We Have Moved!

New address:
Shop 6
152 Woogaroo St
Forest Lake

(Upstairs, next to SKC lawyers)

Contact us

If at any time you have a query or concern, please do not hesitate to contact our office. We are always willing to help and welcome your call or email.

Phone the office: 3879 7095

Or email us:

jennifer.lowe@totaltax.com.au

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RENTAL PROPERTIES – Maximising their tax-effectiveness

Rental properties have been a hugely popular tax minimisation and wealth creation strategy in Australia – and of late have been in the spotlight as a major cause of the high property prices in some areas. The Opposition took to the election proposing a policy to end negative gearing on properties purchased after 1 July 2017, excluding brand new properties. It remains to be seen if they will form Government or be able to pass this into legislation.

Don't spend too much on a rental property

After a certain point, additional money that is spent on a rental property is not going to produce equivalent or higher increases in rent. Avoid over-capitalising and you will see increased long-term profitability.

Pay attention to the age of the property

There are considerable allowable deductions for depreciation of properties that have been constructed or have had significant improvements made after a certain year. A property does not necessarily have to be brand new to deliver high depreciation and capital works deductions. Being able to claim these costs over time will maximise the tax effectiveness without impacting on your hip pocket.

Consider carefully where you buy

Choosing the location of your rental property is a hugely important decision. Often taxpayers purchase properties in areas they would also like to visit for personal reasons. As long as inspections are arranged for these trips generally the travel costs and a reasonable amount of accommodation costs can be claimed.

The location is also important from both a tenancy and potential investment gain perspective – a rental property without a tenant can be a huge cause of financial stress, so vacancy levels in an area under consideration have to be researched. Growth in property value over time also needs to be considered so that any potential gain can be measured. A tax-effective rental property can be a very worthwhile investment but they need to be assessed on their own merits as an investment, much as you would asses a term deposit rate of return or share dividend rate.

Total Tax and Accounting Solutions

Small Business Changes …

The increase in the limit of assets that can be immediately written off for eligible small businesses is still in force. The current limit is $20,000 per asset and will stay at this level until 30 June 2017.

The Coalition announced in the Budget for 2016 that the company tax rate will be gradually reduced from 30% to 25% for all companies over the next ten years. For the 2016/17 year small business companies will have their tax rate reduced to 27.5%.

Businesses will be able to immediately claim the professional fees of starting a new business, where previously these had to be written off over a five year period.

These concessions now apply to businesses that have turnovers of up to 10 million dollars so this has been a welcome increase.

Small Business Resources

We have regular articles appearing on our website blog that deal with a huge range of small business issues – have a look at:

www.totaltax.com.au

Newsletter

July

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Totaltax.com.au
and Accounting Solutions

Ph: 07 3879 7095

Totaltax.com.au

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Tax Deduction Reminders

Motor Vehicle Expenses

If you are required to use your car at work you are eligible to claim motor vehicle expenses – see inside for more information on the methods of doing this. If you carry bulky tools or equipment and other conditions are satisfied, you may be eligible to claim the travel costs of getting to and from work also.

Overtime Meal Expenses

If you are paid by your employer an overtime meal allowance you should be eligible to claim the costs of meals against this allowance. The ATO sets quite a generous amount that can be claimed per meal without keeping receipts – make sure you ask us about this at tax time.

Home Office Expenses

Thanks to technology more of us are bringing work home with us. If this is something that you do on a regular basis, be sure to keep a log of hours worked and if your own internet is used to do this, bring details of the % and monthly bills incurred for us to look at for you.

ANYTHING Work Related

If in doubt, please bring the details with you and ask!

2016/17 – Interesting Times

It is the first week of July and we have just had the relatively rare event of a mid-year federal election. Both parties proposed significant tax changes but the outcome of the election will not be known immediately, so close was it.

The Coalition made a slight change to the tax brackets, increasing the 32.5% threshold from $80k to $87k per year. This was their only alteration to individual tax rates.

