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CLIENT ALERT

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October 2016



EVANS EDWARDS

CHARTERED ACCOUNTANTS

ATO eye on SMSFs and income arrangements

The ATO is reviewing arrangements where individuals (at or approaching retirement age) purport to divert personal services income (PSI) to a self managed superannuation fund (SMSF) to minimise or avoid their income tax obligations.

The ATO notes the arrangement it has described in Taxpayer Alert TA 2016/6 and is encouraging taxpayers who have entered into such an arrangement to contact the ATO so it can help resolve any issues in a timely manner.

Where individuals and trustees come forward to work with the ATO to resolve issues, it anticipates that in most cases the PSI distributed to the

SMSF by the non-individual entity would be taxed to the individual at their marginal tax rate. Issues affecting SMSFs will be addressed on a case-by-case basis, but the ATO will take individuals' cooperation with it into account when determining the final outcome.

TIP: The ATO has said that individuals and trustees who are not currently subject to ATO compliance action and who come forward before 31 January 2017 will have administrative penalties remitted in full. However, shortfall interest charges will still apply. Please contact our office for further information.

Take care with work-related deduction claims, says ATO

The ATO has reminded individuals to make sure they get their deductions right this tax time. Assistant Commissioner Graham Whyte said the ATO has seen "claims for car expenses where logbooks have been made up and claims for self-education expenses where invoices were supplied for conferences that the taxpayer never attended".

Mr Whyte said that in 2014–2015 the ATO conducted around 450,000 reviews and audits of individual taxpayers, leading

to revenue adjustments of over \$1.1 billion in income tax. Mr Whyte said "every tax return is scrutinised", and if a red flag is raised and the claims seem unusual, the ATO will check them with the taxpayer's employer. In addition, Mr Whyte reminded taxpayers that this year the ATO has introduced "real-time checks of deductions for tax returns completed online".

Please contact our office for further information.



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Personal middle income tax rate cut on the way

The Federal Government has introduced a Bill which proposes to implement its 2016 Budget proposal to increase the third personal income tax threshold that applies to personal income taxpayers. The rate of tax payable on individuals' taxable incomes from \$80,001 to \$87,000 would fall from 37% to 32.5%.

The non-resident tax schedule would also be amended as a result of the Bill, increasing the upper limit of the first income tax bracket to \$87,000. A tax rate of 37% would apply to taxable income between \$87,001

and \$180,000, and the top marginal tax rate of 45% would remain for taxable income over \$180,000.

Following the Bill's introduction in Parliament, the ATO issued new PAYG withholding tax schedules that reflect the lowered personal tax rate in the Bill. Effective from 1 October 2016, employers will be required to lower the amount of tax withheld for affected taxpayers to factor in the new lower tax rate. Any tax overpaid beforehand will be refunded by the ATO on assessment after the end of the 2016–2017 financial year.



Social welfare recipients data-matching program

The Department of Human Services (DHS) has released details of a data-matching program which will enable it to match income data it collects from social welfare recipients with tax return-related data reported to the ATO. The data matching will assist DHS to identify social welfare recipients who may not have correctly disclosed their income and assets. In addition, data DHS receives from the ATO will be electronically matched with certain departmental records to identify people's noncompliance with income or other reporting obligations.

DHS expects to match each of the approximately seven million unique records held in its Centrelink database. Based on noncompliance criteria, the DHS anticipates it will examine approximately 20,000 records in the first phase of the project. The category of people who may be affected by the data matching includes welfare recipients who have lodged a tax return with the ATO during the period 2011 to 2014.

Small business tax breaks in the pipeline

A Bill has been introduced in Parliament which proposes to:

- increase the small business entity turnover to \$10 million from 1 July 2016;
- increase the unincorporated small business tax discount from 5% to 16% over a 10-year period;
- increase the turnover threshold to qualify for the lower company tax rate; and
- lower the company tax rate on a schedule over 11 income years, reaching a unified company tax rate of 25% in the 2026–2027 income year.

Small business entities with aggregated turnover of less than \$10 million would be able to access a number of small business tax concessions, including, among others, immediate deductibility of small business start-up expenses, simpler depreciation rules and simplified trading stock rules.

TIP: The \$2 million threshold for the purposes of the small business capital gains tax concessions will be retained.

The tax discount for unincorporated small businesses – introduced in the 2015–2016 income year – entitles individuals who are small business entities, or who are liable to pay income tax on a share of the income of a small business entity, to a tax offset equal to 5% of their basic income tax liability that relates to their total net small business income. This offset is capped at \$1,000. Although the proposed increases in the offset would increase the amount of offset an eligible individual may claim, the offset would remain capped at \$1,000.

