



COLVILLE WILLIAMS & CO. PTY LTD

TAX NEWS

June 2015

Colville Williams & Co Pty Ltd ACN 007 250 231

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Please note: The comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the applicability of the information to their particular circumstances.

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 - 11 am
	Thursday	3 pm - 6 pm
Adrian	Tuesday	3 pm - 6 pm
Dianne	Thursday	8 am - 11 am
Weechan	Monday	2 pm - 4 pm

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

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.

**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.**

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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Secure Client Portal

IN JULY 2014 WE STARTED TRIALLING A NEW SECURE CLIENT PORTAL, ATTACHED TO OUR WEBSITE. MANY OF OUR CLIENTS HAVE BEEN GRADUALLY ADDED ON A TRIAL BASIS, BEFORE ROLLING IT OUT OVER THE WHOLE CLIENT BASE.

The Portal enables us to communicate with you in a more efficient, secure way. It allows us (and you) to upload documents such as tax returns, financial reports, correspondence, tax assessment notices. The uploading of the data in this manner is securely encrypted. It also enables clients to log in and upload documents and files for us to access.

How does it work?

When we set you up on the Portal you receive an email notifying you that you have been added and asking you to follow the link to set up a password.

Every time a document is uploaded to the Portal you will be informed by email. This takes you to a log in screen where you put in your login details and password.

Once logged in you will have access to all the documents we have uploaded for you in PDF format. You can download these documents to your local PC or attach them to an email to forward to other parties such as banks should you wish.

How do I start?

Many clients have already been added in the trial phase. When we do your 2015 tax return you will be invited to confirm your participation. Business clients will be added progressively over the financial year.

Can I decline?

Whilst it is not mandatory this is the way of the future with all service providers (eg: electricity, phone companies) moving to make this the preferred means of communication. Note that without an email address you cannot be added to the Portal. Clients added to the Portal to date have been very positive in their comments on its operation.

What can go wrong?

As the system is based around your email address it is vital that you advise us if you change email.

Passwords are a pain but necessary in this new age of digital communications. As with all of these systems you can request an update email if you forget your password.

The image displays two screenshots of the Colville Williams & Co. website. The top screenshot shows the homepage with the company logo, a navigation menu, and a 'Client Login' link. The bottom screenshot shows the 'Secure Area' login page, which includes fields for Username and Password, a 'Login' button, and a 'Register Now' link. The page also features a section titled 'What you'll find in the Secure Client Area...' with links to 'View Documents', 'Upload Files', and 'Give it a try'.

Focus: Personal Taxation

Income Tax Rates

The existing personal income tax rates will continue to apply for the 2015/16 year.

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

The 'Temporary Budget Repair Levy' charged at 2% of taxable incomes over \$180,000, will continue to apply for another two financial years.

Motor Vehicle Deductions

There are a number of changes to the way that taxpayers are able to claim a deduction for the work related portion of their motor vehicle costs. A summary of these changes is as follows:

Where Business use:	Method	Year ended 30 June 2015	Subsequent Years
Exceeds 5,000km	Logbook	Yes	Yes
	One third of actual expenses method	Yes	No
	12% of original value method	Yes	No
	Cents per km method (capped at 5,000km)	Yes at 65, 76 or 77 c/km depending on type of car	Yes at 66 c/km
Is 5,000km or less	Logbook	Yes	Yes
	Cents per km method	Yes at 65, 76 or 77 c/km depending on type of car	Yes at 66 c/km

Going forward, if you believe you will have business usage exceeding 5,000km during a year, it is vital that you meet the substantiation requirements – and importantly, have a valid logbook in place. Talk to us about how this will impact you.

HELP debts for Australian's working abroad

Where a taxpayer has an accumulated 'Higher Education Loan Program' debt (a "HELP" debt), they will no longer be able to avoid paying that debt by choosing to live and/or work overseas for extended periods of time.

