



CLIENT NEWSLETTER Albany | June 2019

WHAT'S NEW?

RSM in Albany are now offering a bookkeeping service to clients. If you are keen to hand over the paperwork to a reliable source, please touch base with the office and speak to Lucinda Bell.

WELCOME BACK



We welcome Lucinda Bell back to the office after Maternity leave. Lucinda is now in the Business Advisory space undertaking cloud software conversions and is a key player in our new bookkeeping service.

HEATHER IS BACK ON DESK!

Heather Henderson has also returned to the office and is back in good health – great news.



GEORGIA KIDMAN NAVY COMMENDATION

For those of you who didn't know, our accountant Georgia Kidman is an ex Naval Officer. Her bravery and service was recently recognised around a tragic event.



Georgia attended the 21st anniversary of the deadly fire aboard HMAS Westralia on 5 May 1998 where the crew paused to remember lost shipmates from that day – Megan Pelly, Shaun Smith, Bradley Meek and Phillip Carrol.

The 21st anniversary memorial service was held at HMAS Stirling in W.A. hosted by the Chief of Navy followed by a ceremony where the entire crew was awarded a Chief of Navy commendation recognising their bravery and the unsung deeds that went into saving the ship. Many of the crew from that fateful day were there. There were many stories retold and many photos taken.

Quote from the Board of Inquiry that followed the tragedy.

"The dangerous and difficult fire in the main machinery space of WESTRALIA was fought heroically and effectively by the ship's crew. There were many acts of bravery and exceptional performances on the day".

Congratulations Georgia.



FEDERAL BUDGET

2019–20

DELAY TO DIVISION 7A MEASURES

- The commencement date for previously announced Division 7A measures will be delayed until 1 July 2020.
- The Government will undertake additional consultation with various stakeholders to ensure the new rules are appropriately targeted and implemented with transitional arrangements.

The Division 7A rules are broadly designed to ensure that private companies do not make tax-free distributions to shareholders or associates by way of payments, loans or forgiveness of loans. The rules have broadened significantly since their introduction in December 1997 to include certain arrangements involving trusts and private companies and use of private company assets for less than market value payment.

TAX-FREE ENERGY PAYMENTS TO PENSIONERS

A once-off Energy Assistance payment will be paid to eligible pensioners who are resident in Australia, to assist with their next energy bill and cost of living expenses. The payment is to pensioners who were eligible for qualifying payments on 2 April 2019. The amount to be received is \$75 for singles and \$125 for couples. The payment is exempt from income tax and will be paid automatically before the end of the financial year.

EXEMPT CURRENT PENSION INCOME (ECPI) STREAMLINING

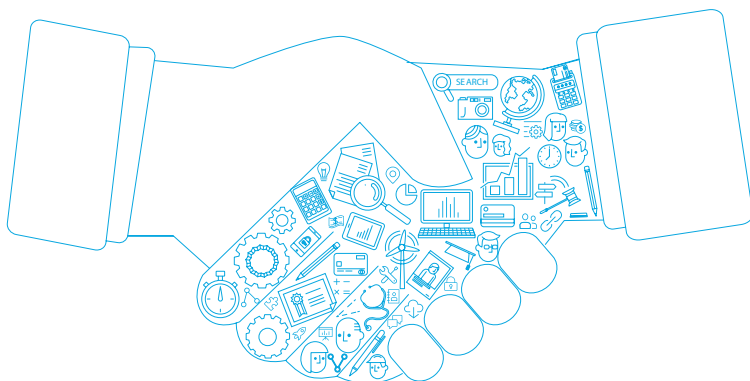
The Government has announced a streamlining of the calculation of ECPI for superannuation funds from 1 July 2020. This will simplify the current requirements, which will include the removal of the need for SMSFs that are wholly in pension phase to obtain an actuarial certificate. This is a welcome announcement which will reduce the administrative red tape for many SMSFs.

