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TAX TIME - 2017

Happy New Financial Year!

The new financial year is upon us again. We are all excited about the New Financial Year and have some exciting client events coming up. Details of these can be found on our new ***Events Page*** on our website.

General Reminders

* Please remember to bring all pages of your Private Hospital Insurance Statement when preparing for this year's tax – the ATO Prefilling information is not always accurate or complete (we need to see who is covered on the policy).

* You have to include your spouse's income in your return. If your spouse is not a client please contact our office and our friendly team will send you a questionnaire to complete prior to you bringing your work in.

*** The Net medical expense rebate is now only available for aged care and disability related expenses. So your 2017 return might be easier than in previous years – this is our positive spin on the fact you no longer get the offset ☺. Save yourself some time and effort! You don't need to summarise your medical expenses unless they fall into these two categories.**

* Anyone wanting to make a claim for motor vehicle expenses; you need to record your odometer readings as at 30th June each year. Failure to do this could mean that you are not able to claim your motor vehicle expenses.

This is relevant for those in business and those who are employees.

*MATO and dependant spouse rebates have not been available since 2014

Family assistance payments

Clients who wish to claim family assistance payments for the 2015/2016 financial year (including family tax benefit, child care benefit and single income family supplement) must lodge their lump sum claim with Department of Human Service (CentreLink) by 30 June 2017.

Therefore, such clients should lodge their lump sum claim with Centrelink as soon as possible, even if they lodge it before they lodge their 2016 income tax return (which must also be lodged by 30 June 2017).

Note that tax return lodgement deferrals granted by the ATO do not automatically apply to Centrelink claims.

A delay in lodging the 2016 income tax return (or notifying Centrelink that a return is not necessary), even by one day, will result missing in you out on some or all of your family assistance payments for the 2015/2016 financial year. Too late for this year? Remember it for next year.

Don't Ignore PAYG Income Tax Instalment Notices

Many Clients get them and ignore because their business ceased, investment income decreased, they sold their rental property etc., - but ATO doesn't know your changed circumstances so expect payment. Ignoring it will establish a debt and incur fines; we can't reduce this estimate after the due date so the ATO will charge interest until paid.

Medical expenses – 2015 and 2019 last years to claim

2018/2019 is the last income year that you will be able to claim out of pocket medical expenses in relation to disability support aids and aged care. We would strongly advise if you are contemplating any large purchases which fall under this category to forward plan with this date in mind. For example if you are considering purchasing chairlifts for the house or doing car modifications etc. All other claims ceased in 2015.

ATO – 2017 audit hotspots

ATO launches a major audit attack on work-related expenses including car and travel expenses, self-education clothing, laundry and dry-cleaning, and tools and equipment.

The ATO has issued a reminder about the three key rules applied for all work-related claims;

1. You have to have spent the money yourself,
2. it must be related to your job, and
3. You must have a record to prove it.

General work-related travel is also under watch. Mobile phone and broadband expenses with work and personal use need to be clearly distinguished.

The following site includes some case studies with regards to common mistakes made by taxpayers.

https://www.ato.gov.au/Media-centre/Media-releases/ATO-helps-to-work-out-work-related-expenses

The ATO will ramp up its review of income that taxpayers are earning from renting out their homes or driving cars in sharing-economy services such as Airbnb and Uber, and cross-checking it with banking transactions.

WARNING "BIG Brother" (ATO) is being more connected than we previously realised.

Providing taxi travel services through ride-sourcing and your tax obligations

Ride-sourcing services (also known as ride-sharing, ride-booking, taxi or ride-hailing services) are increasingly being used to provide alternatives to taxi travel. These services have tax implications for those involved. If you are a driver providing this type of service and carry on an enterprise you must register for the goods and service tax (GST). The $75,000 turnover threshold does not apply to you. Your threshold is $1.

https://www.ato.gov.au/Business/GST/In-detail/Managing-GST-in-your-business/General-guides/Providing-taxi-travel-services-through-ride-sourcing-and-your-tax-obligations/

Air BNB

From the 1st July 2017, the company listing your home (eg booking .com) must charge GST on the full price on your behalf. They have most likely been in touch with you. Let us know if you have any questions.