The details are still to be finalised, and we have questions as to how these amounts would be 'recovered', but it seems like a reasonable policy if you studied in Australia and are now using your degree to earn a good living overseas.

Medical Expense Tax Offset

The net medical expense tax offset for general medical expenses is now only able to be claimed if you claimed it in both the 2012/13 and 2013/14 financial years. You can still claim for expenses relating to disability aids and attendant or aged care until 2018/19.

Tax offsets abolished

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

Negative Gearing - the status quo remains

The past few months we have seen the mainstream media giving significant attention to negative gearing, and in particular its role in a supposed housing bubble in Melbourne and Sydney, and making it difficult for first home buyers to enter the market.

The Federal Budget was silent on the issue, instead seeking submissions on a Tax Discussion paper in relation to the tax system in Australia as a whole.

The matter has not yet been dealt with, but taxpayers with assets which are negatively geared, or those taxpayers who are looking to borrow to acquire an asset in the future, should watch this space carefully.



Focus: Small Business



IN AN ATTEMPT TO KICK-START THE ECONOMY, THE RECENT FEDERAL BUDGET HAD A HEAVY FOCUS ON SMALL BUSINESS (OF WHICH THERE ARE NEARLY 2M IN AUSTRALIA) - GET THEM INVESTING, EMPLOYING AND (MOST IMPORTANTLY) SPENDING.

A couple of these measures are discussed below, but firstly....

Am I a small business?

A business is considered a 'Small Business' if it satisfies the turnover test for the current year, meaning that its turnover either:

- was less than \$2 million in the previous income year
- is estimated to be less than \$2 million for the current year (provided that your aggregated turnover was less than \$2 million for one of the two previous income years), or
- is actually less than \$2 million at the end of the current year.

Tax Cuts

The Company tax rate for small business will decrease from 30% to 28.5%, effective 1 July 2015. The benefits of this will be felt at the end of the September 2015 quarter, when Companies under the PAYG Instalment system will pay their first 'reduced' instalment of tax.

Dividends paid by these Companies will still be franked at 30%, which most likely means two franking accounts - much to the angst of accountants who were practising at certain times in the late nineties and early noughties, when multiple franking accounts were maintained (painful).

Recognising that not all small businesses are operated under a corporate structure, unincorporated small businesses will be eligible for a tax discount, by way of a tax offset of 5% (capped at \$1,000).

If a Company running a small business is taxed at 28.5%, but pays out dividends which are franked at 30%, does this mean there will be a portion of the profits ultimately paid out as an unfranked dividend - a sting in the tail for shareholders?

Hopefully the legislation will assist here (when it is drafted).

Accelerated Depreciation

The government has increased the value at which taxpayers are able to immediately write off assets that are acquired and ready for use, up from \$1,000 to \$20,000.

This change is effective for assets acquired after 12 May 2015, but only until 30 June 2017 unless extended beyond that time.

Kindly note, this is not a tax refund of the entire purchase price of the asset, just an accelerated deduction.

Start-up costs

Previously written off over a period of 5 years, small business taxpayers will now be able to claim an up-front deduction for the costs of starting a new business, such as legal and accounting advice, incorporation fees etc. We believe this is a useful initiative.

CGT Rollover Relief for changes to entity structure

It's a problem we encounter often – a client's situation at the point of commencing their business has since changed, and their existing structure is no longer appropriate. Under current rules, it is likely that any change in the legal structure of the business (other than incorporation by a sole trader) would lead to the crystallisation of a Capital Gain, and a corresponding tax liability.

New measures commencing from 2016/17, will allow CGT roll-over relief for clients who wish to change the legal structure of their business.

For example - changing from a sole-trader to a trust structure may be appealing where asset protection or income splitting is desired.

Seems like a generous tax concession, but it is merely a change to the timing of tax deductions. Great for this year's tax, but not for future years.

In short
DO consider acquiring an asset if your business needs it, and will benefit from it.

