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DFK AUSTRALIA NEW ZEALAND BUSINESS & TAXATION BULLETIN

keeping you informed **spring 2018**

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ERROR IN ATO PAYG WITHHOLDING CALCULATOR IN JULY 2018

During the period 1 July 2018 to 11 July 2018 there was an error in the formula on the online ATO PAYG Withholding Calculator when calculating withhold amounts for:

- Higher Education Loan Program (HELP)
- Student Start Up Loan (SSL)
- Student Financial Supplement Scheme (SFSS)
- Trade Support Loan (TSL)

The error meant that a slightly higher amount was withheld than required. This should not make a large difference over the whole financial year, however a variation can be made in a subsequent payroll period if desired.

CENTS PER KILOMETRE CAR EXPENSES

From 1 July 2018 there is new rate of 68 cents per kilometre for work or business related use of a motor vehicle.

The cents per kilometre method allows an individual to claim up to 5,000 km per year with having to provide any further substantiation of expenses. The taxpayer must be able to provide a reasonable basis for calculating the number of work related kilometres travelled.

The logo for DFK, consisting of the lowercase letters 'dfk' in a bold, white, sans-serif font on a black rectangular background.

**RICHARD
Hill**
B.Com, CA,
FCPA (PNG)



TAXES & DROUGHT RELIEF

Due to the severe drought in NSW and Queensland the ATO are offering assistance in a number of ways by allowing drought affected businesses longer time to pay taxes, payment arrangements with interest free periods and waiving some penalties.

If you are personally in receipt of emergency drought assistance, these amounts are not taxable income nor is the personal clothing and food purchased tax deductible.

If your business is in receipt of drought assistance, it must be included in assessable taxable income, however usually no tax will be incurred as the payments are spent on tax deductible items such as feed for stock.

Revenue NSW is also offering extended payment terms for businesses required to meet NSW tax obligations.

GST ON NEW RESIDENTIAL PROPERTY SETTLEMENT

From 1 July 2018 the Australian Taxation Office has changed the way they collect GST on the sale of new residential property or potential new residential property such as sub-divided land. The purchaser is now required to withhold an amount from the seller and pay it directly to the ATO.

The supplier is required to provide the following information to the purchaser:

- Name and ABN of the supplier
- The amount you must pay to the ATO
- The date by which the payment must be made to the ATO
- The GST inclusive market value of the property

The purchaser or their solicitor is then required to lodge two forms online with the ATO. Form One is *GST property settlement withholding notification* to be completed online when a contract is entered into. This form once submitted will provide a payment

reference number for payment of the withholding amount.

Form Two is *GST property settlement date confirmation* and is lodged when the payment becomes due.

The onus to make the withholding payment is on the purchaser regardless of whether the supplier complies with their notification requirements.

GIC & SIC RATES

The ATO has published general interest charge (GIC) and shortfall interest charge (SIC) rates for the first quarter of the 2018-19 income year.

The GIC annual rate for July – Sept 2018 is 8.96% and the SIC rate is 4.96%.

FINANCE ARTICLE WANT A HOME LOAN? BE A MODEL SPENDER FOR THREE MONTHS BEFORE YOU APPLY

It's important to understand the game has changed when it comes to borrowing. It's changed for everyone from first home buyers to investors refinancing fixed interest loans or home owners swapping banks for lower rates.

It used to be an easy process to move from principal and interest to interest-only or vice versa, or to change from a fixed rate to a variable rate loan. However, the regulator now expects banks and other lending institutions to undertake a serviceability assessment whenever there are material changes to the current or originally approved loan conditions.

While these serviceability assessments were brought in months ago, mortgage brokers are only now understanding the impact the changes are having on clients. For anyone looking to change their lending or enter a new borrowing arrangement, it's important to understand what you need to do today to ensure you're in the best position to obtain or change your arrangements.

One example is living expenses. Last year it might have been perfectly adequate to estimate income and expenses, for the purposes of assessing an applicant's capacity to repay. The higher of the household expenditure method (HEM) or customer-declared living expenses was accepted in serviceability assessment.

There are now 12 categories of living expenses that borrowers must provide a detailed response on. A rough estimate of living expenses is not acceptable.