PERSONAL TAX

The Government will lower taxes for individuals by building on its Personal Income Tax Plan (the Plan). Immediate tax relief will be provided to low and middle-income earners, the flow-on effect will help maintain consumption growth in a slowing economy.

As a result of the Plan, 94% of Australian taxpayers will have a marginal tax rate of 30% or less in 2024–25. For the current year to 2024–25, before the transition to the lower tax rates, a low- and middle-income tax offset (LMIO) will be implemented. The reduction in tax from this offset will increase from a maximum of \$530 to \$1,080, while the base amount will increase from \$200 to \$255 per annum for the 2018–19, 2019–20, 2020–21, and 2021–22 income years. To receive the LMIO, an individual will be required to lodge a personal tax return, with the tax benefit arising on the processing of their personal return.

INCOME THRESHOLD	2018-2019 MAXIMUM LMITO	2019-2020 MAXIMUM LMITO	DIFFERENCE
\$0 – \$37,000	\$200	\$255	\$55
\$37,001 – \$48,000	\$530	\$1,080	\$550
\$48,001 – \$90,000	\$530	\$1,080	\$550
\$90,001 – \$125,999	Reduced by 1.5c per \$	Reduced by 3c per \$	Reduced by 1.5c per \$
> \$126,000	Nil	Nil	Nil



NO SUBSTANTIAL CHANGES TO SUPERANNUATION SYSTEM

The only change with any major impact was announced prior to the Budget in relation to the eligibility age to contribute to superannuation. The Government is proposing that individuals will not be required to meet the work test until age 67 from 1 July 2020 (Age Pension age). This means that voluntary contributions can be made, and a tax deduction claimed up to the concessional limit of \$25,000 to age 67. Non-concessional contributions of \$100,000 can also be made before age 67 without meeting the work test, and the three year bring forward rule can be applied before age 67. This improves flexibility for older Australians. Another measure will allow spouse contributions to be received up to age 74 (previously 65). The contributing spouse can claim an 18% tax offset on contributions up to \$3,000.

What is STP?

Essentially it is a new way of reporting wage and salary information about your employees directly to the ATO through your payroll software. Each time you make a payment to an employee (complete a 'pay-run'), that information needs to be reported to the ATO on that same day.

How do I report this information?

In most cases your cloud accounting software will be compatible with the STP requirements and you'll be able to send the information directly from your software with the click of a button (hence 'Single Touch' Payroll). Each software is slightly different, so if you are unsure, looking at their website should be able to help, alternatively you could contact your software provider or your local RSM office for additional assistance. If your software does not have STP capacity, or you don't currently use accounting/payroll software, the ATO has released a list of low & no cost payroll options. A couple that RSM are familiar with are listed in the table on the next page – taken from the ATO website (a larger list is available on the ATO website.)

Why is STP being brought in?

The ATO have brought in these new reporting procedures to streamline the information received regarding wage and super payments and create greater transparency. STP will mean that both the ATO and employees will have the most recent and up to date information regarding employment payments. Employees will have access via their MyGov account – being able to track both their income and their super. At year end, there will not be a requirement to fill out PAYG Summaries as the information will collated throughout the year and available online. Similarly, the ATO will be working towards BAS fields relating to wages being pre-filled each quarter/month (depending on your businesses reporting frequency requirements).

Are there any deferral or exemption options?

Yes, the ATO have indicated a few deferral & exemption options for certain businesses. For example, if you have particularly bad/no internet you may be allowed to apply for an exemption or have longer to report each pay run (looked at on case by case bases by the ATO). Exemptions will also be granted for employers experiencing hardship.

The ATO have indicated that small employers (less than 20 employees) will be able to start reporting any time between 1st July 2019 to 30 September 2019, with the option to request additional time. This will mean a little more work at the end of the year, as the period not reported through STP will have to be accounted for separately (through a PAYG Summary). Your accountant will be able to assist you with this if you chose to start after 1st July.

