

Individuals Newsletter

June 2018



2018 - A Royal Year

We write this year's update to you on the back of two 'Royal' events.

The Banking Royal commission has shown the poorest examples of conduct in the financial services industry. We share public disapproval at the actions of rogue advisors and more importantly the failure of the systems and organisations to report and eliminate such conduct.

Our financial planning services have always been fee for service and we pride ourselves on operating our business with the highest ethical standards and moral compass. We look forward to positive and practical action from regulators to improve the integrity and reputation of the industry as a whole.

Whether a Monarchist or a Republican, The Royal Wedding was a positive event on the global world stage. It was good to see The Duke of Edinburgh in attendance at 96. Similarly, good to see a few channels were not broadcasting the nuptials with both the AFL and FA Cup on for those more sports oriented.

At JSA, we've had a few almost 'Royal' occasions too!

Ownership of the business has transitioned from Bob and Jill to Jill and Jessica. Jill and Jessica have enjoyed getting to know more of our clients and it has been very much "business as usual." Whilst enjoying a work / life balance now more tilted towards "life" Bob is still very active at JSA in the role of Manager – Financial Planning, and also auditor to our SMSF clients. Bob is in the office Tuesdays to Thursdays.

We welcome new staff members – Jen at reception and Accountants, Nicola and Maggie. Jessica and Joseph welcomed a baby girl, Kristina in August and Ian and Aleisha a baby girl, Elizabeth in May.

In 2017 we entered the NAB accounting awards to see how we were going and what we could do better. We are most appreciative of the extremely positive and honest feedback provided by you, thank you. We are also pleased to advise we were a finalist for Best Accounting Firm – Private and Business Clients and received a Runner Up award for Best Accounting Firm overall.

The move of our city office to 60 Orsmond Street, Hindmarsh has proved a great success. Clients and staff are enjoying the city fringe location and easier parking. Hindmarsh will be open Monday – Friday from 8th July for tax season and our staff are available at both locations.

We thank you for your support over the last 12 months and we look forward to working with you in the coming year.

Jill Hoadley and Jessica Ni, Directors

Bob, Ian, Amy, Nicola, Maggie, Emma, Kristy, Jen and Nicolle

Mr Graham Burtenshaw

Is Graham retiring already? It seems like he just started yesterday!

It is with much gratitude and a touch of sadness that we announce Graham's retirement as the 2017 tax season comes to a close.

Very few people dedicate themselves to their job the way Graham does. Now, it is time for Graham to take some time for himself. We thank Graham for the years of work and dedication to our team. We wish both Graham and Nance an amazing retirement with years of enjoyment and an abundance of health and happiness together!

Graham, you are truly a one in million person that can never be replaced!

A word from Robert Julian

I was appointed as manager of Satisfac Taxation Services in May 1988. Graham was a member of the staff when I took over as manager. I soon became aware of Graham being a very competent, loyal and reliable staff member. In later years, Satisfac Taxation Services became part of the firm JSA Accounting Pty Ltd and changed its name to Edcom Taxation Services.

Through all of this Graham has remained the backbone of Edcom Taxation Services. His quiet and caring manner has endeared him to our clients for 30 years and I have heard Graham say that he remembers some clients who he still sees from when they came in with their parents as babies! Graham's memory and record keeping are legendary within our firm. Whenever we need any information of events that happened many years ago we turn to Graham and he can always provide the answers.

Graham is a much loved and respected colleague amongst our staff and he has always provided exceptional service to our clients who have remained loyal to Graham for over 30 years.

Please feel free to email your wishes to Graham's email, which will remain active and personal messages will be forwarded to him directly after 30 June: graham@edcom.com.au

In this newsletter:

- Budget Changes 2018 and beyond
- Tax Rates and Levies incl HELP, Medicare and MLS
- Work Related Expenses and Audit Target areas
- Tax Return and Rental Checklists
- Our Services

Referral Program

We appreciate your confidence in our work. If you refer a client you will receive a small gift voucher when the referred client takes up our services and mentions your name. *T&C Apply. Email emma@jsaaccounting.com.au if you'd like more information.

Do you have children at home – working part time or at university? If they need to lodge and we can complete their return at your appointment we offer a discounted price of \$99 (excluding complex investments).

Do You Have a MYGOV Account?

We have had an increasing number of clients receiving correspondence directly from the ATO through their MYGOV account unexpectedly. Any electronic communication with the ATO through Auskey or MYGOV may 'turn off' paper communications. If you are concerned that an instalment notice or form is missing please check your MYGOV account or contact us to update how the ATO communicate with you.

If we receive notices and communications on your behalf these are always logged, reviewed and sent to you via email, portal or post.

When Things Are Not So Simple

Please keep in mind some of the complex affairs we can assist with, including;

- Multiple years' returns outstanding including forensic recreation of records
- Estate planning and Deceased Estate taxation obligations and guidance
- Assistance with locating and realising share parcels and cost information
- Tax consequences of Property development and division
- Private Binding ruling advice and preparation

Please feel free to contact us for a confidential discussion.