Lenders are extra vigilant when it comes to verifying borrower's living expenses. Expenses declared are verified with a mandatory three months of the lender's recent bank transaction account and credit card statements.

If there were items in the statements that did not support declared living expenses, borrowers would be questioned and would need to provide justification.

An example was for a client who earns about \$90,000 a year. She is single, has no dependants and lives in a three-bedroom apartment in Sydney's eastern suburbs. The clients declared living expenses are not marginal but the bank had been relentless in validating her living expense declaration.

After providing three months' worth of bank and credit card statements, the bank came back querying several items. One was a \$467 per month payment to a course provider. The transaction was a final payment of an evening course completed in May 2018. We had to obtain confirmation the course was paid in full, even though the cost did not appear on statements in later months. The client also declared clothing expenses of \$200 per month, yet because a \$500 debit from David Jones appeared on her credit card, she had to provide sufficient justification to prove it was a one-off transaction. Parking and fitness taken out of her pay meant the clients employer was asked to confirm these were discretionary expenses that could be stopped if required.

If banks will be looking at three months' worth of transactions, start looking at your spending now

Historically this loan would have been approved within 48 hours but it took 10 days to get it approved.

Delays like this can be countered if borrowers understand the regulations and how they're going to affect them when it comes to applying or refinancing.

If you know banks will be looking at three months' worth of transactions, then start looking at your spending and make conscious choices about whether your purchases will affect your ability to secure a loan. If they will, then consider either deferring your spending or choosing to go without. It will make it so much easier to apply for the loan, knowing you have a spending history that the banks will be happy with rather than having to justify individual purchases that don't match up with what you're declaring as your spending pattern.

Besides, if it forces you to evaluate your spending and become a more mindful and conscious spender then surely that's a benefit.

If you're even considering a rate change, a loan swap, comparing banks, buying an investment property or purchasing your own home it's important to understand we're in new era of responsible lending.

More than ever, it means working with us, perhaps months beforehand, to understand the changes and to ensure that not only your income and assets, but your spending, aligns with the criteria required for you to obtain funding.

FUEL TAX CREDITS

The next 6 monthly rate change for fuel tax credits due to indexation commenced on 1 August 2018.

The fuel tax credit rates are changing regularly so it very important to keep good records to support your claim. For fuel used in heavy vehicles you are required to apply the applicable rate on the date you acquired the fuel.

USE OF FUEL	TYPE OF FUEL	FROM 5 FEBRUARY 2018	FROM 1 AUGUST 2017
Vehicle greater than 4.5 tonnes GVM travelling on a public road	Petrol, diesel or blended fuels eg. E10	15.4 cents	15.1 cents
Specified off-road activities	Petrol, diesel or blended fuels	41.2 cents	40.9 cents
All other business uses including power to auxiliary equipment of a heavy vehicle	Petrol, diesel or blended fuels eg. E10	41.2 cents	40.9 cents
	LPG	13.4 cents	13.3 cents
	LNG or CNG	28.2 cents	28.0 cents

GREAT PEOPLE THAT KNOW & UNDERSTAND ALL LEVELS OF BUSINESS & FINANCE

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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IMPORTANT: Information contained in this newsletter is not advice. Clients should not act solely on the basis of material contained in this bulletin. Items herein are general comments only and do not constitute or convey advice per se. Also, changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. The bulletin is issued as a helpful guide to our clients and for their information.

FEATURE ARTICLE
OCTOBER 2018 FINANCIAL MARKET UPDATE

In this update we examine the strong rally in share prices during the June quarter, and the health of the Australian economy. We focus on the long term implications for global travel and tourism from the emerging Asian middle class, and other key investment themes in the year ahead.

QUARTERLY WRAP
- SHARES RALLY STRONGLY

After numerous attempts to break through the 6,000 level, a strong performance during the June quarter finally saw the ASX200 index close above that level.

Supported by a robust performance from the previously challenged banks and a continuing rally in mining stocks and overseas earners, the Australian market benefited from;

- A weaker Australian Dollar
- Solid economic numbers, supporting a positive outlook for company earnings
- The successful passage of personal tax cuts through the Senate

The RBA left the cash rate unchanged at 1.50% in July as expected.

