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DFK AUSTRALIA NEW ZEALAND BUSINESS & TAXATION BULLETIN

keeping you informed **winter 2017**

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FAMILY ASSISTANCE & CHILD CARE REBATE PAYMENTS

If you wish to claim any family assistance payments as a lump sum for the 2015-2016 financial year then a claim must be lodged with the Department of Human Services by 30 June 2017. This includes payments such as family tax benefit, childcare benefit and single income family supplement.

Additionally, your 2016 income tax return and the 2016 income tax return of your partner must also be lodged by 30 June 2017. If you are claiming family assistance payments and are not required to lodge an income tax return, you must notify Centrelink prior to 30 June 2017, even if you have previously notified the ATO of no requirement to lodge.

In order to receive the FBT Part B supplement you have until 30 June 2017 to ensure your child(ren) are up to date with their immunisations and had a four year old health check (if applicable).

GIC & SIC RATES

The ATO has published general interest charge (GIC) and shortfall interest charge (SIC) rates for the fourth quarter of the 2016-17 income year.

The GIC annual rate for April - June 2017 is 8.78%, and the SIC rate is 4.78%.

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LEADING ACCOUNTANTS AND BUSINESS ADVISORS

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PRIVATE HEALTH INSURANCE REBATE & MEDICARE SURCHARGE

The ATO has released the rates and thresholds for the private health insurance rebate from 1 April 2017. The updated rates are as follows:

INCOME				
SINGLE	\$90,000 or less	\$90,001 to 105,000	\$105,001 to 140,000	More than \$140,001
FAMILIES	\$180,000 or less	\$180,001 to 210,000	\$210,001 to 280,000	More than \$280,001
REBATE				
	STANDARD	TIER 1	TIER 2	TIER 3
< AGE 65	25.934%	17.289%	8.644%	0%
AGE 65-69	30.256%	21.612%	12.966%	0%
AGE 70+	34.579%	25.934%	17.289%	0%
MEDICARE LEVY SURCHARGE				
ALL AGES	0.0%	1.0%	1.25%	1.5%

You can claim the rebate either through your private health insurance provider or directly from the ATO when you lodge your income tax return.

If you have incorrectly elected the appropriate income tier with your private health insurance provider, this will result in additional tax payable when you lodge your income tax return. You may need to review which tier you have selected as we have seen an increasing number of clients having tax payable due to over claiming the private health insurance rebate.

The Medicare Levy Surcharge is only payable when an individual or family exceeds the thresholds and does not hold an eligible private health insurance policy.

TFN DECLARATION FORMS

There is no longer any need to order paper forms for Tax File Number Declarations.

The ATO has released a form which can be completed on screen or on paper.

Once completed, the form must be printed, signed and sent to the ATO within 14 days.

Please remember to keep a copy for your own records prior to forwarding to the ATO.

TRIAL NEW EMPLOYEES BEFORE YOU HIRE

The Australian Government has commenced a new initiative called Youth Jobs PaTH (Prepare-Trial-Hire).

The program enables a business to host an eligible young person aged 17-24 years for a supervised work experience placement of 4-12 weeks. The internship is unpaid and the Australian government will provide appropriate insurance and \$1,000 to help a business cover the costs of the intern. For a young person to be eligible for the program they must have been unemployed for a period of 6 months and the employer has advertised the job through the JobsActive website or another approved provider.

Once the internship is complete, there is no requirement to make an offer of employment to the intern. If your business decides to employ the intern then wage subsidies of up to \$6,500 or \$10,000 are available. Any wage subsidies available are paid in instalments over a 6 month period.



TIME TO START TAX PLANNING!

As the end of the financial year approaches, it's time to examine potential tax planning opportunities for your business or family.

Defer Income

As long as your business cashflow permits, you may wish to defer raising invoices in the month of June and instead raise them on 1 July 2017.

As most businesses operate on an accrual system, tax is paid on the value of invoices raised rather than cash received.

Accelerate Deductions

A business can claim a tax deduction for any expenses it has incurred and has a legal liability to pay, even if the actual payment has not yet been made.

A common example is employee bonuses that have been communicated to staff, but not yet paid at 30 June 2017. There are some expenses, for which the bring forward of the deduction does not apply, these being:

- Unpaid superannuation contributions at year end
- Purchases of Trading Stock
- Purchases of Depreciating Assets

Small Business Instant Asset Write off & Simplified Depreciation

If your consolidated business turnover is less than \$2million you are eligible for concessional treatment on the purchase of some depreciable assets.

Assets purchased and installed between 12 May 2015 and 30 June 2017 costing less than \$20,000 can be immediately written off. The remaining balance of assets must be pooled and depreciated at 15% in the first year and 30% in subsequent years.

Capital Allowances & Depreciation on Buildings

If you or your business has recently purchased a commercial or residential building you may want to consider obtaining a quantity surveyors report that will entitle you

to a 2.5%pa deduction on the construction costs, depending on the date the construction was completed, along with depreciation for certain fixtures in the premises.

Trust Minutes

Ensure a resolution minute for eligible beneficiaries for 2017 financial year has been completed and the Australian Taxation Office has been notified of any new beneficiaries in the 2017 financial year.

