



CIB ACCOUNTANTS & ADVISERS BUSINESS & TAXATION BULLETIN

keeping you informed **winter 2016**

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SMALL BUSINESS BENCHMARKS

The ATO provides a free small business benchmarking service as a tool to assist small businesses compare their performance against other businesses in the same industry.

The benchmarks have been recently recalculated from the 2013-2014 statistics of over 1.3 million small business income tax returns and activity statements. The benchmarks cover a range of over 100 industries and range in turnover thresholds of up to \$15 million.

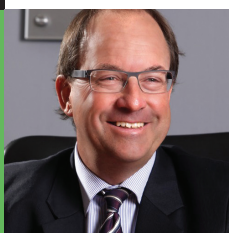
The benchmarks can be accessed through the ATO website or using the Business Performance Check Tool which is part of the ATO app. To use this app, download it from the Apple App Store or Google Play Store and then go to 'Business' and select 'Business Performance Check'.

GIC & SIC RATES

The ATO has published general interest charge (GIC) and shortfall interest charge (SIC) rates for the fourth quarter of the 2015-16 income year.

The GIC annual rate for April – June 2016 is 9.28%, and the SIC rate is 5.28%.

**CHRIS
Coulton**
Partner
FCA



**GEORGE
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**BRADLEY
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FOREIGN RESIDENTS REAL PROPERTY WITHHOLDING RULES

New laws in respect to real estate sales come into effect for contracts entered into on or after 1 July 2016, but only apply to sales with a market value of \$2 million or more.

The law requires a buyer of a residential property to withhold 10% of the purchase price and remit that amount to the ATO unless a seller can produce a clearance certificate. Clearance certificates can be obtained from the ATO by any residential seller who is an Australian resident.

If the seller is a foreign resident, then the 10% withholding will be retained by the ATO until an income tax return is lodged for the relevant year.

Electronic applications for a Clearance Certificate will be available from 27 June 2016 and are valid for 12 months once obtained. There may be delays in issuing a certificate if an individual has two or more years of outstanding income tax returns.

The purchaser of a relevant property is required to complete a foreign resident capital gains withholding purchaser notification form and ensure the withholding payment is made to the ATO on or before the day the purchaser becomes the owner of the asset. Penalties apply to the purchaser for non-payment by the settlement date.

FAMILY ASSISTANCE PAYMENTS

If you wish to claim any family assistance payments for the 2014-2015 financial year then a lump sum claim must be lodged with the Department of Human Services by 30 June 2016. This includes payments such as family tax benefit, childcare benefit and single income family supplement.

Additionally, your 2015 income tax return and the 2015 income tax return of your partner must also be lodged by 30 June 2016. If you are claiming family assistance payments and are not required to lodge an income tax return, you must notify Centrelink prior to 30 June 2016, even if you have previously notified the ATO of no requirement to lodge.

JOBACTIVE – SUBSIDIES ON HIRING NEW STAFF

Jobactive is the Australian Government's incentive plan to support Australian businesses in employing jobseekers from vulnerable parts of the workforce.

Through this system, wage subsidies of up to \$10,000 (GST inclusive) are available to businesses that employ eligible new staff including mature age, long-term unemployed, Indigenous, youth or parents.

Employers receive up to \$6,500 (GST inclusive) over 12 months if they employ an eligible jobseeker for 30 hours per week with the payment pro-rated between 15-29 hours a week. A bonus \$3,500 is available for mature age workers employed for a full 12 months. The employment must be for greater than 15 hours a week in order to receive the subsidy.

The subsidies available are:

- A job seeker 50 years or older - \$10,000 (inc GST), for job seekers unemployed for 6 months and are on income support

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- A job seeker under 30 years of age
– \$6,500 (inc GST)
- A job seeker who is a parent
– \$6,500 (inc GST)
- A long-term unemployed job seeker
(12 months) or Indigenous unemployed
(6 months) – \$6,500 (inc GST)

To be an eligible employer, your business must:

- Be a legal entity with an Australian Business Number
- Have not previously received a wage subsidy of the same type for the same jobseeker
- Not be an Australian, State or Territory government agency

The job offered must be for a minimum of 15 hours a week, be ongoing work and the work must comply with minimum employment standards for the position. Positions that are not available for the subsidy include commission-based roles, subcontracting or self-employed; work for an immediate family member or work that displaces an existing employee.

An eligible job-seeker is any person who is registered with Jobactive, a Transition to Work provider or Community Development Programme provider.

