2017

Hamilton Hateley & Associates newsletter

HELPING OUR CLIENTS UNDERSTAND TAX THAT LITTLE BIT BETTER AND INTRODUCING THE CHANGES FOR THE 2016-2017 TAX YEAR

Tax Incentives for Small Business

The Instant Asset Write off threshold which has been increased to $20,000 per asset per year. If an asset is acquired, installed and ready for use and cost less than $20,000 between 7:30pm (AEST) on the 12th May 2015 and 30th June 2018, this asset can be claimed as an immediate write off. If an individual asset costs more than $20,000 then it will be added to the depreciation pool and depreciated at 15% in the 1st year and 30% for each year after. This in only applicable to small business entities with turnovers less than $10 million.

Company Tax Cuts

As of the 1st July 2016 a tax cut of 1% is applicable to all incorporated small business. enitities The company tax rate is now 27.5%. The current maximum franking credit rate will remain unchanged for all companies.

Please be aware that if you have your Tax Office account linked with your MyGov registration, all documents will be forward to you via your app or inbox, and that we do not receive any paperwork or notification of your taxation result.

Hamilton Hateley is on Facebook.

Check it out to keep up to date with everything.

There is lots of information on there.

Primary Producers - Deductible Improvements

The government have made accelerated depreciation changes for primary producers. This proposal allows primary producers to deduct capital expenditure on fencing and water facilities immediately. This includes capital such as dams, tanks, bores, irrigation channels, pumps, water towers and windmills. Forage assets can be written off over 3 years. This includes silos & sheds

Rental Properties

From 1 July 2017, depreciation deductions for residential plant and equipment (e.g. dishwashers and ceiling fans) will be limited to investors who actually incur the outlay – not subsequent owners. Also from that date, investors will be unable to deduct travel expenses related to inspecting, maintaining or collecting rent for a residential rental property.

What this could mean for you is if you're a subsequent investor in a property, the acquisition of existing plant and equipment will be reflected in the cost base for CGT purposes. Grandfathering applies to plant and equipment that forms part of a residential investment property as at 9 May 2017 and will continue to give rise to depreciation deductions under current rules. The new rule around travel expense deductions applies to all property investors.

You could check our website at
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ATO News

Superannuation Changes

From 1 July 2017, individuals will be able to make extra voluntary super contributions of up to $15,000 a year beyond their employer's Super Guarantee payments, up to a total of $30,000. These contributions will be taxed at 15% and can be withdrawn to go towards the deposit on a first home. Withdrawals will be allowed from 1 July 2018. When you withdraw your extra contributions to pay for a deposit, they'll be taxed at your marginal tax rate minus a 30% tax offset. While the tax concessions for these contributions may allow you to save a larger deposit, you won't be able to access your money until retirement if you decide not to buy a home.

The government has introduced the Low Income Superannuation Tax Offset (LISTO), which replaces the Low Income Superannuation Contribution (LISCO). Individuals with an adjusted taxable income up to $37,000 will receive a refund into their superannuation account of the tax paid on their concessional superannuation contributions , up to a cap of $500. The ATO determines a persons eligibility for the offset.

Superannuation contribution spouse offset, the income threshold has been increased from $10,800 to $37,000, phased out completely at $40,000. The offset is limited to $540. The offset cannot be claimed by the receiving spouse if they have exceeded their non-concessional contributions cap in the year the contribution is made or the total balance of their superannuation account is $1.6 million or greater as at the 30th of June.

Concessional contributions will be dropping to $25,000 per annum for all age brackets. The work test for contributions, the age will increase from 65 to 74. A cap of $1.6 million for an individuals superannuation balance in pension phase. This doesn't mean that the balance can exceed that, it just means that the earnings on the excess are taxed at 15%. These changes take effect from the 1st of July 2017.

HELP & TSL Debt Changes

From 1 July 2018, income thresholds for the repayment of HELP debts will be revised, along with repayment rates and the indexation of repayment thresholds. A new minimum threshold of $42,000 will apply, with a 1% repayment rate. A maximum threshold of $119,882 will apply, with a 10% repayment rate. Currently, the maximum repayment threshold for the 2017–18 financial year is $103,766 with a repayment rate of 8%.

The government have removed the Student start up scholarships to students receiving Youth Allowance, Austudy or ABSTUDY. Instead the students need to apply for an income contingent loan to be called a student start up loan. The repayments are a similar model to the HELP repayment scheme, with the income levels consistent with the repayment thresholds for HELP scheme.

ATO now pursuing oversea debtors for HELP & TSL Debt. The changes allow the government to impose the same repayment obligations on Australians living overseas as to those who reside in Australia. The repayments will be based off both their total Australian income and foreign sourced income. The repayment threshold levels are the same. Residents with a HELP or TSL debt going overseas for longer the 6 months (183 days) are required to register with the ATO, whilst those presently living overseas have until the 1st of July 2017 to register.