CHECK YOUR AUSKEY WEB BROWSER COMPATIBILITY

Some internet browsers have been recently updated which means they are now incompatible with AusKey software. For example, the latest version of Mozilla Firefox (version 52) doesn't support AusKey.

To continue using AusKey you will need to download the Firefox browser extension or use an alternative browser. Please check your browser compatibility prior to your next lodgement date to ensure you have no issues.

GST ON LOW VALUE IMPORTED GOODS

There is currently a proposal before parliament that from 1 July 2017 any worldwide supplier with an Australian GST turnover of greater than \$75,000 in a twelve month period would be required to register and charge GST. This means that if they provide goods less than \$1,000 in value to an Australian consumer they would be required to charge GST.

There will be no change for the supply of goods greater than \$1,000 as these currently incur GST which is charged when the goods clear customs in Australia.



Talk to us about your business needs today.

If you're interested in global outsourcing, foreign operations or any business and accounting support, we can make it happen.

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FINANCE ARTICLE

FAMILY PLEDGE HOME LOAN OPTION

With the ever increasing property prices, it is becoming more difficult for Home Buyers to purchase a home.

THE FAMILY PLEDGE OPTION

This is where the Bank now offers the Family Pledge option which allows family members (the term 'family member' refers to parents) with equity in their own property, to help their children bridge the deposit gap and cover up front borrowing expenses, by providing a limited guarantee in support of their children's loan application.

The children will be able to maximise the amount they can borrow against their security, i.e. the purchase property, with this additional limited guarantee from a family member.

The guarantee is to be supported by a registered first mortgage over the family member's property or a registered second mortgage.

BENEFITS

The benefits for the borrower are:

- Allows them to maximise the amount they can borrow – up to 100% of the purchase price plus costs such as stamp duty and legal fees. The consolidation of small personal debts may be considered as an exception to policy.
- Helps to reduce or avoid payment of Lenders Mortgage Insurance and take advantage of a lower rate.
- Purchase the property they want rather than having to settle for a cheaper alternative.
- No genuine savings is required as Lenders Mortgage Insurance is not required..

The benefits for the guarantor are:

- It will allow the guarantor to nominate a specific amount the guarantee is limited to, rather than a traditional "open" guarantee for the entire loan amount.
- The borrower or guarantor can ask us to release the guarantee at any time (standard credit policy in regard to LVRs apply).
- Any judgement is pursued against the borrower before the guarantor.
- This structure will provide the guarantor with certainty of the value of their guarantee and allow them to have their property released much earlier than would normally happen.

For example:

A customer wishing to purchase a \$600,000 property and borrow \$570,000 would have a Loan to Property Value Ratio of 95%, which would incur a Lenders Mortgage Insurance premium.

If a family pledge guarantee of \$112,500 was added as additional security, the Loan to Property Value Ratio would reduce to 80%. The Lenders Mortgage Insurance premium would not be payable, saving the customer up to \$25,000 and as non-Mortgage Insured loans are deemed lower risk, the interest rate is potentially up to 1% lower.

CALCULATING THE PLEDGE

To calculate the amount of guarantee required from a family member to avoid Lenders Mortgage Insurance and have the loan at 80%, you can use the following quick calculation method:

$$\begin{aligned} & \text{Loan amount} \times 1.25 \text{ minus purchase price/} \\ & \text{security value} \\ & = \$570,000 \times 1.25 \text{ minus } \$600,000 \\ & = \$112,500 \text{ Family Pledge} \end{aligned}$$

It is recommended that the family members proposing to offer their property as security attends the loan interview appointment with the applicants. The family members providing the guarantee may be required to seek independent legal advice from a solicitor prior to settlement.

The normal Home Loan approval process will continue to be followed for these loans.

RELEASING THE GUARANTEE

The release of the security property will not be an event initiated by the bank, or which occurs automatically or at a predefined time during the loan term. It will occur at the borrowers or guarantors request, and will be subject to the Bank's consent at that time.

The borrower or guarantor may request a revaluation of the borrower's property at any time, the Bank will agree to release the limited supported guarantee (and related mortgage when):

- The Loan Ratio based on the security value of the borrower's property and Total Loans does not require Lenders Mortgage Insurance (in terms of the prevailing policy at the time of the request). An updated valuation is required to determine the property value.
- If Lenders Mortgage Insurance is still required, the borrower does have the option of paying the Lenders Mortgage Insurance premium based on the current Loan to Property Value Ratio.

FEATURE ARTICLE

ARE YOU PREPARED FOR THE CHANGES TO SUPERANNUATION?

As most of you are probably aware the most significant changes to superannuation in almost a decade will come into affect on 1 July 2017.

The contribution limits will reduce significantly and this is your last chance to put a large amount of money in for your spouse or yourself. In order to maximise the current rules and prepare for the future we suggest you consider the following prior to 30 June 2017.

