COLVILLE WILLIAMS & CO. PTY LTD

TAX NEWS

June 2014

Colville Williams & Co Pty Ltd ACN 007 250 231

Level 1, 99 Main Road,

Lower Plenty 3093

Ph 9432 0777

Appointment Times

The following times have been allocated for individual tax return preparation:

Fred	Monday	3 pm - 6 pm
Greg	Monday	1 pm - 5 pm
Paul	Tuesday	8 am - 11am
	Thursday	3 pm - 6 pm
Adrian	Tuesday	3 pm - 6 pm
Dianne	Thursday	8 am - 11am
Weechan	Monday	2 pm - 4 pm

Merilyn and **Catherine** are available to make appointments or assist in any way.

KINDLY NOTE IT IS NOW MANDATORY TO PROVIDE YOUR BANK ACCOUNT DETAILS ON YOUR TAX RETURNS AS THE AUSTRALIAN TAX OFFICE WILL ONLY CREDIT REFUNDS DIRECTLY INTO A BANK ACCOUNT.

Please do not make an appointment until you have your PAYG Payment Summary and all relevant information. Cancelling appointments in the busy period is unfair to others.

We request that you bring along your bank account details and email address to improve efficiency and speed up your refunds.

Please direct your email enquiries to our new mailbox address: mail@colville.com.au

Office Hours

Our normal office hours are 8:30am to 5:00pm Monday to Friday. The rear entrance may be closed at 6 pm on some days and entry after this time is via the front door. A buzzer is located next to the door should the door be locked.

Our fees for tax return preparation remain unchanged from last year.

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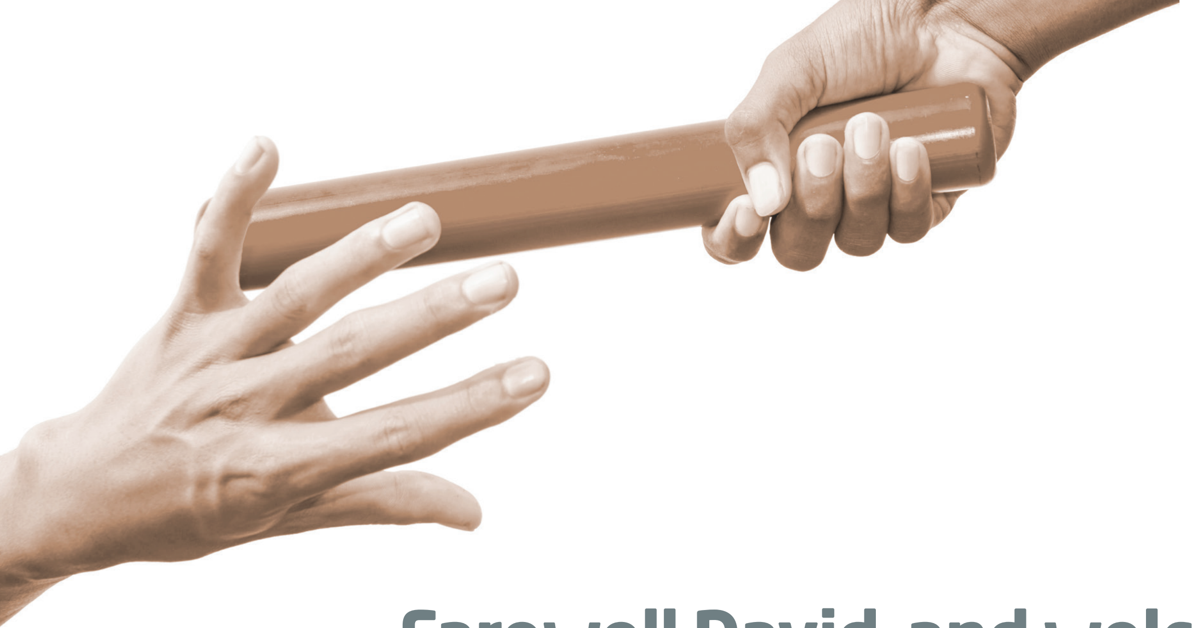

Farewell David and welcome Paul

It is with a mixture of sadness and excitement that we announce a significant change to the Colville Williams practice.

After 22 years with Colville Williams, and much longer in the broader accounting profession, David Hook has decided to retire at the end of the current financial year.

After commencing his career as a clerk in the Australian Taxation Office, David made the decision in his early 30's to attend university as a mature age student and enter public practice. He joined the firm Walker Partners in Preston as a graduate and worked there for nearly seven years before being poached by Fred Gerardson in 1992 to assist in the revival of the Colville Williams practice.