- The RBA repeated "Inflation is low and is likely to remain so for some time".
- The RBA noted "the outlook for the labour market remains positive" and observed "the vacancy rate is high and other forward-looking indicators continue to point to solid growth in employment".

HOUSING MARKET & TAX CUTS

The RBA remained comfortable with the slowdown in the housing market, noting that "housing prices are little changed over the past 6 months".

The RBA noted that "housing credit growth has declined, with investor demand having slowed noticeably. Lending standards are tighter than they were a few years ago".

The first stage of the Government's personal income tax cuts was implemented on 1 July 2018. These cuts are being delivered in an environment with improving public finances and ongoing ramp-up in infrastructure spending. This is a testament to the solid cyclical recovery in the broader economy.

AUSTRALIAN ECONOMY
- RBA CASH RATE ON HOLD;
OPTIMISTIC ON GROWTH AND EMPLOYMENT

The Australian economy grew by 3.1% for the 12 months through to the end of March. This is the equal fastest rate of growth since 2011. The RBA remains relatively bullish as "recent data on the Australian economy continue to be consistent with growth to average above 3 per cent in 2018 and 2019".

We make it happen!



A DYNAMIC ASSOCIATION OF EXPERIENCED PROFESSIONALS

CHART 1: Q1 GDP grew by 3.1% Year / Year

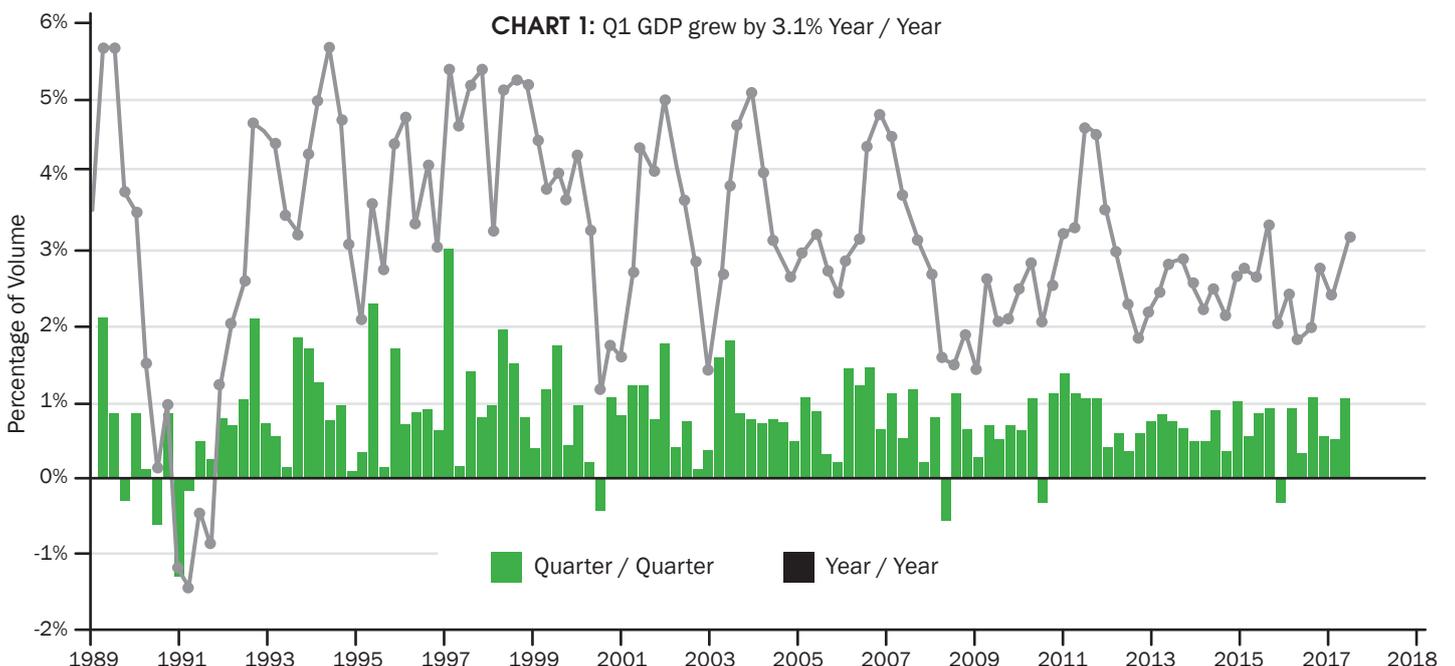
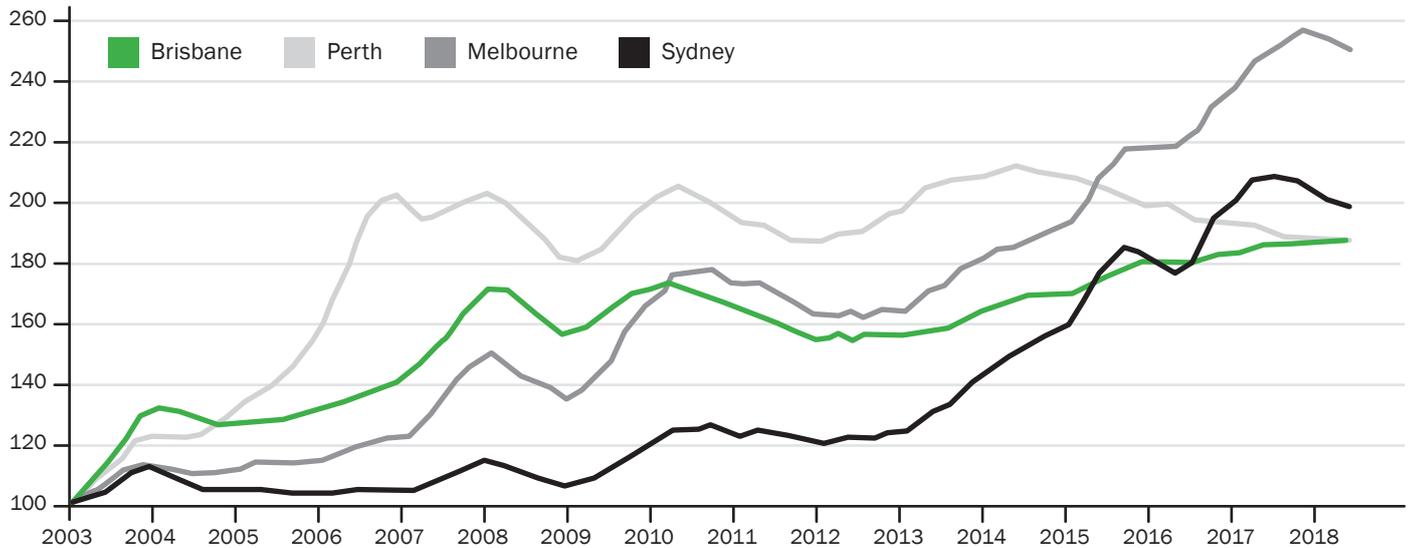


CHART 2: Australian house prices – capital cities



THE RISE IN GLOBAL TRAVEL & TOURISM

The rise of Asian middle classes, has been described as the most significant and defining economic phenomenon of our life time. As the world’s middle class rises, and the price of airfares decrease, millions more people travel every year.

In 2000, the world’s population was 6.1 billion. That same year, there were 1.8 billion air passenger trips (1/3). By 2036 it is estimated that the world’s population will be close to 9 billion, with the number of air passenger trips climbing to 7.8 billion. That’s nearly 90% of the world’s population.

Australia continues to rank highly as a favoured destination for the rapidly growing Chinese tourism sector. Sydney Airport is a major beneficiary. Larger aircrafts with higher seat density, have helped Sydney Airports to grow passengers since 2000 by a huge 70%, while only increasing aircraft movements by 14%.

OTHER KEY INVESTMENT THEMES FOR THE YEAR AHEAD

Healthcare

Australia has several world class businesses, including CSL, Resmed, and Ramsay that have delivered superior long term returns based on high earnings growth.