Appointments – Book Early!

After hours appointments are always popular. This tax season, Reynella will be open for appointments late nights Tuesdays and Wednesday and early morning Thursdays!

We also have Saturday appointments available at Reynella on 21st July, 28th July and 4th August

Call our office today on 08 8322 5088 to book your appointment.

We're Flexible! If you find it difficult to attend our offices, don't forget you can email, use our client portal or post your information to us, we will prepare your tax return, contact you with any queries and to discuss the result, and send your return to you for review.

Payment Methods

We have a range of payment options - all which occur no additional fee! We accept credit card, cash, direct deposit and fee from refund (if applicable). We regret we no longer accept debit card.

Fax Number

Please be aware we have one central fax number now: 08 8231 1818.

Property Investors – Don't forget

Travel costs including flights and vehicle use are no longer deductible from the 2017/18 year.

Small Business Measures

Please see our business newsletter for more information.

- \$20,000 instant asset write off extended to 30 June 2019
- The turnover for Small Business entity concessions is \$10 million from 2017
- Small Business Income Tax Offset (SBITO) is 8% if turnover up to \$5m, capped at \$1,000.

Our SMSF & Financial Planning Services

SMSFs

- Establishment of new SMSFs
- Advice on trustee obligations
- Preparation of Financial Statements
- Preparation of Fund Tax Return
- Audit
- Deed Update service
- Pension Commutations
- TBAR – Transfer Balance reporting
- Assistance with application of \$1.6m Cap

Financial Planning

- Retirement Planning
- Superannuation
- Wealth Creation
- Buy / Sell Shares
- Social Security Planning
- Estate Planning
- Equipment Finance
- Home Loans and Refinancing
- Life, TPD, Income Protection and Trauma Insurance

Business Services

Business and Entity Clients

- BAS preparation
- Preparation of financial statements and tax returns
- End of Year compliance i.e. WorkCover, PAYG, TPAR
- Interim Financial Statements
- Fringe Benefits Tax compliance
- Company Secretarial matters
- Reviews – tax planning
- Book-keeping and Payroll
- Software Advice / Review including Xero and MYOB implementation

Budget Announcements and How They Affect You

The Federal Budget was handed down on the 8th May, 2018 by Treasurer Scott Morrison. Headline items include the increase of the 32.5% tax bracket and the new Low and Middle income tax offset as well as a range of incentives to support older Australians. The proposed income tax bracket changes are to be implemented over the next 7 years so are very much dependent upon election outcomes.

According to the Treasurer, the Budget measures aim to provide tax relief to ordinary Australians, while supporting small-to-medium businesses and improving Australia's essential services. The Treasurer claims that these measures will help to end Australia's decade-long deficit and return a modest surplus of \$2.2 billion by 2019–20.

Here are some of the announced Budget changes that could affect you. However, it's important to remember that these are only proposals at this stage, and each proposal will only become law once it's passed by Parliament.

Tax Changes



Seven-year personal income tax plan

The government's three-point plan for personal income tax reform will be delivered over the next seven years as follows.

Stage 1 from 2018–19:

- A new Low and Middle Income Tax Offset (LMITO) worth up to \$530 p.a. will be introduced, in addition to the current Low Income Tax Offset (LITO).
- The top threshold for the 32.5% personal income tax bracket will increase from \$87,000 to \$90,000.

Stage 2 from 2022–23:

- The top threshold for the 19% personal income tax bracket will increase from \$37,000 to \$41,000.
- The top threshold for the 32.5% personal income tax bracket will increase from \$90,000 to \$120,000.
- The LITO will increase from \$445 to \$645.

Stage 3 from 2024–25:

- The 37% personal income tax bracket will be removed.
- The top threshold for the 32.5% personal income tax bracket will increase from \$120,000 to \$200,000.

See the insert for 2018 and 2019 tax rate and the new Low and Middle Income Tax Offset.

Superannuation Adjustments – Proposed from 1 July 2019:

- A work test exemption for people aged 65-74 with super balances below \$300,000, in the first year that the work test is not met, you will still be able to make voluntary contributions to super
- Introducing a three-year audit cycle for Self Managed Super Funds (SMSF) with a history of good compliance
- Increasing SMSF membership from 4 to 6 members will provide greater flexibility for larger families

Supporting mature Australians:

- New means testing rules for certain lifetime income streams
- Expanding the Pension Work Bonus
- Extending eligibility for the Pension Loan Scheme
- Increasing the availability of home care packages
- Additional funding for residential aged care and short-term restorative care

Email our Financial Planning team for more information nicolle@jsaaccounting.com.au

Last Minute Super Deduction or Co-Contribution

Previously only the self-employed were able to make a direct concessional contribution to super for a tax deduction, limited due to a < 10% from salary and wages test. This test was abolished from 1 July 2017 meaning anyone can put additional funds in to super (subject to contribution caps and age) for a last minute tax deduction.