In order to receive the wage subsidy payments, an application should be made within 28 days of employment at your local Jobactive or Community Development Programme provider.

YEAR-END TO-DO LIST

There are always lots of activities to complete each day, but here are a few which must be ticked off by 30 June 2016.

Individuals

- Pay personal superannuation contributions (if eligible)
- Make donations to tax-deductible recipients
- Pay rental property expenses

Businesses

- Pay employee superannuation contributions to receive deduction
- Ensure you using a SuperStream compliant service for superannuation contributions
- Purchase any small business assets to claim instant asset write off (small business only)
- Prepay rent or loan interest

Trusts

- Resolution minute for eligible beneficiaries for 2016 financial year

Superannuation Funds

- Check minimum pension payments made (if required)

UNCLAIMED MONEY – COULD IT BE YOURS?

Currently the NSW Office of State Revenue is holding \$218.65million in forgotten money from 464,000 different transactions.

In NSW unclaimed money is considered as:

- Money greater than \$100 held in an account that has been inactive for at least 6 years
- Trust money under the Property Stock and Business Agents Act 2002 that has been held for 2 or more years

For the unclaimed money to be under NSW jurisdiction, it must be for accounts held in NSW only.

All unclaimed bank deposits nationwide are held by the Australian Securities and Investment Commission, while all unclaimed superannuation with the exception of NSW Public Sector Super Funds are held by the Australian Taxation Office.

If you suspect that you may be owed some dividends from a NSW company, rental bond, proceeds from a NSW property transaction or NSW deceased estate then the NSW Office of State Revenue has a search function on their website which enables you look for your money. If you discover some money which you think is yours, application to the NSW Office of State Revenue with proof of identity is required to claim the funds.

ABOLITION OF SOME NSW DUTIES

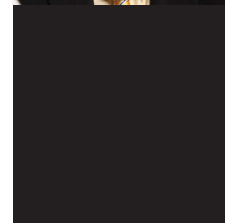
There a number of Stamp Duties in NSW that will be abolished from 1 July 2016. Transactions that will no longer attract stamp duty include.

- Transfer of Marketable Securities and Commercial Fishery Shares (ie private company shares and units in a private unit trust)
- Mortgage Duty
- Transfer of Statutory Licences or Permissions, and gaming machine entitlements
- Transfer of business assets

The abolition of these duties now removes one of the barriers to a business restructure or estate planning measures. However, prior to any re-structure activity; please consult with your CIB contact to determine any possible income tax consequences.



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CIB FEATURE ARTICLE – BY ROBERT PESTANA CA SAVE HUNDREDS OR THOUSANDS WITH EFFECTIVE TAX PLANNING

A person doesn't know how much he has to be thankful for until he has to pay taxes on it
– Author Unknown

As the end of another financial year nears, it is important to remember that tax time is approaching. Now is the time for you consider your year-end tax planning options.

DEFER INCOME

Most businesses operate on an accrual system where tax is paid on the value of invoices raised rather than when cash is received. Thus it might be beneficial to defer raising invoices in June and instead raise them on 1 July 2016, being the next financial year.

If possible, arrange for the receipt of Investment Income (eg. interest on Term Deposits) and the sale of Capital Gains assets to occur after 30 June 2016. Please bear in mind that the Contract Date is the key date for working out when a sale has occurred, not the Settlement Date!

ACCELERATE DEDUCTIONS

Regardless of whether your business trades on a cash or accrual basis, the business can generally claim a tax deduction for an amount it has 'incurred' (or in simpler terms, entered into a legal obligation to pay someone else). The date it is incurred will generally be the date on the invoice issued by the supplier.

Small business entities (annual turnover of less than \$2 million) can access prepayment concessions that are not available to larger businesses. Therefore, if cash flow of your business allows, you may want to consider prepaying expenses such as rent, interest, bonuses and subscriptions. Please note that this concession only applies to expenses less than 12 months in advance.

Please note that the tax rate for small business entities is changing from 30% to 28.5%, therefore any accelerated deductions prior to 30 June 2016 will received a higher tax benefit than if incurred in the 2017 financial year.

As a result, accelerating deductions is the most common way of minimising your taxable income for a given financial year.

SMALL BUSINESS ASSETS – INSTANT WRITE-OFF

Small business entities are eligible to claim an immediate write off for assets costing less than \$20,000. Assets costing over \$20,000 are depreciated within the general small business pool. The value of the general small business pool can be written off when it drops below \$20,000.

BAD DEBTS

Write off bad debts before year end. The debt must be bad, not merely doubtful and must have been previously included as assessable income. Bad debts can only be written off where there have been a genuine attempt to recover the debt.