Changes to Zone Tax Offsets

Zone tax offsets are limited to those clients who are genuinely living (ie who have their usual place of residence) in a zoned (or remote) area. It will no longer be available to fly-in-fly-out (FIFO) or drive-in-drive-out (DIDO) workers. You must tell us if you lived in a zoned area.

Student returns

Do you need to lodge a return?
If your taxable income for the year ended 30 June 2017 is below the tax-free threshold of $18,200 you will generally not have to lodge an income tax return. However, if you have had tax withheld from your wages or other sources of income eg interest on bank accounts where your TFN has not been declared, or if you have distributions from family trusts; then you need to lodge to get a refund of any taxes paid.
Note: special rules apply to those under 18.
For further advice please contact our office.

Compulsory HECS/HELP repayment

We base our estimate of refund on the balance of HECS outstanding as of the end of the financial year which is provided by the ATO prefill information. You should also let us know about subjects added to your outstanding debt after the end of the financial year as the ATO is entitled to include these in the balance. This could affect clients who lodge their returns later in the year, or prepare subsequent amendments to earlier returns; when further study has been undertaken and the balance has changed. Your balance can be obtained by logging into your MyGov account.

The income threshold for compulsory repayments is $54,869.

Note: People who are overseas with a HELP debt will be required to make repayments from 1 July 2017 based on their world-wide income for the 2016/2017 financial year and onwards.

ATO Increased compliance focus on holiday rental property deductions

The tax office is targeting deductions claimed against rental properties in popular Australian holiday destinations. A reminder that holiday home owners can only claim tax deductions for expenses made during a period when the home is rented out or genuinely available for rent. If the property is offered at discounted "Mates' Rates" then they can only claim deductions equal to the amount of rent charged. Strong evidence of the property being genuinely available for rent at market rates needs to be kept; advertising through a real-estate agent or an online site is not always enough evidence to demonstrate that a property is genuinely available for rent.

Changes to the way taxpayers claim work-related car expense deductions

The government has reducied the number of methods for claiming car expenses by removing the '12% of original value method' and the 'one-third of actual expenses method'.

The two remaining methods are the 'cents per kilometre method' and the 'logbook method'. The log book method will be compulsory for those whose business related travel is greater than 5000kms.

Applicable from 1 July 2015 a single flat rate per business kilometre will be used for the cents/km claim method – regardless of engine size.

The rate will be 66 cents for the 2016-17 year.

The government says that these changes will enable taxpayers who drive electric and hybrid vehicles to claim on a cents per kilometre basis, which has not been an option until now.

Data matching to be expanded on individual returns

The ATO has advised that last year it cross-referenced information reported in tax returns against over 600 million transactions provided to it by third parties to identify omitted income and gains, or incorrectly-claimed offsets or entitlements to exemption from surcharges.

It also contacted nearly 400,000 taxpayers who had apparent discrepancies in the information they reported in their tax returns.

Traditionally, the ATO has focused on areas such as omitted interest and employment income, but this year it is expanding its data matching to include the following:

- capital gains tax (CGT) from the disposal of shares and property;
- employment-related foreign source income; and
- contractor income from payments made by government agencies
- online selling (eg Ebay)
- insurances on 'lifestyle' items eg Boats, aircraft, luxury motor vehicles, thoroughbred horses etc. *Under insuring these items will not let you fly under the radar.*
- Department of Immigration and Border protection – visa holders for workers coming in and leaving Australia and the reporting of correct income on returns.
- Payments made from overseas bank accounts for private expenses eg school fees

Default Assessments

The ATO has the 'upper hand' when it comes to default income tax assessments. If you have not lodged an income tax return, or where the ATO is dissatisfied with a lodged return, the ATO is empowered under S.167 to issue a default assessment based on an amount upon which, in the ATO's judgment, income tax ought to be levied. They do not have to disclose the actual components that make up the taxable income, rather, the ATO is simply required to state the amount on which tax ought to be levied and this becomes the your taxable income for s.166 purposes.