Micro employers (employing 4 or less) will have the option to have their accountant to report on their behalf for the first two (2) years. This will be an additional service to the preparation of your Business Activity Statements (BAS) but will be done quarterly.

LIMITED CHANGE TO LUXURY CAR TAX (LCT)

LCT is a tax imposed on businesses for the purchase or importation of luxury cars. Based on the current definitions, luxury car is a vehicle with a GST-inclusive price over \$66,331 (or \$75,000 for fuel-efficient vehicles). Currently, primary producers and tourism operators may be eligible for partial refunds of LCT paid on certain four-wheel and all-wheel drive vehicles (8/33rds of the luxury car tax up to a maximum of \$3,000). In what is bright sunshine for tourism operators and welcome rain for farmers, this Budget measure removes the partial refund and extends the maximum to \$10,000. This will apply to vehicles acquired on or after 1 July 2019.

There will be no changes to the eligibility criteria or vehicle types.

SINGLE TOUCH PAYROLL IN'S & OUT'S FOR EMPLOYERS

The Single Touch Payroll (STP) compliance date is approaching quickly. If you have over 20 employees you should already be reporting through STP, employers with less than 20 employees need to start on the 1st of July 2019. This may be a big change for a lot of people so we hope this article will be able to assist your understanding of your requirements as an employer.



What happens if I make a mistake?

Mistakes happen and it's not the end of the world. You will need to do what is called a 'fix'. You will need to do a fix if;

- You misclassify an employee payment (e.g. you report and allowance as a salary and wage payment)
- You identify an overpayment of wages
- Incorrect Information is reported.

A fix will need to be done within 14 days of the need for the correction being identified. It can be done via what is known

as an 'update event', in the next regular pay event, or if the identified error is significant and affects multiple items, a full file replacement can be done.

The ATO have stated that in the first 12 months there will be no penalties for any mistakes, missed or late reports. Our experience so far with our large employers (more than 20 employees) has been positive and there have been minimal issues. We do understand this will be a major change for many businesses so if you have any further questions please do not hesitate to contact your local RSM office.

COMPANY NAME	SOLUTION NAME	SOLUTION TYPE	PRICING
Reckon	Reckon STP	Mobile app	Free
Reckon	Reckon One Payroll	Cloud based	\$10 or less / month
MYOB Australia Pty Ltd	MYOB Essentials Payroll	Web based	\$10 or less / month
Xero Australia Pty Ltd	Xero Payroll	Web based	\$10 or less / month

INSTANT ASSET WRITE-OFF LEGISLATION HAS PASSED – FOR YOUR TAX PLANNING

- Access to the instant asset write-off to be extended to taxpayers with turnover under \$50 million.
- The asset value threshold will also increase to \$30,000.
- Applicable to assets purchased after the Budget announcement (2 April 2019) and used, or installed ready for use, in a business before 30 June 2020.

Businesses with turnover of less than \$50 million will now be able to claim an immediate deduction for depreciating assets costing less than \$30,000. This measure extends the Government's previous instant asset write-off scheme by:

- Extending access to the scheme to businesses with aggregated turnover of less than \$50 million (was \$10 million).

- Increasing the asset threshold (and immediate deduction) to assets costing less than \$30,000 (was \$20,000 with the Government previously announcing an increase to \$25,000).
- Extending the operation of the scheme through to assets that are in use, or installed ready for use, by 30 June 2020.

PERIOD	THRESHOLD
1 July 2017 to 29 January 2019 (\$10 million turnover)	<\$20,000
29 January to 7.30pm AEST 2 April 2019 (\$50 million turnover)	<\$25,000
7.30pm AEST 2 April 2019 to 30 June 2020 (\$50 million turnover)	<\$30,000

61 Peels Place, Albany WA 6330
T (08) 9841 2766
www.rsm.com.au/albany