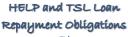


CHARTERED ACCOUNTANTS

TAX UPDATE JUNE 2016

GENERAL TAX TIPS

- ✓ Bring forward deductions into this financial year.
- ✓ Prepay interest on rental properties & other investments.
- ✓ Prepay 12 months Income Protection Insurance & any other expenses such as subscriptions.
- ✓ Salary Sacrifice to super.
- ✓ Consider Transition to Retirement Income Streams if you are over 55.
- ✓ Defer income into 2017 if your income may be lower next year.
- ✓ If you're not already, look at investing tax effectively to create an asset for the future while saving tax now.
- ✓ Capital Gains consider crystalising unrealised losses to offset current year capital gains / Defer Asset Sales until next financial year.





The ATO will be contacting those who have a Higher Education Loan Payment (HELP) or Trade Support Loan (TSL) debt to inform them that if they move and live overseas, they now have the same repayment obligations as those who live in Australia.

2016 TAXTIME CHANGES: OVERVIEW

Small business can immediately deduct the business portion of most assets if they cost less than \$20,000 and were purchased between 12 May 2015 and 30 June 2017. They can claim the deduction through their tax return. They can also immediately deduct the balance in the small business pool if it is less than \$20,000 at the end of an income year that ends on or after 12 May 2015 to 30 June 2017 (including an existing pool).

From 12 May 2015, primary producers can immediately deduct the costs of fencing (previously deducted over a period up to 30 years).

The small business company tax rate reduced from 30% to 28.5% for income years commencing on or after 1 July 2015. This lower rate also applies to small businesses that are not small business entities.

From July 2015 small business can immediately deduct certain start-up expenses, including costs associated with raining capital.

From 2015-16, an individual is entitled to a tax offset on the tax payable on their share of net small business income earned by a sole trader, partnership or trust that is a small business entity. Sole traders, partnerships and trusts that are small business entities need to work out their net small business income as well as the partner's and beneficiary's share of that income.

From July 1 2015, the medical expenses tax offset can only be claimed by tax payers with net expenses for disability aids, attendant care or aged care. The offset will be abolished from 1 July 2019.

ATO COMPLIANCE PROGRAM

Usually the ATO releases its key priorities and activities for the forthcoming year, however, they have not done so this year. We expect continued focus on specific occupations and work-related deductions (including targeting substantiation of claims), together with heavy penalties & enforcement measures for late lodgments.





CHARTERED ACCOUNTANTS

BUDGET SUMMARY – WHAT DO THE MAJOR POLITICAL PARTIES OFFER?

Deliver tax relief to angel investors through the Australian Angel Investment Scheme, to attract greater private financing support for start-ups in the early stage of their

Labor

- Support the cut in the company tax rate for small businesses to 27.5 per cent as proposed in the 2016 Budget but not support changing the definition of small business to include businesses with a turnover of up to \$10 million
- Deliver tax relief to small businesses with a turnover of less than \$2 million per year
- Not increase the GST to 15 per cent

development

- Limit negative gearing and halve the capital gains tax discount from 50 per cent to 25 per cent, effective from 1 July 2017
- Shut down loopholes which allow multinational companies to send profits overseas
- Ensure greater female participation in the workforce by increasing the Child Care Benefit by 15 per cent, lifting the Child Care Rebate cap from \$7,500 to \$10,000 per child per year, and rejecting the Coalition's previously announced cuts to paid parental leave.

Liberal

- Ten Year Enterprise Tax Plan to boost new investment, create and support jobs and increase wages, starting with tax cuts for small and medium-sized enterprises
- continued investment in the National Innovation and Science Agenda, including support for new start-up businesses
- securing an advanced local defence manufacturing industry through the twenty year defence industry plan, to drive new jobs
- opening up more export opportunities through trade agreements that are delivering new jobs and markets for Australian producers, manufacturers and service providers
- working to get more than 100,000 vulnerable young people into jobs in the growing Australian economy by giving them work experience with employers that leads to jobs
- combating tax avoidance, especially by multinational corporations
- Reduce superannuation tax concessions for those with balances over \$1,600,000, reduce contribution caps to \$25,000, and tax earnings of transition to retirement pensions.

ECONOMIC GROWTH AND JOBS FOR AUSTRALIA

In December 2015, the Prime Minister, Malcolm Turnbull, announced a number of tax measures to help drive economic growth and jobs for Australia. The new measures include:

- Tax incentives will be made available for early stage investors. This includes a 20% non-refundable tax offset on investment capped at \$200,000 per investor per year. Also included is a 10 year capital gains tax exemption for investments held for 3 years.
- Changes to Venture Capital Limited Partnerships (VCLP). Partners in a new Early Stage VCLP will receive 10% non-refundable tax offset on capital invested during the year. The maximum fund size will be increased. Eligibility and investment requirements will be relaxed to allow managers to engage in greater diversity of investors.

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PROPERTY TAX DEPRECIATION

If you have an investment property, it can potentially receive depreciation allowances — which are non-cash deductions against your assessable income. Houses, units and commercial properties all qualify. The big benefit is conserving cash flow by increasing tax deductions now.

If you have any questions or would like further clarification of any of the items contained within, please do not hesitate to contact us. Thank you for your continued support which is much appreciated. We welcome all referrals so if you know of anyone who may need our assistance, please do not hesitate to pass on our details.

Regards David & the IAS team.