The only way to beat a default assessment is through good record keeping. Once an assessment has been made, the penalty is 75% of the primary tax payable (in addition to the income tax calculated and interest) and can only be remitted by application to the AAT (Administrative Appeals Tribunal).

Other ATO audit hot spots to look out for.

Some other areas to watch out for:

- Medicare levy and Medicare levy surcharge exemption claims,
- Dependant (Invalid and Carer) Tax offset - especially claims being made for ineligible family members and the income test being incorrectly applied,
- Main residence exemption being incorrectly applied for CGT purposes,
- Working holidaymakers claiming to be residents. New rates of tax for working holidaymakers were introduced from 1st January 2017. Those holding visa types **417** and **462** should lodge as non-residents,
- Ride-sourcing drivers and GST reporting obligations, and
- Taxpayers operating in the digital economy - through data matching with third parties, with focus on obtaining information regarding share transactions, credit and debit card payments and online selling data.

MyGov accounts

Please be aware: No one receives printed / mailed Notices of Assessment (NOA's) or other correspondence that are sent directly to your MyGov account. We can gain access, but only if we know to look. If you have set up a MyGov account, but can no longer access it, you should sort it out, or set up a new one. We are aware of how much angst this is causing people – but there is nothing that we can do to help with this.

Estate Planning Service

Question: How good is your estate and succession planning?

Answer: Only as good as the questions you ask yourself.

Asking the right questions is the only way to ensure that your estate is handled in accordance with your intentions. Contact an advisor at Kerri Dickman & Co today to determine the questions you should be asking to ensure that you have an effective estate and succession plan.

The same goes for Powers of Attorney – it's a fact of life that we are living longer, and sometimes the decline through poor health, dementia etc can be sudden and leaves your family with no choice but to hand your affairs over to a government agency such as the Public Trustee. Think about your parents and ask yourself what happens if they can no longer look after their affairs.

This is a relatively new service we are offering in conjunction with a national law firm. We think it's the best of both worlds with our clients getting top legal advice, but dealing with their accountants that they know and trust. But you don't have to be our client to avail yourself of these services – we would love to help out with your parents, or your friends.

Claims for phone, internet and home phone expenses

The Taxation Office has recently issued a fact sheet entitled "Claiming mobile phone, internet and home phone expenses", which requires taxpayers making such claims to keep a 4-week diary.

Therefore, if you believe that you will be making a claim in your 2016/17 income tax return (i.e., for the year commencing 1 July 2016), you will need to keep a record of your calls, internet use, etc, over a 4-week "representative" period.

Selling a property for more than $750,000?

Australian residents who are selling a taxable Australian property with a market value of $750,000(previously $2 million) or more need to obtain a clearance certificate from the ATO, to confirm that they are Aust Residents otherwise a 12.5% (previously 10%) withholding amount needs to be withheld from the transaction. Be aware of this obligation and apply for your certificate early rather than risking the delay of settlement. Please contact us, or speak to your conveyancing solicitor, for more information.

Are you a Hobby or a Business?

Online selling data has been collected by the ATO since the 2008 income year, with the ongoing collection of the data being used by the ATO to review online sellers who may be transitioning from a hobby status to carrying on a business. This distinction can often be difficult, and will depend on factors such as the intention of the taxpayer, the repetition and regularity of their activities and how the activity is managed. To assist in the decision, the ATO have released an online guide entitled 'Online selling – hobby or business'.

Upcoming Events

Please see below the list of upcoming events for our clients and your friends and collegaues. For further information regarding these events please see our website www.dickmans.biz, Facebook page www.facebook.com/kerridickmanco or keep an eye out on your emails/mail from us.

If you would like more information or to make a booking please call our Admin Staff at the office on (02) 6296 3733.

