

Welcome to Tax Season 2016 -2017

2016 – 2017 Appointment Times

Monday	9:00am – 5:00pm
Tuesday	9:00am – 7:00pm
Wednesday	9:00am – 5:00pm
Thursday	11:00am – 7:00pm
Friday	No appointments
Saturday*	7:30am – 5:00pm

***Saturday Appointments:** should you have an appointment on a Saturday you will be reminded by SMS 24 hours prior. Please ensure we have a current mobile telephone number when making your appointment. If you are unable to attend your Saturday appointment we ask that you give us plenty of notice as there is always a waiting list for these appointments.

Another financial year is almost upon us, a year which brings us very few changes to the taxation system. There are some changes to superannuation for high income earners, changes to the HELP and TSL repayment rules and a couple of other minor things regarding deductions. As usual you will find more details about the major changes that may affect you on the on the following pages.

The major changes to the Superannuation legislation have not been passed yet and we will send out a separate newsletter if and when they have been made law. The changes have the potential to affect a large number of clients.

There has been a few changes around the office over the past year. We have recently taken advantage of the \$20,000 capital write off and have made some significant renovations to the front office reception area which the staff are really happy with and I’m sure you will all agree when you first see it.

The accountant’s exemption for providing financial services to SMSFs ceases on July 1st. I have spent the last two years on further education and I am happy to say that we are now an Authorised Representative of the SMSF Advisors Network so we are now able to provide a wider range of services for existing SMSF clients and those clients thinking of beginning a SMSF.

I look forward to seeing everyone over the coming twelve months.

Wendy Macdonald

Last year’s tax lodgement was our worst on record.

On July 1st 2013 The Australian Taxation Office introduced the ‘lodgement program framework’. This framework requires all registered tax agents to lodge a minimum of 85% of their client’s current year tax return by the lodgement due date. This date can vary depending on the size of the client or the amount of tax payable.

For the first time since the inception of this program our practice has failed to reach this 85% benchmark. Despite our many months of contacting clients with reminders regarding lodgement, an overwhelming number of clients

simply did not get their work in on time – some not at all.

What that could mean for our practice is a tailored lodgement program which could affect all clients. We believe that due to our excellent reputation with the ATO that this will not be imposed, but we also need to ensure that it does not happen again.

To that end we require all 2015/2016 work to be in our office by 15th April 2017 at the latest in order to have the work prepared and lodged on time.

Clients expecting to pay large amounts of tax can have the work prepared early and have their lodgement put on hold.

So just to reiterate:

All 2015/2016 tax work must be in the office by 15th April 2017 or it may not be lodged on time and you may be removed from our ATO client list.

Have you made any changes?

If your contact details have changed or will change throughout the year then you need to let us know.

If we don't know you've moved or changed your phone number then neither does the ATO.

So if your contact details change, please notify us and we'll keep the Tax Office up to date.

Budget changes for 2016/2017 which might affect you.

There are not many changes to report this year and with a federal election to take place on 2nd July there is no guaranteeing that any of the proposed legislation from the May budget will actually make it into law at this stage.

\$20,000 Capital write off

The 100% tax deduction for capital equipment under \$20,000 for small business continues into the 2016-2017 tax year. Remember this accelerated depreciation applies to *each* and *every* item you purchase for your business worth less than \$20,000.

This deduction for depreciating assets is due to cease as of 30th June 2017, so make use of it while you still can.

Net medical expenses

As of the 1st July 2015 the ability to claim this offset has all but disappeared. You may now only claim the T5 offset if you had expenses that relate to disability aids, attendant care or aged care.

HELP, HECS and TSL loan obligations

Changes have been made regarding the repayment obligations of these debts for taxpayers living overseas.

If you have a debt and intend to move overseas for 183 days or longer in any twelve month period then you need to notify the ATO within seven days of leaving the country.

If you were already living overseas on 1st January 2016 you have until 1st July 2017 to update your details with the ATO and will be required to lodge a 2017 Income Tax Return declaring your worldwide income.

You will then need to make compulsory loan repayments if you earn income above the repayment threshold.

You may have already been contacted regarding these debts if you have one.