David's contribution to the practice has been immense, with his calm, professional and thorough manner guiding both the practice and the clients through the usual economic cycles and myriad of tax law changes. His ability to translate the often complex jargon of the tax law into everyday language for clients has set a standard which guides all members of the Colville Williams team.

His detailed knowledge of the Tax Office, its procedures and its quirks, has helped both the Practice and clients to deal quickly and efficiently in all matters involving the ATO.

Whilst David has spoken to most business clients about his retirement there has not been time to talk personally with every client, especially the many individual tax return clients he has looked after, for which he apologises.

He intends to spend his time reading, travelling and keeping himself busy with his grandfather duties. He has also indicated his desire to dust off the golf clubs, so we apologise in advance for the deterioration in condition of the local courses. We wish him all the best in his retirement.

From 1 July 2014, Paul White will be appointed as a partner at Colville Williams, and will be responsible for many of the clients to which David has provided services for many years.

Paul commenced his career at KPMG as an 18 year old through their cadetship program, and quickly moved through the ranks. He has undertaken roles in commercial and investment banking and the corporate sector.

DAVID'S ABILITY TO TRANSLATE THE OFTEN COMPLEX JARGON OF THE TAX LAW INTO EVERYDAY LANGUAGE FOR CLIENTS HAS SET A STANDARD WHICH GUIDES ALL MEMBERS OF THE COLVILLE WILLIAMS TEAM.

Paul has operated his own small business - providing fund administration services to Fund Managers - and has personally encountered many of the problems that our clients face.

He brings to the practice an invigorating approach to accounting, seeking to provide timely advice which is simple to understand and simple to implement. This allows his business clients to focus their scarce time on running their business and gives his business and personal clients peace of mind that their financial affairs are under control.

We feel sure that Paul has the skills, experience and temperament to provide quality and timely service too, and forge new relationships with, our loyal clients.

We have worked hard over the last few months to ensure a smooth transition and will be doing our best to see that David's clients will continue to receive quality and timely service.

Please feel free to phone our office should you wish to give David a personal farewell or introduce yourself to Paul.

PAUL BRINGS TO THE PRACTICE AN INVIGORATING APPROACH TO ACCOUNTING, SEEKING TO PROVIDE TIMELY ADVICE WHICH IS SIMPLE TO UNDERSTAND AND SIMPLE TO IMPLEMENT.

2014 Budget – individuals and families

The following provides a summary of some of the announcements made in the recent Federal Budget. Many of these measures will still require the blessing of an unpredictable senate and may not proceed as announced.

Temporary Budget Repair Levy for High income earners

From 1 July 2014, a Temporary Budget Repair Levy of 2% will apply to taxpayers with an annual income above $180,000. This rate of 2% will apply only to the amount that exceeds $180,000.

Changes to Family Tax Benefits

From 1 July 2014, family tax benefit income thresholds will be frozen at current levels for the next three years.

From 1 July 2015, Families whos youngest child is aged 6 or over, will no longer be entitled to family tax benefit part B and the cut-off threshold will be reduced to $100,000 of family income.

Medicare Levy

Will increase from 1.5% to 2.0% to help fund the proposed National Disability Insurance Scheme.

Indexation of Fuel Excise to be re-introduced

The Government is re-introducing the indexation of fuel excise. The extra tax collected is proposed to be used to fund roads and infrastructure. This is expected to increase the cost of petrol by 1c per litre each year.

Tax offsets abolished

Tax offsets previously available for dependent spouses and mature age workers will be abolished from 1 July 2014.

2014/15 Tax Rates – Resident (excluding Medicare Levy)

The existing tax rates continue to apply:

2014/15 Tax Rates - Resident (excluding Medicare Levy)

The existing tax rates continue to apply:

Taxable Income:			Tax Payable:
$0	To	$18,200	Nil
$18,201	To	$37,000	0 + 19% of every dollar over 18,200
$37,001	To	$80,000	3,572 + 32.5% for every dollar over 37,000
$80,001	To	$180,000	17,547 + 37% for every dollar over 80,000
$180,001	+		54,547 + 45% for every dollar over 180,000

New ATO penalties - SMSF trustees

From 1 July 2014, new penalties will be imposed on SMSF trustees that breach any of the various superannuation regulations, even if the breaches are inadvertent or accidental.

These monetary penalties will apply to the trustees personally and cannot be paid out of the super fund's assets.

