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GETTING READY FOR YEAR END

Effective planning and preparation is critical for all taxpayers as the end of financial year approaches.

The good news is that as your tax professionals we are here to support you, so you don't have to do all of the heavy lifting yourself.

This is the perfect time of the year to seek advice from us - maximise your tax savings for 2014-15 and start planning fresh for next year.

YEAR END STRATEGIES

THE 2014/15 TAX GUIDE FOR YOU AND YOUR BUSINESS



Messenger Zerner

Chartered Accountants

WEBSITE & PROMOTION

Many of you would have noticed our new look Messenger Zerner web site which was launched in November 2014. There are many new features including more information on our services, lots of technical guides and client information bulletins and a news section updated regularly. Please take the time to check out the website and contact us if you require further information.

If you value our services then we would appreciate you telling others of your experience. We aren't always the best at bragging about what we have achieved for clients, so please help us by forwarding on our details to your friends and relatives when the opportunity arises – a good start is to give them our website address:

<http://messengerzerner.com.au/>

STAFF NEWS

Our current staff to assist you are:

Mel Zerner	Partner
Bill Dartnall	Partner
Simon Graetz	Partner
James West	Manager
Karin Dungey	Manager
Lauren Jackson	Senior Auditor
Nahida Christo	Accountant
Ben Staggs	Auditor/Accountant
Chris Bartlett	Auditor/Accountant
Diana Djurasevich	Practice Manager/Accountant
Trish Sotiriou	Receptionist

We welcomed a new graduate, Chris Bartlett in August 2014.

As part of our long term succession planning, we are merging Six Accountancy and its principal Simon Bibbo into our practice from 1 July this year. We welcome Simon and his staff member, Steven and we look forward to a smooth transition of Simon's clients into our practice.



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Mel Zerner
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Business advisory
Tax & accounting
Superannuation
Audit services
Estate planning

Surviving the run up to June 30

Every small business owner knows the stress that comes with the end of financial year.

A lot of valuable time and energy gets poured into getting your paperwork in order and making sure that you are minimising your tax bill as much as possible.

In addition there is the last minute tax planning strategies to investigate and decide upon.

These include:

- Superannuation Contributions
- Prepayment of interest on loans, insurance, subscriptions etc.
- Write off of bad debts
- Scrapping and write off of depreciable assets
- Deferral of invoicing sales or receipt of income until the next year
- Payment of additional expenses and donations
- Immediate deduction of business assets costing less than \$20,000



2014/15 Tax Rates:

Less than \$18,200	NIL
\$18,201-\$37,000	19%
\$37,001-\$80,000	32.5%
\$80,001-\$180,000	37%
Over \$180,000	45%
These rates do not include the 2% Budget Repair levy nor the 2% Medicare levy (up from 1.5% previously)	
The low income tax offset is \$445 which results in tax payers not paying tax on taxable income below \$20,542.	

We are able to assist and advise you in these tax planning strategies and can also review the business management financial statements on a regular basis for profit improvements suggestions.

Remember also that discretionary family trusts are required to document the decision of the distribution of trust income to beneficiaries by 30 June each year. We are in the process of preparing and sending these minutes out to clients for signing the next few weeks

Keeping on top of your records

It is essential for all small businesses to have an effective record keeping system in place.

Having your records in good working order will significantly reduce the stress that comes with the end of financial year, and will ensure that you make the most out of all of your potential tax savings.

Business Clients using computer packages such as MYOB, Reckon, Xero etc and spreadsheets, need to ensure that all entries processed during the year are accurately allocated and all assets and liabilities are properly reconciled.

We are encouraging our clients to consider moving to the "Cloud" for data processing and storage. This enables us to access your accounting file online to check entries and reports for quarterly BAS lodging and end of year financial statements preparation.

Non business clients should use their copy of the 2013/14 tax returns as a check list to ensure that all interest, dividends, rent, managed trust income, work related deductions and donations for the 2014/15 are recorded. While we use the Taxation Office Pre-filing reports to check income amounts, it is still important to maintain your own records of these items.

End of financial year: SMSFs

The compliance requirements for SMSFs are extremely stringent, and it is important for trustees to be acutely aware of their responsibilities.

Of course, we are here to help you out, but you should always aim to have a robust understanding of your SMSF's reporting requirements.

Withdrawing minimum pension

SMSFs that do not distribute minimum pensions to members who are in pension phase may face hefty tax penalties. If a member of your SMSF has recently reached pension phase or you are at all unsure as to what your minimum pension amount is, please do not hesitate to contact our office.