THINK CAREFULLY before acquiring an asset solely to save tax.

Legislation still to be drafted, but this has the potential to be a game-changer, both for existing structures that need refining, or for new structures, now that adjustments can be made down the track.

How and whether it can work for changing from a Company to a Trust will be the litmus test.



Focus: Superannuation

FOR THE FIRST TIME IN A LONG TIME, A FEDERAL GOVERNMENT HAS RESISTED THE URGE TO TINKER AROUND THE EDGES OF THE SUPERANNUATION SYSTEM. THIS CERTAINLY COMES AS A RELIEF – MANY CLIENTS HAD BEEN ASKING OUR THOUGHTS IN THE LEAD-UP TO THE BUDGET, AFTER READING ARTICLE AFTER ARTICLE ABOUT THE ‘MASSIVE COST TO THE TAXPAYER’ AS A RESULT OF ‘EXTRAORDINARY TAX CONCESSIONS FOR SUPERANNUANTS’.

That said, we draw your attention to the following:

Account Based Pensions – Deeming rules

From 1 January 2015, there was a change in the rules in relation to a number of Centrelink benefits, in particular the Age Pension, Low Income Health Card and the Commonwealth Seniors Health Card.

Specifically, the income tests for the benefits were adjusted to now include the deemed income from ‘account based income streams’ – Pensions – not just the ‘Taxable income’ (most Account Based pensions comprise a mix of capital and income based on the life expectancy when the pension was commenced).

For eligibility for the Age Pension and Commonwealth Seniors Health Card, any pension arrangements in place prior to 1 January 2015 are excluded, but note that any changes to an existing pension (such as rebooting) would result in the pension being classed as a new pension, which would be caught under these new provisions.

For the Low Income Health Card, the provisions apply regardless.

SMSF borrowing

The Murray Financial System Inquiry recommended an end to Limited Recourse Borrowing Arrangements in SMSF's. The government is yet to respond.

Any changes would almost certainly be prospective – existing arrangements would not be affected.

Until the rules change, our view remains unchanged.



TIP 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.

Colville Tax Tips
Newsletter, 2014.

Contributions

For those clients looking at making contributions into a superfund, here are the contributions limits for the 2015/16 year:

	\$
Concessional Contributions	
General	30,000.00
Aged 49 years or over on 30 June 2015	35,000.00
Non-Concessional Contributions	180,000.00
3 Year Bring forward rule (up to age 65)	540,000.00

Also note that:

- Individuals must satisfy the '10% rule' to claim a personal tax deduction for superannuation contributions
- Individuals aged over 65 need to meet a work test to make any contributions, and cannot use the bring-forward provisions
- Funds must receive the contributions before 30 June. Keep this in mind with regards to processing times.
- If your spouse has an Adjusted Taxable Income 'ATI' of less than \$10,800, you can obtain a tax offset by contributing to your spouse's super. The rebate is calculated as 18% of the superannuation contributions made up to \$3,000, and is phased out up to a spouse's ATO of \$13,800.

Social news: Colville Williams & Co

HOW THOSE TRASHY MAGAZINES FILL AN ENTIRE ISSUE EVERY WEEK, WE HAVE NO IDEA. AN EXTRAORDINARILY QUIET YEAR FOR COLVILLE WITH REGARDS TO SOCIAL NEWS:

Catherine Mifsud has the team this year, joining us in March 2015, as part of the Administration Team. She has a solid background in administration, and is quickly learning the quirks of the role (of which there are many).

Catherine replaces Catherine (Gerardson), who has taken a step back after three years. Given her intention was to help out in the short term, we are eternally grateful for her assistance over that time. You may still see her around the office doing project work, as she developed a knack for some of our IT systems.

No marriages or births to report.

David Hook retired on 30 June 2014 and is thoroughly enjoying his retirement thus far.

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 @ 30/06/15 (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).