Examples include:

Breach	Penalty ($)
Making a loan to a member of the fund	10,200
'Non-compliant' super fund borrowing	10,200
Loan to, or an investment in a related party in excess of 5% of assets (unless an exclusion applies)	10,200
Breach of prescribed standards, e.g. contribution standards	3,400
Failure to prepare accounts and statements in a year of income	1,700
Failure to keep minutes and records	1,700

We expect to see the ATO adopt a standard practice of imposing administrative penalties, and requiring trustees to demonstrate that the imposition of the penalty is unwarranted or unjust by lodging an objection for a penalty decision to be reviewed.

The new rules also provide the ATO with:

- the power to issue rectification directions mandating certain actions trustees must take to rectify/ resolve breaches of the law
- the power to issue education directions that require trustees to complete specified training or education courses.

Trustees need to be vigilant in ensuring they meet all compliance requirements. If you are in any doubt with regards to a particular transaction or strategy, you should discuss your plans with us before implementation.

Borrowing within a Self-Managed Superannuation Fund

A self-managed superannuation fund borrowing directly to buy property (or other eligible assets for that matter) is a concept which continues to gain in popularity.

Limited Recourse Borrowing Arrangements have the potential to increase your retirement benefits by offering 'gearing' in a tax advantaged structure.

ADVANTAGES		DISADVANTAGES
Multiplies or 'gears' the return on a profitable investment	HOWEVER	Multiplies the loss on an unprofitable investment
May give the fund access to assets which it may not have previously had the resources to consider investing in.		Financing an asset generally means it is illiquid - it can't be turned into cash tomorrow to pay expenses, minimum pension payments or lump sums.
The loan is 'limited recourse, meaning that if things really go bad, the bank can sell the asset to re-coup its loan, but cannot access the other assets of the Fund.		There is less value in a property being 'negatively geared' in a superannuation fund, with its tax rate of 15% (or possibly nil), as opposed to high marginal tax rates.
Repayments can be met from future contributions as well as rental income from the asset.		

As with all things superannuation, there are the usual tips and traps:

- There is cost involved – things like financial advice to determine the appropriateness of the investment, the additional trust structure, fees and higher interest rates will all need to be taken into account.

A RELIANCE ON FUTURE CONTRIBUTIONS TO MEET LOAN REPAYMENTS RUNS A HIGH RISK OF DEFAULTING IF YOUR EMPLOYMENT CEASES

- The asset being purchased must still be a sound investment decision. Gearing a bad investment may actually decrease your returns (or increase your loss).
- Care must be taken to ensure that all legal and compliance requirements are met.
- The Trustees will need to ensure that the investment is within the fund's investment strategy, and is appropriate given the circumstances of the fund and its members.
- Once a loan facility is set up it cannot be increased, accordingly the Trustees cannot use borrowings to develop or improve the asset. Improvements can however, be funded by other assets within the superannuation fund.
- A reliance on future contributions to meet loan repayments runs a high risk of defaulting if your employment ceases

Limited Recourse Loans do not necessarily need to be funded by a bank - if a related party has cash available outside Super, it can act as the lender, provided the loan is on commercial terms, fits within other rules relating to related-party transactions and the relevant documentation and trust arrangements are in place.

Borrowing within an SMSF is not for everyone, but given the right circumstances, it can form an important part of an investment strategy and provide members with considerable opportunities. Please contact us to obtain further information.

Excess non-concessional contributions to be refundable

The Federal Government has announced that from 1 July 2013, a taxpayer who inadvertently makes (or has made) non-concessional (i.e. after-tax) contributions in excess of their contributions cap will be entitled to withdraw these amounts from the superannuation fund (along with any income attributable to these amounts, which will be included in the taxpayer's income at their marginal rates).

This overcomes the inequitable situation where a taxpayer can essentially be taxed on the same income twice – as an individual, and then within the super fund.

The details of the scheme have yet to be finalised after an industry consultation process.

Update - Superannuation changes effective 1 July 2014

The Superannuation Guarantee Contribution rate will increase to 9.5%, and will remain at this level for the next four years. The plan to increase the contribution rate to 12.0% over the medium term is still on the cards, but the timeframe has been extended.

The annual cap for concessional contributions will increase as follows:

	2013/14	2014/15
Taxpayers aged 49 or over on 30 June:		**$35,000**
Taxpayers aged 59 or over on 30 June:	**$35,000**	
All other taxpayers	**$25,000**	**$30,000**

The annual cap for non-concessional contributions, and the 3 year 'bring forward' rule amount, will increase as follows:

	2013/14	2014/15
Non concessional contributions cap	**150,000**	**180,000**
3 Year 'Bring Forward' rule	**450,000**	**540,000**

Please note: In last year's Federal Budget, the then Government announced a new tax on pension asset earnings where the income exceeds $100,000. This measure will not proceed.