Depositing contributions

All of the contributions that have been recorded for your SMSF need to be deposited in the SMSF's bank account by no later than 30 June 2015. This is especially important where members have reported concessional or non-concessional contributions.

Death Benefit Nominations

All members of superannuation funds should have signed Binding Death Benefit Nominations in place so that in the event of death the trustees or executors have clear instructions on the payment of benefits. Please contact us if you need advice on the preparation of these documents.



Upcoming ATO compliance targets

Every year, the ATO announces a number of compliance areas that will be subject to additional scrutiny.

It always pays to be aware of these focuses, as non-compliance is, more often than not, the result of an honest

mistake as opposed to willful deception. Unfortunately, an honest mistake can still cost you dearly in penalties and/or interest on late payments to the ATO. In the 2014/15 financial year, the ATO will be focusing on:

Personal technology

Deductions claimed for personal technology items such as smartphones, tablets and laptops. Taxpayers who are claiming deductions on such items should ensure that they have adequate documentation to prove the breakdown of personal/work use (for example diary entries). You are only able to claim a tax deduction equivalent to the portion of the use that is work related.

Cash economy

The ATO will be aiming to identify businesses that operate off the books by failing to accurately record their cash transactions. This may involve paying employees in cash (and therefore

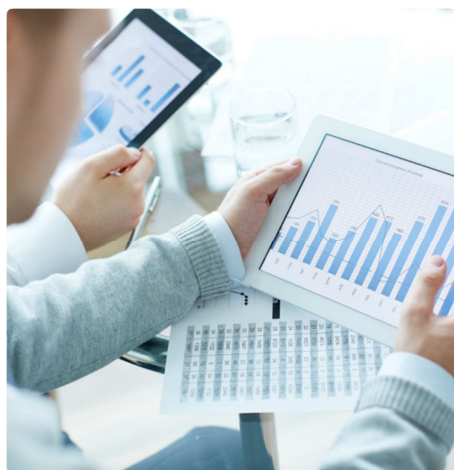
avoiding minimum wage requirements and the super guarantee) and/or under-reporting the business's profits, thereby reducing the overall tax liability. The Taxation Office has advised that it is targeting hairdressers and the restaurant and hospitality industries and it uses bench marking to identify businesses with potential understated sales and profits.

GST compliance

The GST compliance program involves ensuring that all businesses that are required to register for GST have done so (that is all businesses with an annual turnover in excess of \$75,000). The accuracy of BAS reporting is also under scrutiny.

Travel costs

Taxpayers claiming large deductions in the form of work-related travel costs will be subject to additional examination from the ATO this year. In particular, the Tax Office has warned that it will be focusing on the validity of deductions claimed for the transportation of bulky tools and equipment.



End-of-year superannuation checklist

As the end of financial year approaches, it pays to start thinking about whether you will be able to make any additional personal contributions to super.

In addition to topping up your retirement nest egg, you will also benefit from some generous tax breaks.

Recently, there has been a lot of discussion surrounding the future of these tax concessions so if your financial situation permits, it might be worth considering maximising your contributions as soon as possible.

Super for the self-employed

Self-employed Australians can claim a tax deduction for contributions made to an eligible superannuation fund.

However, taxpayers who are both employees and self-employed may only claim super contributions as a tax deduction where they have derived less than 10% of their assessable income from employment.

These contributions are considered to be part of your concessional contributions cap. Deductible superannuation contributions can offset an unusually large taxable income, for example, if you have made a significant capital gain from the disposal of an asset.

Set up a salary sacrificing arrangement

In a salary sacrificing arrangement, your employer will hold back part of your gross (before tax) pay and contribute it to your nominated superannuation account.

The contributions to your super account are taxed at the flat rate of 15%, which is typically much lower than your marginal tax rate. Salary sacrificing into your super reduces your total taxable income, thereby reducing your tax bill.

Contributions Thresholds

The maximum contributions for 2014/15 are:

Concessional: General cap \$30,000

Aged 49 or over on 30 June 2014: \$35,000

Non Concessional: General cap \$180,000

3 year bring-forward rule: \$540,000

The concessional cap includes employer super guarantee contributions. It is important to ensure that any additional contributions via salary sacrifice arrangements take this into account. Any excess super contributions over the cap amounts will be added to taxable income and taxed at marginal rates.

Superannuation Guarantee

The superannuation guarantee for employers to pay is 9.5% for the 2014/15 to 2017/18 years.



Small business is the big winner in this year's budget.