STOCKTAKE

The year end stock-take should involve a review of all stock and a decision made in relation to its value from both a tax and commercial perspective. Obsolete stock must be physically scrapped to be written off.

BUILDINGS

For any client who owns a building (or is looking to acquire a building) which was constructed or has made structural improvements to an existing building after 26 February 1992, you are entitled to claim a tax deduction of at least 2.5%pa of the construction/improvement costs.

If this applies to you, we would recommend having a depreciation schedule prepared by a qualified quantity surveyor. This may help add a significant tax deduction for depreciation. The cost is also tax deductible and helps substantiate any capital allowance claim you have.

PREPAY INTEREST

Many lenders will allow you to prepay your interest and this is an effective strategy to claim an additional deduction for 12 months paid in advance. Factors such as anticipated future income, interest rates and cash flow impact should be considered before deciding to prepay interest.

SUPERANNUATION – THERE ARE MANY OPPORTUNITIES HOWEVER BE CAUTIOUS

Contributing to superannuation can often provide significant tax and long term wealth creation benefits. Some of the contribution strategies outlined below can be combined strategically to maximise both tax and retirement planning positions.

Superannuation co-contribution

The Government will contribute 100 per cent of an eligible taxpayer's personal after-tax superannuation contributions during a financial year up to a scaled maximum.

The calculated maximum is \$500 less 3.33 per cent of any assessable income plus reportable fringe benefits that a taxpayer has above \$35,454. Co-contributions reduce to \$0 when total income reaches \$50,454.

Concessional contributions

A self employed person, investor or individual under 50 years of age may claim a personal deduction for superannuation contributions of up to \$30,000 per annum or up to \$35,000 per annum provided the person is over 49 on 30 June 2015.

Individuals aged between 65 and 74 must satisfy a 'work test' before making a contribution. To satisfy the test you must work at least 40 hours during a consecutive 30 day period in that financial year. Businesses may be able to claim a concessional superannuation contribution for a director or employee of either \$30,000 or \$35,000 per annum based on the relevant age of the person on 30 June 2015.

Note that employer super guarantee contributions are included in these caps. Where a contribution is made that exceeds these limits, the excess is included as part of an individuals taxable income and taxed at their marginal tax rate, potentially 49% Any excess concessional contributions are then included as non-concessional contributions.

Remember: If you have more than one fund, concessional contributions made to all super funds are added together and count towards the contributions limit.

Salary sacrifice contributions

Foregoing some salary for increased employer super contributions remains one of the best strategies for many individuals to reduce income tax while saving for retirement.

This certainly is an attractive option if you are nearing retirement or are in a position where your cashflow requirements are not as demanding. Salary sacrificed contributions count towards your concessional contributions limits so be very cautious not to exceed your caps.

Non-concessional contributions

The federal government announced a severe immediate cut to the non-concessional contribution cap including the bring-forward rule.

Taxpayers are now limited to a lifetime non-concessional cap of \$500,000 (counting contributions from 1 July 2007) instead of the annual caps of \$180,000 and \$540,000 if using the bring-forward rule for under 65s. This legislation is subject to legislation and the Coalition government winning the election on 2 July 2016.

If you are considering contributing any non-concessional contributions by 30 June 2016, please consult with us to ensure you comply with the new cap.

Pension drawdown

A reminder that all self-managed superannuation funds which are in pension phase are required to make minimum pension payments by 30 June 2016.

Pensions are calculated based on member balances at 1 July each year. The minimum pension rates for account based pensions are listed in the following table.

AGE AT 1 JULY 2015	MINIMUM PENSION RATE
Under 65	4%
65-74	5%
75-79	6%
80-84	7%
85-89	9%
90-94	11%
95 or more	14%

To claim a tax deduction in the 2016 financial year, you need to ensure that your employee superannuation payments have CLEARED your business bank account by 30 June 2016. We recommend that you arrange for a bank transfer or bank cheque made payable to your employee super fund prior to 30 June 2016. Any superannuation contributions made after 30 June 2016 will not be deductible until the 2017 financial year even though they relate to contributions for 2016. We stress the importance of this as it could impact an employee's concessional limits if not paid in the correct financial year.

Effective tax planning is a continual process. Whilst continuously changing tax laws can make planning a challenge, making it a priority by implementing wise strategies will see you reap the benefits that are available.

At CIB we are committed to working with you to find the most effective tax planning strategies best suited to your circumstances. If you have questions about anything in this newsletter or about your tax planning options please contact our office. Further, if you have friends or associates who might be interested in end of year tax planning information, please encourage them to contact us.