TAX TIP: If you intend to make non-concessional contributions, consider carefully whether you activate the bring forward rule in the 2013/14 year – it may be beneficial to delay this to the following year and maximise your allowable contributions

Personal Property Securities – end of transition period

Most people in business would be aware that the Personal Property Securities Act (PPSA) took effect on 30 January 2012. It was enacted to create a new national register of interests in personal property called the Personal Property Securities Register. This register clarifies the rights and priorities of third parties in claiming interests in personal property.

A two year transitional period was established when the Act commenced. This provided protection for pre-existing security interests by allowing sufficient time for these interest holders to take steps to properly register those interests.

This transition period has now finished.

If you have security interests in personal property, now would be a good time to review the register and make sure that it reflects correctly your security arrangements.

Ask us how we can assist.

Do you engage contractors? - If so, beware of your obligations.

The Australian Taxation Office is targeting businesses that do not meet their PAYG Withholding and Superannuation Guarantee obligations. One of the principal areas of non-compliance concerns payments made to 'contractors'. The treatment of contractors also receives considerable attention from the State Revenue Office (in relation to Payroll Tax) and workers' compensation authorities.

Common law employee or contractor?

The first question to consider in relation to the engagement of an individual to provide services is whether that person is an employee at common law (i.e. an employee based on the view of the courts) or a contractor. This can be a complex question. Merely calling a worker a contractor or having them provide an ABN does not mean that the worker is a contractor. They may be a common law employee.

There is no single factor that determines if a worker is a contractor or an employee. The Courts have made it clear that the totality of the arrangement must be considered. Some of the key factors in deciding this include:

- Does the employer control, or have the right to control, how the work is performed?
- Is the worker required to perform the work personally and unable to delegate any of it?
- Is the worker paid on a time basis rather than per job?
- Does the employer provide all of the plant and equipment? Is the employer rather than the worker responsible for any faulty workmanship or negligence?

If the worker is an employee, obligations will arise in respect to all employment taxes. However, even where the worker is found to be a contractor, employment tax obligations may still exist due to various deeming provisions.

Obligations such as Superannuation Guarantee Contributions, Payroll Tax, Workers' Compensation insurance, and PAYG Withholding may all be required. If you are unsure of your own situation, please contact us to discuss in further detail how the various laws and jurisdictions will apply to you.

Due to the complexity associated with the differing Workers Compensation insurance obligations in respect of contractors, employers are strongly encouraged to seek professional assistance on this matter.

Risk Management Planning

Risk Management Planning refers to the process of identifying risks that may have an impact on a business, an individual and their family, then measuring and quantifying the financial impact the risk presents and assessing the appropriate solutions, timelines and strategies to deal with the risk.

Once risks have been identified and quantified, it is important to ask three key questions.

- Can this risk be eliminated?
- Can this risk be reduced?
- Can this risk be transferred?

The ultimate goal is always risk elimination. However, this is not always practical or sometimes not even possible - for example, if a person were to unexpectedly suffer a major critical illness or significant health crisis such as cancer, or a heart attack.

Could this risk be eliminated? As the answer is clearly no, the next question is can this risk be reduced? In this example the answer here is 'Yes'.

There are a range of risk measures and strategies which could reduce this risk, for instance, eating healthily, exercising, not smoking and having regular GP check-ups. However, no matter how much healthy eating and good lifestyle choices are made, this risk can never be eliminated.

Therefore, the last question is can this risk be transferred? In the example the answer ranges from 'Yes' to 'No' and lastly 'it depends'. Insurance is a key way of transferring risk. The risk still clearly exists, we simply transfer the risk (financial impact) to a third party (insurance company) and we don't wear the full financial impact.

Income Protection Insurance, Trauma Insurance, Business Expenses Insurance, Total and Permanent Disability Insurance, Mortgage Protection Insurance and Private Health Insurance could all play a role in transferring some of the financial risks associated with being absent from your place of employment or business.

Obviously when transferring this risk to an insurance company, there are costs (such as insurance premiums). Risk management planning is about assessing the most cost effective and time efficient method in controlling or eliminating risks. Insurance is one of the most logical and cost effective solutions when protecting the financial impact of insurable risks.

New superannuation data standards – "SuperStream"

New superannuation data standards are being progressively introduced, requiring many common superannuation related transactions to be conducted electronically. These standards will apply as follows:

Number of employees as at 1 July 2014	Commencement date
Employers with 20 or more employees	1 July 2014
Employees with less 20 employees	1 July 2015

The standards will apply to both employers making super contributions for their employees and to self-managed superannuation funds receiving employer super contributions.