Contact us to check the rules and whether a tax deduction or the co-contribution is more beneficial for you.

Government Co-Contribution – if your total income is \$36,813 per annum or less and you make a \$1,000 after tax contribution to super, the government will contribute \$500 to your super account. Eligibility is now limited to those with a member balance less than \$1.6m and no co-contribution applies if your income exceeds \$51,813. This is a good long term super savings booster for low income earners.

Other Strategies To Reduce Your Tax Liability – Action Required Before 30 June 2018

- Insurance premiums – such as income protection insurance are generally tax deductible.
- Concessional Contributions to super – but don't exceed your contributions caps – for contributions made before 30 June 2018 – cap is \$25,000 for pre-tax contributions irrelevant of age. The concessional cap amount includes any SG contributions your employer makes on your behalf.
- Prepay margin and investment loan interest
- Managing capital gains – it is important to assess if you have made any capital gains or losses from your investments i.e. selling assets such as property shares or managed funds. Capital Gains Tax generally applies in the year you 'contract' to sell an asset, even if settlement occurs later
- Work Related Expenses – keep your receipts! There are apps for your phone / iPad / tablet that can help you with this.

No Changes To Work-Related Expenses Deduction Rules

Despite the publicity surrounding the high level of work-related expenses (WRE) claims, and the ATO's strong focus on this area, the Budget did not announce any measures in that regard.

The ATO recently announced that it will be closely examining claims for work-related car expenses in 2018 tax returns. The ATO is concerned about taxpayers making mistakes or deliberately lodging false claims in this area. ATO Assistant Commissioner Kath Anderson said this year, the ATO will be particularly focused on people "claiming things they're not entitled to."

ATO Target Areas – Work Related Expense Claims

- Trips between home and work — unless carrying bulky work-related goods
- Car expenses that have been salary sacrificed and Claiming expenses your employer has already paid for or reimbursed
- Meal expenses for travel unless you were required to work away from home overnight.
- Private travel or private transport of bulky goods or equipment
- Everyday clothes to wear to work — such as a suit or black pants — even if your employer requires you to wear them
- Deductions for cleaning eligible work clothes without showing how you calculated the cost
- Self-education expenses if the study is not connected with your current job
- Private use of phone or internet
- Upfront deductions for tools and equipment costing more than \$300 each. These must be depreciated over time

What Can Trigger an ATO Audit?

Broadly, the following behaviours and characteristics may attract the ATO's attention:

- low transparency of your tax affairs
- large, one-off or unusual transactions, including the transfer or shifting of wealth
- aggressive tax planning
- tax outcomes inconsistent with the intent of the tax law
- choosing not to comply or regularly taking controversial interpretations of the law, without engaging the ATO
- lifestyle not supported by after-tax income
- accessing business assets for tax-free private use
- poor governance and risk-management systems.

Audit Activity and Insurance

We are very proud of our thoroughness as agents and our resulting low risk compliance status as a firm. As a result the majority of ATO initiated audits for our clients do not result in audit adjustments, but audit activity is increasing.

Audits are unpleasant for clients and can take significant time to attend to.

We appreciate you working proactively with us to ensure claims are correctly recorded and substantiated to minimise the risk of audit.

If we believe you are in a high-risk industry or have abnormal income or expense figures your accountant may recommend audit insurance this year.

A Snippet of Tax History - In 1915 – World War I

The Commonwealth Government introduced a personal income tax and a tax on retained company profits to help pay for war expenses. The states were also still collecting income taxes. By 1918 income tax revenue provided one-third of Commonwealth tax revenue and half of state tax revenue. The name of the Land Tax Office, established in 1910, was changed to the Taxation Office to reflect its wider tax administration and collection roles.



Source: Reinhardt, S and Steel, L 2006, 'A brief history of Australia's tax system', a paper that was presented to the 22nd APEC Finance Ministers' Technical Working Group Meeting in Vietnam, 01_Brief_History.pdf

Protecting your Privacy

Australian's have lost millions of dollars due to tax related scams from fraudulent activity such as cold call scams, emails scams and identity theft. We care about you and your financial privacy and have stringent measures in place to protect you. To view our privacy policy visit:

http://www.jsaaccounting.com.au/about_us/privacy_policy

We have state of the art technology for managing your files called the client portal. Portals are a convenient electronic storage space in which files can be effortlessly uploaded, downloaded and/or stored, while maximising the security of sensitive information. You will have 24/7 instant access to tax returns, financial statements and ATO correspondence!

Speak to our friendly staff about how to get you set up - It only takes a couple of minutes!

ACCOUNTING

We offer a free no obligation chat to discuss your accounting needs

TAXATION

Our qualified team provide tailored advice giving you maximum benefit

FINANCIAL PLANNING

We develop effective strategies to grow your financial wealth

SUPERANNUATION

By reviewing your super & investments we can help you achieve your retirement goals

BUSINESS MANAGEMENT

With 25+ years experience, let us share our wealth of knowledge & expertise