Infrastructure

Current infrastructure spending boom taking over from housing as a key driver. Main exposures are Transurban, Adelaide Brighton, Seven West and Goodman Group (Amazon)

Food

An expanding sector based on Australia’s position as a high quality, secure provider of food products to the rapidly growing Asian middle class. Exposures include Costa, and Tassel Group

Overseas Earners

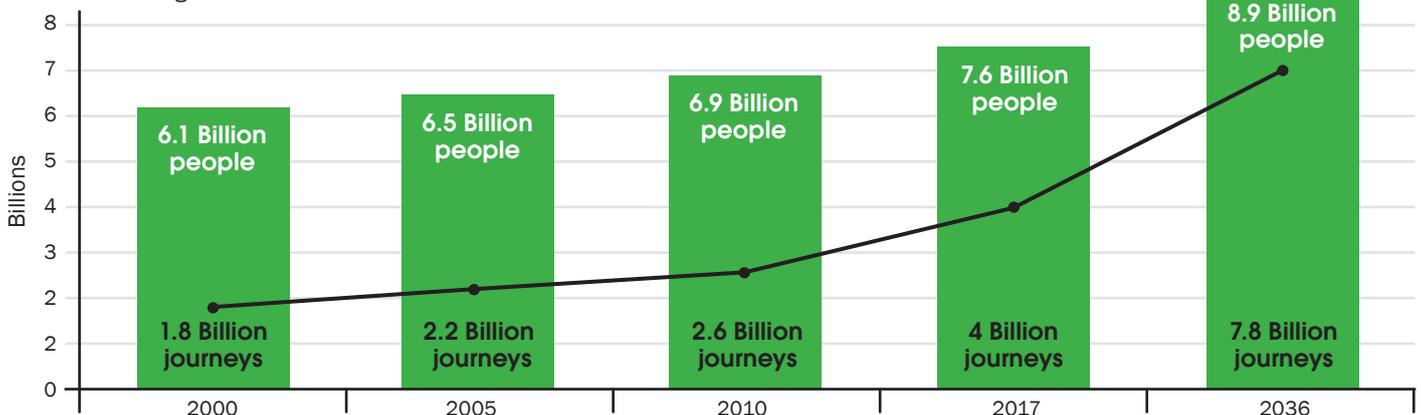
Several companies have successfully expanded beyond the small domestic market, and established successful international businesses. These include several of the names mentioned above, and Aristocrat, and Amcor

In summary, with the ASX 200 index having broken out above the 6,000 level, and given the expected increase in corporate earnings projected for 2019, the preconditions appear supportive of further share price gains.

Please do not hesitate to contact us if you have any queries, or if you would like to discuss your portfolio

WE TREAT OUR CLIENT’S BUSINESS AS IF IT WERE OUR BUSINESS

CHART 3: Rise of global travel and tourism



UPCOMING KEY DATES & DEADLINES

21 SEPTEMBER 2018	August Monthly Activity Statement due for lodgement and payment
30 SEPTEMBER 2018	Lodge PAYG Withholding payment summary annual report and Annual TFN Withholding report
21 OCTOBER 2018	September Monthly Activity Statement due for lodgement and payment
21 OCTOBER 2018	Quarterly PAYG Instalments activity statement due for lodgement and payment for head companies of a consolidated group
28 OCTOBER 2018	Superannuation Guarantee Contributions due for payment for July – September 2018 quarter
28 OCTOBER 2018	July – September 2018 Business Activity Statement due for paper lodgement and payment
31 OCTOBER 2018	Due date for lodgement of 2018 income tax returns for taxpayers with one or more outstanding prior year tax returns at 30 June 2018
21 NOVEMBER 2018	October 2018 Monthly Activity Statement due for lodgement and payment
25 NOVEMBER 2018	July – September 2018 Business Activity Statement due for electronic lodgement and payment
1 DECEMBER 2018	2018 Income Tax Payment required for Large and Medium taxpayers (lodgement due 15 January 2019)
1 DECEMBER 2018	2018 Income Tax Payment due for head companies of a large or medium consolidated group (lodgement due 15 January 2019)
1 DECEMBER 2018	2018 Income Tax Payment due for companies and super funds when lodgement of the return was required on 31 October 2018
21 DECEMBER 2018	November 2018 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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