls the trust.

In summary, we wish to emphasise there are many ways to purchase a property in an SMSF where there isn't quite enough funds to purchase the property outright.

We have been outlining these strategies in our SMSF seminars which we hold each year.

There are many issues to take into account with each option. If you would like to know more, please contact our team of SMSF experts.

Check the Green Taylor Partners website for details of upcoming seminars. Our next seminar is on SMSF's.



Changes to work-related car expenses

Daniel Blay

In the 2015-16 Budget the Government announced that the methods of calculating work-related car expenses from the 1st July 2015 would be 'modernised'. With Royal Assent the '12 per cent of original value method' and the 'one-third of actual expenses method' are now abolished.

Traditionally, tax payers were eligible to claim a work-related motor vehicle expense deduction using one of the following four methods.

- Cents per Kilometre
- 12 per cent of original value
- One-third of actual expenses
- Logbook

As a result of the changes, from the 1st July 2015, a taxpayer has only two methods available for work-related car expenses, being the Cents per Kilometre and Logbook methods.

Under the Cents per Kilometre method the tax deduction is calculated by multiplying the business kilometres, up to a maximum of 5,000km a year, by a cent per kilometre rate. As of the 1st July 2015 the Cents per kilometre method is 66 cents per kilometre, regardless of engine size. For example if you claim the highest rate for 5,000km's, you will claim \$3,300 (5,000kms * 66c).

The logbook method requires you to maintain a logbook for a continuous period of at least twelve (12) weeks in order to ascertain the percentage of kilometres travelled that are business kilometres. Once completed, the percentage of business usage can be used for up to five (5) income years before a new log book is required to be kept.

Due to these changes we recommend that you keep a logbook for any partly private vehicles to maximise your work-related motor vehicle deduction. If you require a motor vehicle logbook please contact us and we can provide you with one.

For those carrying on a business via a company or trust, you can claim a full deduction for expenses you incur in running a motor vehicle that your company or trust leases or owns. If you use the vehicle for private purposes you may have to pay fringe benefits tax (FBT). It is important to note that the fringe

benefit tax (FBT) Cents per kilometre method has also been replaced with the one set rate of 66 cents per kilometre as of the 1st July 2015.

If you are registered for GST, you will need all the car-related invoices to claim back the right amount of input tax credits. You will also need to know the business kilometres to work out the claimable percentage where the car is not being used solely for business purposes. You will no longer be able use a flat rate of 1/3 (33%) of the GST on these vehicles (under the '1/3 of actual expenses' method). Therefore it is even more important to have a valid logbook to determine the rates that can be applied. If the abolished methods have still been used for GST calculations post 1st July 2015 there will need to be adjustments accordingly to the GST claims to be in line with the actual rate of business usage for motor vehicles.



Important Dates

21st March

- 21st-February activity statement due

21st April

- Quarterly PAYG instalment activity statement, quarter 3, 2015-16 for head companies of consolidated groups – due date for lodging and paying
- March activity statement

28th April

- 28th-Quarterly activity statement, quarter 3, 2015-16 – paper lodgements – due date for lodging and paying.

15th May

- Final lodgement date for most tax returns

21st May

- April 2016 monthly activity statement – due date for lodging and paying.

28th May

- Fringe benefits tax annual return – due date for payment.



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