CIB FINANCE ARTICLE FINANCING A RENOVATION – BY FRANK SCHIRALDI

Have the wave of home renovation shows on television inspired you to carry out some renovations?

Whether big or small, a new investment project or that home extension you've been dreaming about for years, the question is – how are you going to pay for it?

Here are some options to consider:

Extend your mortgage

If you're planning an extensive renovation, one of the most common ways to finance your project is to increase your current mortgage. This can be advantageous as you spread the cost out over a long period.

Personal loan

A simple and cost-effective option for financing smaller scale renovations. The interest rates on personal loans are generally higher than home loans, but they typically have a fixed interest rate that stays the same for the full term of the loan. This can be useful for budgeting, but the catch is you can't usually make additional repayments to get ahead and reduce costs.



Credit card

A convenient and flexible option if you already have a card with a high enough credit limit. However, it might be costly if you don't pay the debt within the interest free period.

Home equity loan or line of credit

These products enable you to use your home as an asset for additional borrowing. This allows you to borrow money at a lower interest rate compared to a personal loan or credit card and can usually be drawn up to the approved limit at any time.

AVOID A BUDGET BLOW-OUT

Know your budget

Setting a budget is essential for successful renovation. Research your costs thoroughly and review your budget weekly to ensure you stay on track.

Consider DIY

A great way to save money on your renovation is DIY on easy things like painting, landscaping and other non-structural jobs.

Be creative

Small changes like changing wall colours, updating light fittings and smart decorating can have just as big an impact as larger scale alterations.

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ALL LEVELS OF BUSINESS & FINANCE**

CIB PRIVATE WEALTH ARTICLE – BY PAUL ISRAEL MARKET COMMENTARY

“I will tell you how to become rich. Be fearful when others are greedy. Be greedy when others are fearful.” – Warren Buffett

In this update we examine the findings from the recent ‘Wisest Place to put your Money Survey’, and the importance of portfolio construction in the low growth, ultra-low interest rate environment.

THE IMPORTANCE OF PORTFOLIO CONSTRUCTION

The CIB Growth and Income portfolios continue to strongly outperform the market.

Our portfolios are concentrated in the industrial end of the Australian market. Sectors and Stock Selection remain keys – Health, tourism, and infrastructure remain key themes.

We continue to target stocks with a combination of relatively predictable earnings growth and reasonable yield. We continue to be very sector specific (healthcare, infrastructure, non-bank financials, and select overseas earners). We are underweight, insurance, energy and miners.

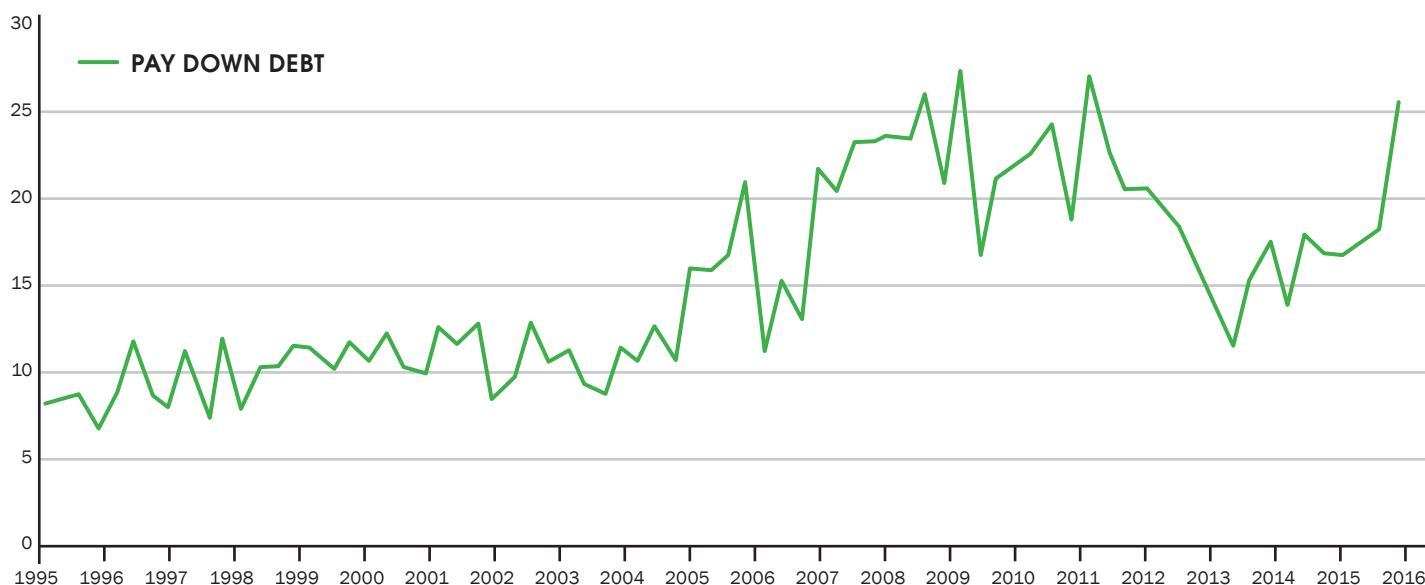
We believe an environment of lower growth, overlaid by ultra-low interest rates, will drive solid returns in the right Australian equities.