Property Investment – Discover how to own a new investment property for under $50 per week with minimal equity and no money down. You will learn the 14 golden rules of Property Investment, how to profit from Property Cycles, learn where Australia's Hot Spots are, how to best finance and structure your investment for maximum returns, understand how the tenant and the tax man will pay over 91% of the monthly costs, learn how to insure the property & the tenant, how to tailor solutions that suit you. Presented by Leon Krig, Australian Property Masters

How to "Adult" at Tax (for those new to the tax system)
An introductory session for school leavers or those getting their first part time job. Covering topics such as: getting a tax file number, how tax returns work, what are your tax obligations, what receipts do you need to keep, how do you keep track of multiple super funds.

Start-Up Business workshop – everything you need to know about starting and running a new small business.

Business Improvement workshops – a series of workshops ready to present on business improvement strategies – getting more out of your business than you ever dreamt possible.

We look forward to seeing you soon ☺

2017 Federal Budget Impacts on Individuals

The Federal Budget for 2017-2018 has been handed down and here are the changes which will have an impact on a large percentage of our client base. The following is a quick summary of some of the changes.

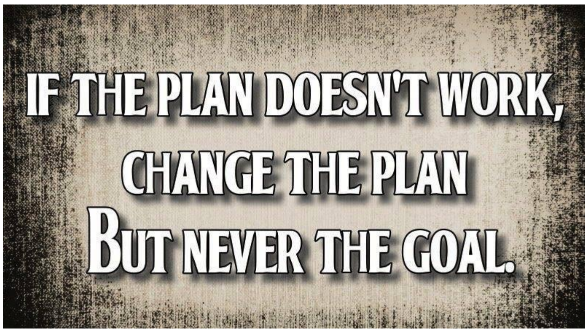
- $20,000 immediate write off which was supposed to finish on 30th June 2017 has been extended until 30th June 2018. From 1st July 2018, the immediate deductibility threshold will revert back to $1,000.
- First Home owners will be able to withdraw voluntary contributions they make to a super account for a deposit on their first home from the 1st July 2018. They will be able to start making these contributions from 1st July 2017. If the individual is a sole trader or the employer will not allow contributions to be salary sacrificed, the Government will allow these people to claim a deduction for voluntary contributions made under the scheme. Up to $15,000 per annum and $30,000 in total will be allowed under the existing caps.
- Removal of deduction for travel expenses for rental properties. The tax office has decided it is too difficult to police the claims of taxpayers on their travel to inspect and manage investment properties, so have decided that this deduction will no longer be available from 1st July 2017 (ie 2017 income tax return will be your last chance to claim travel).
- Depreciation limitations for Rental properties. From 1st July 2017 you will no longer be able to claim for depreciable plant and equipment on an investment property, unless you are the 1st owner, after 9th May 2017. Subsequent owners of the investment property will not be able to carry forward with the depreciation on their returns, and will treat the cost of such items as part of the cost base when the property is sold. Existing investments are 'grandfathered' which means that if you already have an investment property you can continue to claim depreciation on existing items for the life of the item as long as you remain the owner of the property. At this point in time there is no mention of the Capital Works write off; we will have to see how this comes through parliament.
- Medicare levy increase. From 1st July 2019 the Medicare levy will increase from 2 % to 2.5% of taxable income.
- Medicare low income threshold has increased to $21,655 for singles, and $36,541 for families with an additional $3,356 for each additional dependent child or student.
- Eligible social security recipients will receive a one-off Energy Assistance Payment of $75 for singles and $125 per couple on 20th June 2017 to help with energy bills.
- There will no longer be the increase to Family Tax Benefit A as announced in the 15/16 Mid-Year Economic review. From the 1st July 2018 there will be a consistent 30cents in the dollar income test taper for FTB Part A families with a combined income over the current level of $94,316.
- The Child care subsidy will no longer be available for families with incomes above $350,000 per annum after 1st July 2018.
- Tougher residency requirements for pensioners: Claimants will be required to have 15 years of continuous Australian residence before being eligible to receive Age Pension or DSP unless they have either
  - 10 years continuous Australian residence, with five years of this residence being during their working life, or
  - 10 years continuous Australian residence, without having received an activity tested income support payment for a cumulative period of five years.
- HELP repayments to increase from 1 July 2018. The threshold where compulsory repayments start will drop to $42,000 (down from $54,868) with a repayment rate of 1% and the maximum threshold of $119,882 with a 10% repayment rate.