Medicare Levy Changes

From 1 July 2019, the Medicare levy will increase by half a percentage point from 2% to 2.5% of an individual's taxable income. The Medicare levy low-income thresholds for singles, families, seniors and pensioners will increase from the 2016–17 financial year. The increased levy may also result in increases to many tax rates linked to the top personal tax rate.

ATO News

Member of Count

Primary Production Changes

The FMD cap has been increased from $400,000 to $800,000. FMD's can now be used as a loan offset account for primary production businesses. This enables the amount of interest charged on the loan to be less than it would have been otherwise. As long as the business owner in carrying on a primary production business and the loan is solely used for the purpose of running the business.

Drought concessions for FMD accounts allow for a withdrawal within 12 months. If the business has had any part of the land that has had a rainfall deficiency for at least 6 consecutive months. The deficiency must be equivalent to or worse than 5% or less of the average rainfall.

Primary Producers who have previously opted out of Primary Production averaging, can have it reinstated automatically. Production Averaging can be opted back into after 10 years.

Banking Changes

A major bank levy will be introduced for authorised deposit-taking institutions (ADIs) with licensed entity liabilities of at least $100 billion (indexed to Gross Domestic Product (GDP)). The levy will equate to an annualised rate of 0.06% – for example, the levy on a bank deposit of $500,000 will be approximately $300 pa. Superannuation funds and insurance companies won't be subject to the levy. It's unclear at this stage how the levy will be implemented, and what the impacts might be on clients/customers and shareholders.

Pension Information

Pensioners who lost their Pensioner Concession Card entitlement due to the assets test changes on 1 January 2017 will have their card reinstated. Those who lost their entitlement were instead issued with both a Health Care Card and a Commonwealth Seniors Health Card. However these cards provided access to fewer concessions than the Pensioner Concession Card. If your Pensioner Concession Card entitlement is reinstated, you'll have access to a wider range of concessions than those available with the Health Care Card, such as subsidised hearing services. Your Pensioner Concession Card will be automatically reissued over time with an ongoing income and assets test exemption. You'll also retain the Commonwealth Seniors Health Card, ensuring you continue to receive the Energy Supplement.

Stamp Duty Information

Changes to stamp duty in South Australia allow the transfer of land not zoned as Residential or Primary Production to be transferred to other parties exempt from stamp duty, From the 2018 Financial Year Property zoned as Primary Production can be transferred to a family member if the land has been used in business for the past 12 months exempt from stamp duty.

Asset Protection

The Personal Property Securities Register (known as the PPSR) can provide you with legal protection. On the PPSR, you can register an interest in goods you haven't yet been paid for. This will help you recover the debt and lessen the risk of losing the goods if the customer does not pay or becomes insolvent.

Comparative tables to help you with the 2016-2017 Tax Year

Individual income tax rates — Residents

Taxable Income	Marginal rate	Tax on this income 2016/2017	Tax on this income 2017/2018
$0-$18,200	Nil	Nil	Nil
$18,201-$37,000	19%	19c for each $1 over $18,200	19c for each $1 over $18,200
$37,001-$87,000	32.5%	$3,572 plus 32.5c for each $1 over $37,000	$3,572 plus 32.5c for each $1 over $37,000
$87,001-$180,000	37%	$19,822 plus 37c for each $1 over $87,000	$19,822 plus 37c for each $1 over $87,000
$180,001 and over	45%	$54,232 plus 45c for each $1 over $180,000	$54,232 plus 45c for each $1 over $180,000

Does not include the Medicare levy of 2% of taxable income, subject to low income thresholds.
Does not include the Medicare levy surcharge for persons without private health insurance.

Medicare Levy Surcharge and private health insurance rebates

	No surcharge & maximum rebate	Tier 1	Tier 2	Tier 3
Singles	$90,000 or less	$90,001-$105,000	$105,001-$140,000	$140,001 or more
Families*	$180,000 or less	$180,001-$210,000	$210,001-$280,000	$280,001 or more
Rebate				
Aged under 65	29.04%	19.36%	9.68%	0%
Aged 65-69	33.88%	24.20%	14.52%	0%
Aged 70 or older	38.72%	29.04%	19.36%	0%
Medicare levy surcharge				
Rate	0.0%	1.0%	1.25%	1.5%

*Family income threshold increases by $1,500 for every child after the first.
The Medicare Levy surcharge is a percentage of taxable income and reportable fringe benefits, and is in addition to the Medicare Levy. It is paid by taxpayers who do not have private patient hospital cover for any period of the year.
Income for surcharge purposes is the sum of taxable income (including the net amount on which family trust distribution tax has been paid); exempt foreign employment income; reportable fringe benefits; total net investment losses; and, reportable super contribution; less, is aged 55-59 years old, any taxed element of a super lump sum, other than a death benefit, that does not exceed the low rate cap.

Low income taxpayer's offset

Taxable Income	Rebate
$0-$37,000	$445
$37,001-$66,666	$445 less 1.5 cents for every $1 of the amount (if any) by which the taxpayer's taxable income of the year of income exceeds $37,000
$66,667 and over	Nil

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