More information can be found at:

<http://www.ato.gov.au/overseasrepayments>

Restrictions to the Zone Tax Offset (ZTO)

From 2015/2016 restrictions have been made to the ZTO in order to limit it to people genuinely living in a designated zone. As a result, fly-in-fly-out and drive-in-drive-out workers can no longer claim the ZTO where their usual place of residence is outside the zone in which they are working.

Small Business Enterprises (SBEs)

A couple of changes have been made and more are proposed for entities carrying out Small Business Enterprises.

The first to be aware of is that from 2015/2016 certain professional costs associated with starting a new business (e.g. legal fees) can now be fully deducted. Such costs were previously only deductible over five years.

Secondly, in the May budget, the federal government proposed increasing the SBE turnover threshold from \$2million to \$10million in the 2016/2017 year allowing greater access to a suite of small business concessions.

This proposed legislation has yet to pass the parliament.

Simplified car expenses deductions

As we mentioned in last year's newsletter, changes to car expenses were being introduced. Firstly there are now only two methods available for calculating vehicle expense; the log book method and the cents per kilometre method. Secondly the 'cents per kilometre' method now applies a flat rate of 66 cents rather than the old rates based on engine size.

The changes to motor vehicle expenses took effect on 1st July 2015 and will apply to your return this year.



Contact us

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The MYOB Portal: a new way to do your tax.

Last year we trialled the MYOB Portal as a new way of finalizing tax returns that were not completed during an appointment.

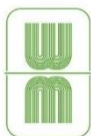
The portal is a secure digital platform which allows us to post documents online where you can instantly access them from your computer or mobile device without the excessive turnaround times which have resulted from changes to the Australia Post service.

These documents can be approved using digital signatures which makes the portal especially useful for Income Tax Returns.

Using the portal we can finish your return, post it online, and have you authorize the return from your computer or even your smart phone. We can then lodge the return electronically with the ATO.

The whole process can be completed from start to finish in a matter of minutes.

We intend to use the portal a lot more this year as an alternative to the post or email.



Wendy J. Macdonald
accountants



2016 -2017 Individual Tax Return Checklist

Please review the information below and contact our office if you need assistance.

Tax Rates for 2016 – 2017

Income Threshold	Tax Payable
0 - \$18,200	Nil
\$18,201 - \$37,000	19% on excess over \$18,200
\$37,001 - \$87,000*	\$3,572 + 32.5% on excess over \$37,000
\$87,001 - \$180,000*	\$19,822 + 37% on excess over \$87,000
\$180,001 and over	\$54,232 + 47% on excess over \$180,000

*This proposed extension of the 32.5% bracket is currently awaiting parliamentary approval.

Common Work Related Claims Made by Individuals

The following outlines common types of deductible expenses claimed by individual taxpayers, such as employees and rental property owners, plus some strategies that can be adopted to increase deductions for the 2016/2017 income year.

Clothing Expenses

Purchase or pay for work-related clothing expenses prior to the end of the income year, such as:

- Compulsory, non-compulsory and registered, occupational specific and protective clothing;
- Other expenses associated with such work related clothing such as dry cleaning, laundry and repair expenses

Self-Education Expenses

Consider pre-paying the following self-education items before the end of the year:

- Course fees (but not HECS-HELP), student union fees, and tutorial fees.
- Interest on borrowings used to pay for any deductible self-education expense

Also bring forward purchases of stationery and text books (i.e. those that are not required to be depreciated)

Other work-related expenses

Employees can prepay any of the following expenses prior to 1st July 2016:

- Union fees
- Subscriptions to trade and professional or business associations;
- Magazines and newspaper subscriptions
- Seminars and conferences;
- Income protection insurance (excluding death, trauma and total/permanent disability).

Information Required

We will need you to bring some information to assist us in preparing your income tax return. Please check the following and bring along payment summaries, statements, accounts, receipts, etc. To help us prepare the return:

Income/receipts

- Payment summaries for salary and wages
- Lump sum and termination payments;
- Government pensions and allowances
- Other pensions and or annuities
- Allowances (e.g. entertainment, car, tools)
- Interest, rent and dividends
- Distributions from partnerships, trusts
- Details of any assets sold that were either used for income earning purposes or which may be caught by capital gains tax.