Small business had received some breaks in the form of a reduced tax rate and an immediate write-off for qualifying assets that cost up to $20,000. The ATO definition of a small business for these purposes has been lifted from those who have turnovers of less than two million per year to less than ten million dollars per year, which is helpful.

Bigger businesses will also gain access to income tax breaks, being introduced incrementally – eventually all businesses will have their tax rates reduced from 30% to 25% by 2026/27.

The Coalition saved their big hits for super - reducing the concessional cap from $35k or $30k per year (depending on age) to $25k for all individuals. A lifetime cap of 500k per person on non-concessional super contributions (after-tax ones) has also been introduced. Affecting many will be the change proposing the $1.6 million maximum allowable in pension accounts.

Some super changes for the better proposed by the Coalition include widening the ability of individuals to make personal deductible super contributions and also the ability to rollover unused concessional super caps for up to five years. The tax offset for superannuation tax paid by low income earners will also remain.

The Opposition went to the election with large changes to both negative gearing and capital gains tax. Negative gearing will be restricted to new homes only after 1 July 2017. The capital gains tax discount will be halved from 50% to 25% on assets owned for more than 12 months. These proposed changes have raised fears of house pricing falls.

As we have gone to print, we have neither a confirmed Government, nor a Senate majority. Any party that does manage to form Government is going to have to negotiate with a range of diverse parties to pass their legislation. The situation overseas in the US and UK also remains unpredictable – so fasten your seatbelts.

We thank you all for your continuing support of our firm and look forward to seeing or speaking with you for tax season 2016. We wish you and your families all the best for this coming year – and look forward to catching up soon.

Cheers, Jennifer, Louise & Meagan

HELP repayment thresholds & rates 2016/17

HELP INCOME	RATE
Below $54,869	Nil
$54,869 - $61,119	4%
$61,120 - $67,368	4.5%
$67,369 - $70,909	5%
$70,910 - $76,222	5.5%
$76,223 - $82,550	6%
$82,551 - $86,894	6.5%
$86,895 - $95,626	7%
$95,627 - $101,899	7.5%
$101,900 and above	8%

2016/17 Marginal Tax Rates

Threshold	Rate
$18,201	19.0%
$37,001	32.5%
$87,001	37.0%
$180,001	45.0%

Just Jokes

What do you get when you cross a tax accountant with a jet plane? A Boring 747.

What do you call an accountant without a calculator? Lonely.

Where do homeless accountants live? In a tax shelter.

What's the difference between an accountant and a lawyer? The accountant knows they're boring.

Superannuation Update 2016/17

- Concessional Cont. cap still 30k for under 50's
- Concessional Cont. cap still 35k for over 50's
- Non-concessional cap still 180k per year – but 500k lifetime limit
- Super guarantee remains at 9.5%
- Proposed changes from 1 July 2017

Super Changes Proposed

The Coalition announced significant superannuation changes in the 2016 Budget bought down in May this year.

Concessional caps will reduce to 25k per year per person from 1 July 2017. Non-concessional caps, while remaining at 180k per year, will have a lifetime limit of 500k dating back to 1 July 2007 – if this cap has been exceeded prior to Budget night, there is no penalty but no more contributions of this nature can be made from that date.

Individuals will only be able to have up to 1.6 million dollars in their pension account – any super balances in excess of this will have their earnings subject to tax.

Individuals who have commenced pensions while remaining in the workforce (transition to retirement) will have the earnings on their pension accounts taxed regardless of the balance, until retirement.

Those with combined incomes and superannuation contributions of more than 250k per year will have their 25k concessional contributions taxed at 30% rather than 15%.

These changes will mainly hurt higher-income earners who have left it until late to top up their superannuation balances.

On the positive side, the Coalition has made it possible to rollover unused 25k concessional caps for up to 5 years – which may benefit those returning to the workforce after a break.