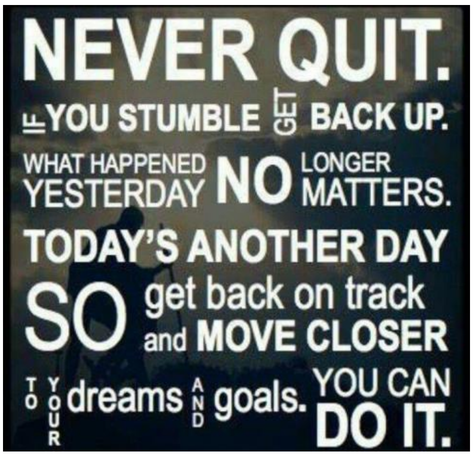
What's New for 2017

From the 1st July 2017 the following will take effect

- Norfolk Island residents join Australian tax system and started to pay Australian Tax on 1st July 2016. They now must lodge income tax returns requiring them to obtain Tax File Numbers, and Withholding tax is now charged on income.
- Low Income Superannuation offset. Those earning less than $37,000 will receive a refund of up to $500 for the tax paid (15% of the contributions) on their concessional contributions. This will be automatic once the taxpayer has lodged their return.
- The annual concessional contributions cap falls to $25,000 for everyone. This includes employer's 9.5% super guarantee, salary sacrificed amounts and tax deductible personal contributions. Public Servants will now have their 'notional defined benefit contributions' included under the concessional contributions cap. It is proposed that this cap will increase in increments of $2,500 in line with Average Weekly Ordinary Times Earnings – but we know what has happened to prior planned incremental increases …. They have been frozen ☹
- Individuals can make additional concessional contributions up to their concessional contributions cap and claim an income tax deduction for doing so. Previously this was only available to sole traders and taxpayers who were not working and had less than 10% if total assessable income from employment sources. Contributions will now be allowable from income derived from investment sources e.g. dividends or rental income and capital gains.
- Non-concessional contributions cap will be reduced to $100,000 per year. If you have a super balance of $1.6million or more you will not be allowed to make non-concessional contributions.
- Charge on foreign owners of underutilised residential property. The government will introduce a charge of at least $5,000 on foreign owners of residential property where the property is not occupied or genuinely available on the rental market for at least six months per year which will apply to investment purchases after 9th May 2017. The charge will be levied annually; as a measure to make more properties available for Australians to live in.

- The government will act to prohibit the manufacture, distribution, possession, use or sale of electronic point of sale suppression technology and software. This technology allows businesses to understate their incomes by untraceably deleting selected transactions from electronic records in POS equipment. Income earned and therefore tax owing from this income is incorrectly reported (understated) to the ATO.
- Small business changes from 2016 budget now law. Small business company tax rate has been reduced to 27.5% for the 2016/17 income year. The maximum franking credit that small business can allocate to a frankable distribution is generally also 27.5%. Small businesses are those that have an aggregated turnover of less than $10 million. If you have already issued 2016-17 distributions based on 30% company tax rate, you need to notify your members of the correct dividend and franking credit amounts based on the new 27.5% company tax rate. Also ensure that the correct amount is reflected in your franking account. This is a change to previous announcements.
- An 8% small business income tax offset (up to $1,000) is limited to businesses with a turnover of less than $5 million, it applies to business income of sole traders, or share of business income for partnerships and trusts.
- Small business turnover threshold has been increased from $2 million to $10 million; which means that more businesses can access the small business concessions which includes the $20,000 instant asset write-off and reduced company tax rate.