To comply with the new rules, employers will need to transfer both the actual payment and contributions data electronically.

The rules cover all types of contributions (i.e. SGC, Award, Salary Sacrifice), although there are exclusions for contributions to related self-managed superannuation funds.

For the most medium to large employers, the simplest way of ensuring compliance with the new rules will be to use the services of a superannuation clearing house. The Australian Tax Office provides a free clearing house service for employers with less than 20 employees, while other providers may charge a fee. Complimentary clearing house services are beginning to be offered by the big banks and some larger retail and industry super funds.

We have sent notifications to those SMSF clients that have been identified as being affected by the changes. Should you require assistance in any way, please contact us.

Social news at Colville Williams & Co

We are pleased to announce the appointment of some new faces to our team during the past year.

Jerelyn Cirocco commenced with us as a graduate in January 2014, after finishing her Bachelor's degree at Latrobe University, and completing a 12 month internship at another practice. She intends to proceed with her professional qualification over the next few years.

Dianne Steller commenced with us in April 2014 as a supervisor. She has significant experience in dealing with small business and working in public practice. Her evening job consists of running a free taxi service for her teenage children.

Lisa White returned on a part-time basis from maternity leave following the birth of Henry and will continue in a part-time role for the next financial year.

Cameron Bailey will commence shortly as a graduate accountant. He completed his studies at RMIT and is also eager to commence his CPA studies soon.

After over 10 years with the practice, **Anthony Bamblett** left us in January 2014 to seek employment closer to home. We thank Anthony for his efforts over that time.

Daniel Jones is continuing his CPA studies, and received a coveted Distinction for his Ethics and Governance module, a fantastic effort.

Fred and **Catherine** took a trip to Europe in March 2014, taking in Belgium, Germany and the UK (London). **Elena** returned briefly to Russia to visit family, **David** is currently cruising down the Rhine and many other staff members have taken well-earned breaks. Although, **Merilyn** does point out she is too busy to take leave.

Can't make it in to see us?

Consider faxing the information to us on **9432 0808** or emailing to **mail@colville.com.au.**

We can usually prepare simple returns within the week at no extra cost. Don't forget to include your contact phone numbers or email addresses so we can verify any items with you.

Bring your current bank account details (BSB and Account Number)

Tax Time Checklist

Personal Information

- ☐ Bank account details for refunds
- ☐ Home email address

Employment and Pension Income

- ☐ PAYGW payment summaries
- ☐ PAYGW Termination payment advices
- ☐ Centrelink Pension certificates
- ☐ Centrelink Unemployment certificates
- ☐ Account Based Pension Payment Summaries (if aged 55 - 60)

Deductions

Diarised Items:

- ☐ Odometer reading @ 30/06/14 (optional)
- ☐ Travel - Business kms
- ☐ Car expenses - petrol
- ☐ Travel - overseas, interstate
- ☐ Minor expenses less than $10 each (max $200)
- ☐ Home office hours

Receipted Items:

- ☐ Car expenses - Rego, insurance, repairs & petrol
- ☐ Uniforms / footwear / dry cleaning
- ☐ Union fees
- ☐ Membership & Subscriptions
- ☐ Tools of trade
- ☐ Computer, printer, internet
- ☐ Income protection insurance
- ☐ Donations

General Items

Medical and Superannuation

- ☐ Superannuation contributions - Self & spouse
- ☐ Private Health Insurance Tax Statement

Spouse & Children Details

- ☐ Taxable income
- ☐ Names & dates of birth
- ☐ Family tax benefits status (Centrelink)

Investments

- ☐ Interest Income & Bank charges on interest bearing accounts
- ☐ Internet banking accounts
- ☐ Cash management trust accounts
- ☐ Term deposits

(Please provide the a/c no. & interest earned for each a/c. We recommend that you get the details in writing from your bank)

- ☐ Dividend income (advices preferred)
- ☐ Share purchase and sale details

(Please provide a copy of all dividend, purchase and sale advice slips)

- ☐ Margin Lending loan statements (full year)
- ☐ Managed fund annual tax statements

Rental Properties

- ☐ Estate agent annual statements

(Please request these from your agent, otherwise bring in the monthly payment summaries)

- ☐ Rates notices – council and water
- ☐ Insurances
- ☐ Body corporate fees
- ☐ Land tax
- ☐ Repairs and maintenance (invoices)
- ☐ Loan statements (full year)
- ☐ Purchase and / or sale details

(Please provide a copy of all estate agent, solicitor and bank documentation relating to the original purchase and the sale if applicable).