Previously individuals could only make deductible contributions to super if no more than 10% of their income came from employment – this limit has been removed which may benefit those who are employed but make profits from capital gains or other sources and wish to reduce their income and tax by topping up their super with a deductible contribution. Bearing in mind the 25k limit of course!

Breaking News

- Some previously non-deductible travel expenses for FIFO workers now allowed.
- New ATO guidelines for claiming mobile phone, home phone and internet costs issued.
- Only 2 methods of claiming car expenses are able to be used – cents per kilometre (now 66c per kilometre regardless of engine size); and the logbook method.
- Changes to zone offsets – not claimable if working in the zone but not living there.
- Home office electricity rate now 45c per hour.

Other Developments

- **Changes to the asset threshold for access to the aged pension**

  This will significantly change the amount of pension able to be accessed by retirees and Centrelink will direct further details to affected people.

- **Changes to Parental Leave Pay (PLP)**

  The maximum benefit is now 18 weeks at the national minimum wage.

  From 1 July 2016 taxpayers will not be able to double dip by receiving the full PLP and also maternity leave payments from employers.

ATO Hotspots 2016

Work-related Expenses

The ATO is paying particular attention to claims in the following areas:

- Travel expenses related to travelling between work and home. These are allowable under the right circumstances (generally for transporting heavy or bulky goods/equipment to and from work) but there is a criteria applied.
- Unusually high work-related expense claims – higher than the average for an individual's occupation. So if you do plan to claim these, keeping receipts is key.
- Claims for expenses that have already been reimbursed by an employer – particularly phone usage and internet.

Rental Property Claims Under Scrutiny

The ATO are paying greater attention than ever to rental property expense claims and particularly in these areas:

- Claiming repairs to newly acquired properties – initial repairs prior to being rented.
- Interest claims for rental properties, particularly where loans should be apportioned between rental and private purposes. Also, where some rental properties are not available for rent the whole year (holiday homes).
- Claiming loan establishment fees and mortgage insurance immediately – these costs are generally written off over 5 years.

Other Issues Identified

- Incorrect claims for Dependent (Invalid and Carer) Tax Offset
- Claiming Medicare Levy exemption when not entitled.
- Claiming the main residence exemption when selling properties that have been rented during ownership – particularly when rented prior to residing.

Careful discussion with us will ensure that these deductions are claimed in compliance with tax law. As always, keeping track of receipts is key for getting through an audit.

There are some guides on this topic available on the ATO website. We also have a helpful table of the tax treatment of common rental property purchase-related costs on our website www.totaltax.com.au, along with other helpful checklists.

Private Health Ins. Rebate & Medicare Levy Surcharge

2016/17	Standard	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	26.791%	17.861%	8.93%	0%
Aged 65 - 69	31.256%	22.326%	13.395%	0%
Aged 70 +	35.722%	26.791%	17.861%	0%
Medicare Levy Surcharge				
All ages	0.0%	1.0%	1.25%	1.5%

F A Q's

FTB Changes & Cut-offs

We advise that due to the uncertainty around the Government's ability to get law in this area through parliament, it is best that taxpayers check the law in effect at the time of any query being made or claim for benefit submitted.

Please contract Centrelink or www.dss.gov.au for more information.

Can I still claim medical expenses in my tax return?

This offset is being phased out. From 2015-16 until 2018-19 claims for this offset are restricted to net eligible expenses for disability aids, attendant care or aged care.

If you are able to claim the medical expenses tax offset, the amount that can be claimed is:

For singles:

ATI threshold	Net Claim
$90k or less	20% over $2,265
Above $90k	10% over $5,343

For families*:

$180k or less	20% over $2,265
Above $180k	10% over $5,343

* with a spouse at 30 June 2016 or dependent child/children at any time during the year, or both. Plus $1,500 for each dependent child after the first. A dependent child is one either under 21 or if aged between 21-24 and studying full time.

This can all be confirmed at the time of preparing your return if you feel you may be able to make a claim.