TIP: With a difficult Senate, the Coalition Government may make further changes in order to pass its Bill.

Please contact our office for further information.



Single touch payroll reporting - legislative changes

A Bill to establish a new reporting framework, Single Touch Payroll (STP), has been introduced in Parliament. Under the proposed changes in the Bill, “substantial employers” would be required to automatically provide payroll and superannuation information to the Commissioner of Taxation at the time the information is created. A number of related amendments aim to streamline employers’ payroll and superannuation choice processes by allowing the ATO to pre-fill and validate employee information.

Entities with 20 or more employees (substantial employers) would be

required to report the following information to the Commissioner of Taxation:

- withholding amounts and associated withholding payments on or before the day by which the amounts were required to be withheld;
- salary or wages and ordinary time earnings information on or before the day on which the amount was paid; and
- superannuation contribution information on or before the day on which the contribution was paid.

The changes are proposed to apply from the first quarter beginning on or after the day the Bill receives Royal Assent.

In general, STP reporting will commence on 1 July 2018 for substantial employers and the related amendments will apply more broadly from 1 January 2017. In some cases, the Commissioner may defer these start dates by legislative instrument.

**LET US HELP
YOU ACHIEVE
YOUR GOALS**



Great News for Employers

The Qld Government has commenced a new employment initiative from 1 July 2016 - the Back to Work Regional Employment Package. Following the employment of a jobseeker, eligible employers can apply for the payment through an easy to complete online form four weeks after commencement.

Payments will be made directly to the employer of an eligible employee, and will be paid in two parts:

- first payment of 40% after four weeks of employment and completion of the application form
- final payment of 60% after 12 months continuous employment

with the same employer.

All eligible employees attract a payment of \$10,000. This increases to \$15,000 for employees who have been unemployed for 52 weeks or more. Eligible part-time jobs between 20 and 34 hours per week on average attract 75% of the full support payment.

This is great news for regional employers, so make sure you don't miss out - time limits do apply. Go to www.backtowork.initiatives.qld.gov.au for more information, or give us a call and we can put you in touch with the right people who can provide assistance.

Year Round Bookkeeping

Staying on top of your records all year round can save time, prevent unnecessary stress and help maximise a small business's tax return.

Although record-keeping can seem like a monotonous job, it is an essential part of running a business. Good record-keeping makes it easier to meet your tax obligations, manage cash flow and make sound business decisions. Here are some business records you need to keep:

Expense or purchase records - You must keep records of all business expenses such as receipts, invoices including tax invoices, cheque book

receipts, credit card vouchers and diaries to record small cash expenses.

Year-end records - These records include lists of creditors or debtors and worksheets to calculate depreciating assets, stocktake sheets and capital gains tax records.

Income and sales records - You must keep records of all sale transactions such as invoices including tax invoices, receipt books, cash register tapes and records of cash sales.

Bank records - Documents such as bank statements, loan documents and bank deposit books need to be kept in

preparation for your tax return.

Income tax records - Records must be kept of all your sales (income) and expenses to prepare your business activity statement (BAS) and annual income tax return.





WE ARE
DRIVEN TO UNDERSTAND
WHAT YOUR FINANCIAL
GOALS ARE, AND HELP
YOU **ACHIEVE THEM.**

WHO WE ARE

Evans Edwards Chartered Accountants has a long-standing reputation for delivering service excellence and helping clients to achieve their business and financial goals. Established in December 1980, when Tony Edwards and Bob Evans merged their firms to become Evans, Edwards and Associates, our principals and accountants continue to provide personal, professional and trusted service to Central Queensland and throughout Australia.

To truly understand your business, accounting and taxation needs, we believe it is essential to develop an honest and supportive relationship with you. We take the time to listen so we can provide practical advice that will help you and your business to prosper and grow.

OUR PEOPLE & VALUES

The skill base of our firm is extensive and utilises an effective mixture of experience and enthusiasm. Our firm consists of three offices, three principals, a practice manager, fifteen accountants and around eight administrative and secretarial team members. We have a "one-team" philosophy that encompasses our values, and inspires a high level of efficiency and consistent quality of service for all of our clients.

Our three locations give us the opportunity to provide this high level of personal service to our clients across the region.

The success of our firm is built around our core values of:

- Teamwork
- Respect
- Enjoyment
- Achievement
- Service Excellence
- Honesty
- Responsibility



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- Business Improvement Strategies
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