Maximise concessional contributions limit

Have you maximised your concessional contributions limits. The current rules are:

AGE OF MEMBER	AMOUNT
If you are aged 49 years or under at 1 July 2016	\$30,000
If you are aged 49 years or over at 1 July 2016	\$35,000

From 1 July 2017 this cap will reduce to \$25,000 for all ages. Anyone who currently has a salary sacrifice arrangement in place will need to review this to ensure they do not exceed this limit.

Maximise non concessional (after-tax) contribution limit

Consider whether you should make an after-tax contribution to superannuation. The current limits are as follows:

AGE OF MEMBER	AMOUNT
Under 65	\$180,000 Bring forward 3 years to \$540,000
65 – 75 (provided work test is met)	\$180,000

Provided you have not previously triggered the bring forward rules you should consider whether you would like to make a large contribution into superannuation.

If your balance is above \$1.6 million this is the last chance you have to put in non concessional contributions. The new rules prohibit members with a balance above \$1.6 million from making after tax contributions into superannuation. Post 30 June 2017 the non concessional (after-tax)

limit has been reduced to \$100,000 or a bring forward of \$300,000 for those under 65 and have a balance below \$1.6 million.

Should you use a re-contribution strategy?

The new legislation means couples who have a partner with a much higher balance should consider reallocating this to the other spouse via a re-contribution strategy. However please note in order to use this strategy the member will need to either be over 65 or retired.

For example John Citizen is 67 and in a full account based pension with a balance of \$2.8 million. His wife Jill is 60 and has a full account based pension with a balance of \$1 million. John could withdraw \$540,000 as a pension payment and Jill could contribute this as a non concessional contribution to bring her balance close to the \$1.6 million transfer balance cap. If you wish to make use of this strategy please contact our office.

Review existing Limited Recourse Borrowing Arrangements (LRBA)

Due to the decrease in both concessional and non concessional (after tax) contributions any LRBA's in place should be reviewed to ensure that the fund will still be able to meet their repayment obligations.

Ensure you have withdrawn your minimum pension

Make sure you have withdrawn your minimum pension prior to 30 June 2017.

Removal of Tax Exemption on Transition to Retirement Income

From 1 July 2017 transition to retirement income stream will pay tax on fund earnings at 15%. If you have a TTR in place you might want to think about whether you wish to continue this pension or transfer back to accumulation post 30 June 2017.

The 1.6 million pension cap

From 1 July 2017 the amount you are able to transfer to tax exempt pension phase will be restricted to \$1.6 million.

The \$1.6 million will be assessed against the transfer cap at 30 June 2017 and any amounts above this will have to be transferred back to accumulation and taxed at 15% or taken out of superannuation entirely.



If you have balances above or close to this you will need to ensure that your pensions are compliant with the new cap.


Capital Gains tax (CGT) relief

If you have a pension in place at 30 June 2017 with a balance above \$1.6 million or a transition to retirement pension you have access to the cost base reset rules.

This will allow you to get access to the uplift in value from the date of purchase until 30 June 2017. If you have property or unlisted securities you will need to obtain valuations, we recommend getting these from a registered valuer before 30 June 2017 in order to make use of this concession.

Review current Estate Plan

A number of these changes will impact on current estate plans, we suggest you have this plan reviewed in light of the changes.

 **WE BUILD SUCCESSFUL
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WITH OUR CLIENTS**

UPCOMING KEY DATES & DEADLINES

5 JUNE 2017	Due date for lodgement of 2016 Income Tax Return for companies and super fund who were non-taxable or refundable in prior year and non-taxable or refundable in current year.
5 JUNE 2017	Due date for lodgement and payment of 2016 Income Tax Returns for individuals who have not lodged earlier.
21 JUNE 2017	May Monthly Activity Statement due for lodgement and payment.
25 JUNE 2017	Due date for lodgement of 2017 Fringe Benefits Tax Annual Return.
30 JUNE 2017	End of Financial Year.
14 JULY 2017	PAYG Payment Summary required to be provided to each employee.
21 JULY 2017	NSW Payroll Tax Annual Reconciliation due for lodgement and payment.
21 JULY 2017	June Monthly Activity Statement due for lodgement and payment.
21 JULY 2017	Quarterly PAYG Instalments activity statement due for lodgement and payment for head companies of a consolidated group.
28 JULY 2017	Superannuation Guarantee Contributions due for payment for April – June 2017 quarter.
28 JULY 2017	March – June 2017 Business Activity Statement due for paper lodgement and payment.
31 JULY 2017	TFN Report for closely held trusts for TFNs quoted by beneficiaries of the trust.
14 AUGUST 2017	Due date for lodging PAYG Withholding Payment Summary Annual Report for large withholders and payers with no tax agent involved in preparation.
21 AUGUST 2017	July 2017 Monthly Activity Statement due for lodgement and payment.
25 AUGUST 2017	April – June 2017 Business Activity Statement due for electronic lodgement and payment.
28 AUGUST 2017	Taxable Payments Report – Building and Construction Industry.
21 SEPTEMBER 2017	August 2017 Monthly Activity Statement due for lodgement and payment.

FOR MORE INFORMATION & FUTURE NEWSLETTERS

For more information on anything contained in this bulletin please telephone or email to our details below.

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