Moving Forward – with Superannuation

- From 01 July 2018 (the 2018/2019 financial year), taxpayers will be able to carry forward the unused part of the $25,000 cap for up to 5 years provided their superannuation balance is less than $500,000. Efefctively, the 2019/2020 financial year will be the first year the unused concessional contribution amounts can be used.
- From 1st July 2018, the Government will allow a person aged 65years or over to make an after-tax super contribution (Non-Concessional Contribution or NCC) of up to $300,000 from the proceeds of selling their home. These NCC's will be in addition to those currently permitted under existing rules and caps and they will be exempt from the existing age test, work test and the $1.6 million balance test for making NCCs. This will apply to the sales of a principal residence owned for a minimum 10 years and both members of a couple will be able to take advantage of this for the same home.
- For completeness, apart from the 10% test, the other conditions that must be satisfied before being able to claim a deduction for personal contributions before 1 July 2017 are as follows.
    a. Age limit – The contribution must be made no later than 28 days after the end of the month in which the individual turns 75 years of age.
    b. Minors – If the individual is under age 18 at the end of the income year (i.e., a minor), they must derive income for the year from being an employee or from carrying on a business.
    c. Complying fund – The contribution must be made to a complying superannuation fund
    d. Notice requirements - The individual must give the fund trustee a written notice (in the approved form) advising of their intention to claim a tax deduction for the contribution, and the individual must receive a written acknowledgement of their notice from the trustee.
- From 1 July 2017, the government has removed the 10% test for the purposes of being eligible to claim a deduction for a personal contribution. As a result, for personal contributions made from 1 July 2017, individuals will no longer be required to consider whether they need to satisfy (or whether they do satisfy) the 10% test.

  This change ensures that the ability to claim a deduction for personal contributions will not be dependent upon an individual's employment status during an income year, thereby providing more flexibility for individuals wishing to contribute into superannuation. In particular, this change will be advantageous for:
    a. Employees working for employers who do not offer salary sacrifice arrangements;
    b. Contractors who earn income under a contract that is wholly or principally for their labour; and
    c. Employees who are not eligible for SG support from their employer (e.g., resident employees working for non-resident employers for work done outside Australia).

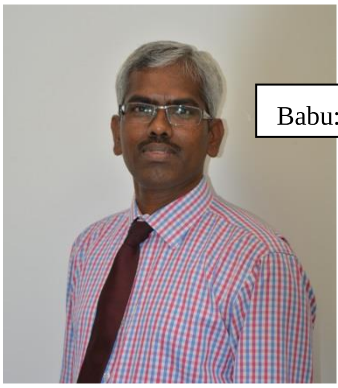
Don't Put it in the "TOO HARD BASKET"

If you are struggling to find all your information, don't worry. A lot of information can be obtained through our secure access to the ATO Portal – The Pre-Filling Report. Call and ask for a copy as you get your records together.

Facebook

Like our page www.facebook.com/kerridickmanco for things like how to win prizes, important updates and upcoming events such as the Australian Property Masters Seminar attached. Alternatively check out our website www.dickmans.biz

Each member of our team was asked:
What is your dream Holiday Destination?
Apart from working at Kerri Dickman & Co, what is your favourite thing to do?
If you weren't an accountant / Bookkeeper / Administrator, what would you be?



Babu: India, Meditation, Saint

Jordan: England, Watching Football (Soccer), Sports Journalist

Rui: Greece, Travel, CEO

Kerri: Hawaii, Scrapbooking and photography, Lobbyist AND Martial Arts instructor

Natalie: Europe, Movies with Friends, Hogwarts Professor

Leanne: Cruising anywhere, Beading, Travel agent

Liz: Canada, Visit the Mountains, Mining Dump Truck Driver

Georgina: Bora Bora, Time with family & friends, School teacher

Lucy: Vietnam, Walking my Dogs, Reflexologist

Tony: Wherever my wife tells me, Being with my darling wife, Financial Planner

Kate: Europe, Baking, Wedding Cake Maker