From Budget night, small businesses with an aggregate turnover of less than \$2 million can immediately deduct most assets acquired and installed which cost less than \$20,000 (before GST). The cut-off date is 30 June 2017.

Where pools are used clients are eligible for immediate deduction of the pool balance once it becomes less than \$20,000 (Including existing pools).

From 1 April 2016, small businesses can also provide employees with more than one FBT exempt work-related portable electronic device (mobile phone, laptop etc).

And from 1 July 2016, we expect to see new small business CGT rollovers that will make restructuring easier and extend beyond the limited incorporation rollover currently available. Stay tuned.

Company tax rate cut confirmed for incorporated small businesses with an annual turnover under \$2 million, effective 1 July 2015

For franked dividends paid, the maximum benchmark franking percentage will be unchanged, i.e. it is still calculated by reference to the 30% rate. Actual franking account balances are unaffected.

Common tax planning strategies to defer income or bring forward deductions are even more important this year in order to maximize the tax benefits of the tax cut.

For unincorporated businesses there is a 5% discount on tax payable (up to a maximum \$1,000 per individual per income year).

Professional fees associated with start-ups deductible immediately from 1 July 2015

But no need to wait if you are thinking about a new business, professional services performed just prior to 1 July 2015 can be invoiced on or after that date.

All primary production clients

Discuss with us the opportunities to take advantage of the immediate deduction of capital expenditure on fencing and water facilities since budget night (it was announced as from 1 July 2016 but this was changed on 27 May 2015)

Personal tax clients

A number of changes could impact your affairs:

- The denial of the zone tax offset for fly-in fly-out (or drive-in drive-out) workers (1 July 2015)
- Salary packaging of entertainment for those employed by hospitals, ambulance services, health promotion charities or public benevolent institutions. FBT changes from 1 April 2016 will 'cap' the benefits of this strategy to a grossed up amount of \$5,000.
- For personal motor vehicle use deduction claims, only a cents per kilometre or log book method will be available from 1 July 2015, with the former set at 66 cents per km.

Childcare changes

It's not strictly tax-related, but child care costs are a major outlay for working family clients. From 1 July 2017, there will no longer be a:

- Child Care Rebate – Covers 50% of out of pocket child care expenses for approved care, up to a maximum amount per child per year (not means tested)
- Child Care Benefit – Means tested and usually paid direct to the provider

Instead, the Government intends to establish new childcare subsidy arrangements.

For clients with young families, put childcare on the agenda for our upcoming 2015 tax time conversation.

Capital gains at end of financial year

The end of financial year is a good time to think about your capital gains and losses for the year.

Timing and planning are everything when it comes to minimising your CGT bill and making the most out of your investment returns.

Capital gains tax (CGT) is incurred when a taxpayer disposes of an asset, for example, commercial and residential property, shares, units in unit trusts or collectables. Where the asset is sold for a price that is higher than the cost base (which may be calculated based on the purchase price, associated costs and indexation) the difference is considered to be a capital gain. Where an asset is sold at a loss (for a smaller amount than it was originally purchased), a capital loss may be incurred.

Capital losses can be used to offset capital gains in a financial year. It is also possible for taxpayers to carry capital losses forward to subsequent years if they do not have capital gains against which they can deduct them at the time. Here are some strategies to reduce your CGT liability:



Use CGT concessions

There are a number of CGT concessions that are available to small businesses. These concessions can be extremely effective in reducing your CGT bill, and, in some circumstances, may even reduce it to nil.

Taxpayers who do qualify for any of the CGT concessions are in an advantageous position when it comes to paying their tax bill.

Dispose of assets before June 30

In years where you have incurred a significant capital gain, you may consider disposing of another asset that will yield a capital loss.

In the event that an underperforming asset will not have a positive turn around, disposing of it before the end of financial year will allow

you to use the capital loss to offset your tax liability from any capital gains.

Defer disposal to a lower-income year

Instead of disposing of an asset that you expect to make a capital gain on this year, you may consider postponing the disposal if you expect to have a lower taxable income next year. For example, you may be planning to take some unpaid leave or have disposed of multiple assets in the current year.

Plan for CGT events in advance

If you are planning on making any new investments or disposing of assets, it always pays to plan your CGT strategy in advance. Careless timing can cost you a huge amount on your tax bill.

Cost base record keeping

It is important to have accurate and up to date cost base information on capital assets such as property and shares. We specialize in recalculating cost bases where inadequate records have been maintained, so please contact us if you need some assistance