WISEST PLACE TO PUT YOUR MONEY SURVEY

The recently completed ‘Wisest Place to Put Your Money’ shows that fear is still very high for investors. As Warren Buffett observed, and history supports, this is a time to be greedy.

Despite cash and deposits being the lowest returning asset class in the long term, it is still the most preferred. In summary the general sentiment is hoard Cash, pay down debt, avoid property and don’t own shares.

The tables following shows the inverse relationship between these indicators and market cycles.



IMPORTANT: Information contained in this newsletter is not advice. Clients should not act solely on the basis of material contained in this bulletin. Items herein are general comments only and do not constitute or convey advice per se. Also changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. The bulletin is issued as a helpful guide to our clients and for their information.



MARKET CYCLE	INVEST IN SHARES	PAY OFF DEBT	INVEST IN CASH
1999 (Tech Boom)	32%	8%	15%
2003 (Low Point)	10%	12%	25%
2007 (Pre GFC high point)	16%	10%	19%
2009 (Post GFC low point)	7%	26%	41%
Current	7.6%	25%	33%

CONCLUSION

We continue to target stocks with a combination of relatively predictable earnings growth and reasonable yield.

With very low levels of interest rates globally, we expect strong demand for sustainable, growing dividends to continue. If you have any questions please do not hesitate to call.

UPCOMING KEY DATES & DEADLINES

5 JUNE 2016	Due date for lodgement of 2015 Income Tax Return for companies and super fund who were non-taxable or refundable in prior year and non-taxable or refundable in current year.
5 JUNE 2016	Due date for lodgement and payment of 2015 Income Tax Returns for individuals who have not lodged earlier
21 JUNE 2016	May 2016 Monthly Activity Statement due for lodgement and payment
25 JUNE 2016	Due date for lodgement of 2016 Fringe Benefits Tax Annual Returns
30 JUNE 2016	Ensure minimum pension payments from Self- Managed Superannuation Funds are completed
30 JUNE 2016	Superannuation Contributions must be made by this date to claim a tax deduction in the 2016 financial year
30 JUNE 2016	Financial Year End
14 JULY 2016	PAYG Payment Summary required to be provided to each employee
21 JULY 2016	NSW Payroll Tax Annual Reconciliation due for lodgement and payment
21 JULY 2016	June 2016 Monthly Activity Statement due for lodgement and payment
21 JULY 2016	Quarterly PAYG Instalment activity statements due for lodgement and payment for head companies of a consolidated group
28 JULY 2016	Superannuation Guarantee Contributions due for payment for the April – June 2016 quarter
28 JULY 2016	March – June 2016 Business Activity Statement due for paper lodgement and payment
31 JULY 2016	TFN Report for closely held trusts for TFNs quoted by beneficiaries of the trust
14 AUGUST 2016	Due date for lodging PAYG Withholding Payment Summary Annual Report for large withholders and payers with no tax agent involved in preparation
21 AUGUST 2016	July 2016 Monthly Activity Statement due for lodgement and payment
25 AUGUST 2016	April – June 2016 Business Activity Statement due for electronic lodgement and payment
28 AUGUST 2016	Taxable Payments Report – Building and Construction Industry
21 SEPTEMBER 2016	August 2016 Monthly Activity Statement due for lodgement and payment

CIB STAFF NEWS

Welcome new staff members

Welcome Nancy Smirnov to Team Coulton/Wilson.

Robert Pestana to Team Isaac/Halbert.

Nimala Todkar to the SMSF Division.

Vivin John to the Audit Team.

We make it happen!

**A DYNAMIC ASSOCIATION OF
EXPERIENCED PROFESSIONALS**



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