

CLIENT NEWSLETTER

Katanning | June 2019



OFFICE NEWS

WELCOME TO THE TEAM

In May, RSM in Katanning welcomed Stephanie Potaka to the team as the new administration officer. Steph lives in Kojonup and is studying an accounting degree externally. Next time you are in the office, please say hi to Steph and introduce yourself. We are excited to have her as a member of our professional team.



STAFF FAREWELLS

This month we farewell Kellie King after 11 years working in our admin team. Kellie has transferred to our RSM Bunbury office and we wish her all the best.

In May we farewelled senior accountant, Amanda Rocco after nearly 14 years. We thank Amanda for her years of dedicated service with RSM and wish her the very best in her new role as CFO for a significant local business.

KOKODA TRAIL



In April, Cameron Taylor and his youngest son, Flynn, walked the Kokoda Trail in Papua New Guinea. Cameron has completed the trail before in August 2015 with his oldest son Joss, but said this time was harder, due to harsher conditions (and being a few years older...). Despite this, Cameron and Flynn completed the entire 156km trail, including climbing and descending more than 8000m. They both enjoyed the experience and were particularly grateful for the luxury of a coffee plunger! Great effort Taylor boys.

BUSSELTON HALF MARATHON & FUN RUN

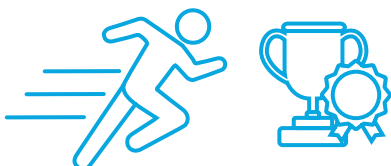
In February two of our staff, Marie and Caroline, participated in the Busselton Half Marathon & Fun Run with over 1300 other runners! Marie finished her 21.1 km run in 2 hrs & 14 minutes, and Caroline finished her 10 km run in 57 minutes. An awesome achievement and congratulations to both of our sports stars!



Left: Marie and her family after she completed her run.



Right: Caroline and her partner Rohan after completing their run.



FEDERAL BUDGET 2019–20

INSTANT ASSET WRITE-OFF

- 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.

Below is a summary of the changes to the instant asset write-off

Time Period	Turnover Threshold	Instant Asset Write-off Limit
1 July 2017 to 29 January 2019	\$10 Million	<\$20,000
29 January to 7.30pm AEST 2 April 2019	\$10 Million	<\$25,000
7.30pm AEST 2 April 2019 to 30 June 2020	\$50 Million	<\$30,000

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, a 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). 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.



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.

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 with an increase in the low-and-middle-income tax offset (LMITO). To receive the LMITO, 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	2018–19 Maximum LMITO	2019–20 Maximum LMITO	Difference
\$0 – \$37,000	\$200	\$255	\$50
\$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

However, there is a possibility that the above changes for the 2019/20 year may be delayed for a year, if this is not passed through parliament before 30 June.

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.

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.



Australian Taxation Office (ATO) Scams

The ATO will never call you and ask you to repeat a sentence or paragraph back to them. If you receive a call like this, hang up immediately.

Scams

We have recently seen examples of suppliers sending invoices and scammers resending the invoice shortly after with different bank details. Please be vigilant of this. If you are unsure, please contact your supplier.

Please note, the 28th of June is the last business day of the financial year.

In early July we will be sending out our end of year checklist to collect information for the 2018/19 financial year. We encourage clients to complete the checklist as soon as possible.



TAX PLANNING

With 30 June approaching, there are a few tax saving or deferral strategies businesses could utilise to optimise their tax position. Every business is different, and we recommend you contact your RSM accountant to find out more about these strategies:

TAX SAVING

- Primary production income averaging provisions
- Income sharing or splitting (e.g. to family members)
- Superannuation contributions
- Self-Managed Super Funds – lower or zero tax rates

TAX DEFERRAL

- Defer income
- Bring forward expenses
- Farm management deposits
- Use of a company in a business structure
- Accelerated depreciation
 - Pooling of assets (30% depreciation for SBE's)
 - \$30,000 immediate write-off

DEFERRING GRAIN INCOME

Most businesses account for income on an accrual basis. This means you record your income and expenses when it is incurred (invoice date) and not when cash changes hands.

How does this affect grain marketing?

- Deferred payment contracts – do not defer income, assessable at the date of invoice
- Deferred delivery contracts – defer income, assessable when proceeds received
- Grain pool distributions – assessable when distribution declared

SINGLE TOUCH PAYROLL

WHAT IS SINGLE TOUCH PAYROLL (STP)?

The 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.

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, 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). If your software does not have STP capabilities or you don't currently use accounting or payroll software, the ATO has released a list of low and no cost payroll options. A few that RSM are familiar with are listed below in the table – taken from the ATO website (a larger list is available on the ATO website.)

Company Name	Solution Name	Solution Type	Pricing
Reckon	Reckon STP	Mobile App	Free
Reckon	Reckon One Payroll	Cloud Based	\$10 or less per month
MYOB Australia Pty Ltd	MYOB Essentials Payroll	Web Based	\$10 or less per month
Xero Australia Pty Ltd	Xero Payroll	Web Based	\$10 or less per month

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 is no requirement to fill out PAYG Summaries as the information would have been 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).

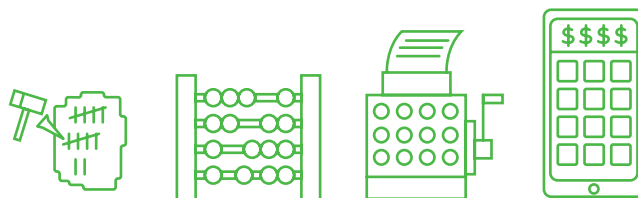
ARE THERE ANY DEFERRAL OR EXEMPTION OPTIONS?

Yes, the ATO have indicated a few deferral and exemption options for certain businesses. For example, if you have particularly bad or no internet you may be allowed to apply for an exemption or extension to report each period. 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 and 30 September 2019, with the option to request additional time. Starting after 1 July 2019 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 1 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.

WHAT HAPPENS IF I MAKE A MISTAKE?

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.



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