Information Checklist

- PAYG summary or Centrelink certificate for you and/or your partner
- Private health fund tax statement, whether you have claimed the rebate or not. Important: we cannot lodge your return without the statement
- Log books for your motor vehicle, telephones and home office hours
- Bank interest and dividend advice forms. Managed fund tax statements.
- Receipts for work related deductions including income protection insurance
- Rental property information (i.e. Receipts and mortgage statements)
- Rental property management statement or your own records
- Travel diaries

Deductions in addition to those mentioned above

- Award transport claims
- Bridge/road tolls (travelling on business)
- Car parking
- Conventions, conferences and seminars
- Depreciation of library, tools, business equipment, incl. portion of home computer
- Gifts or donations
- Home office running expenses
- A log of hours spent working from home for work purposes
- Interest and dividends deductions
- Ongoing management fees
- Interest on borrowings to acquire shares
- Advice relating to changing investments (but not setting them up)
- Interest on loans to purchase equipment or income earning investments;
- Motor vehicle expenses (business) log book method required plus proof of ownership of the vehicle.
- Overtime meal allowances
- Rental property expenses – including:
 - Advertising
 - Council/water rates
 - Insurance
 - Land tax
 - Interest
 - Legal expenses/management fees
 - Genuine repairs and maintenance
 - Telephone expenses
 - Travelling to inspect property
- Superannuation contributions by sole traders or substantially unsupported taxpayers
- Sun protection items
- Tax agent fees
- Telephone expenses (business)

Notes

2016 -2017 Individual Tax Return Checklist

Please review the information below and contact our office if you need assistance.

Audit Targets

The ATO has announced new data matching programs to identify taxpayers with undeclared or understated income and/or incorrect or fraudulent claims.

In particular, the compliance of individuals will be checked by matching data associated with online selling activities (e.g. eBay), insured 'lifestyle' assets and Australians working overseas who are residents for tax purposes.

The ATO has also expanded its real property data-matching program to obtain data on transaction after 20 September 1985 when the CGT regime commenced.

The ATO has indicated that their main compliance investigation activities for individual tax returns for 2016 will revolve around the following areas:

Work related expense claims

With a particular focus on claims for travel between work and home, claims for expenses that have already been reimbursed by an employer and unusually high work-related expense claims.

Rental property income and deductions

With a particular focus on claims for repairs to newly acquired properties and interest deductions.

Claims for the Dependant (Invalid and Carer) Offset

Where the strict eligibility conditions are not met (e.g. where the dependant does not have any invalidity or carer obligations, or where the adjusted taxable income threshold is exceeded)

Motor Vehicles

Car expenses may be claimed using any one of the two methods below:

- Log book
- Cents-per-kilometre

Log book method

Log books are required for at least a 13 week period in the first year, and then every five years or every new car.

Log books are required for additional cars acquired for which the log book method is used.

Odometer records are required for the start and end of the period you owned or leased the car.

Written evidence of all other expenses is required. E.g. Receipts

Remember that you must provide your car log book and documents proving your ownership of the vehicle with your 2016-2017 tax return if you use the log book method for calculating work related car expenses this year.

You are unable to claim for a vehicle you do not own

Cents per kilometre method

(if business use is 5,000km or less your claim is limited to 5,000km)

The claim is based on a set rate for each business kilometre

Substantiation records are required

The number of business kilometres is based on reasonable estimate, but a log book is preferred.

Self-Education

You need to ensure that there is a sufficient connection between these expenses and your work activities at the time the expenses were incurred

You cannot claim a deduction for self-education expenses if the study is:

- To enable you to get employment
- To obtain new employment or
- To open up a new income-earning activity

Other Work Related Expenses

Decline in value

You can only claim a deduction for the decline in value of any assets costing more than \$300 that you use in your work-related activities, however you can claim a 100% deduction for the cost of purchasing an item(s) which you acquire to use for your work-related activities, if the cost is \$300 or less

You must apportion the amount of your claim where an asset has been used in part for private purposes or was not available for use during all of the financial year.

Apportionment

You must apportion expenses, such as mobile phone calls, home telephone calls and internet use between business and private use

You need to keep either itemised accounts and/or a diary to support the basis of apportionment, you need to keep a record for representative period and a reasonable duration (generally four weeks) of the calls made and or time spent on the activity.

Home Office Expenses

You can only claim occupancy expenses (such as interest on mortgage or rent paid) where your home office is considered a place of business. Refer to Taxation Ruling TR93/30- Deductions for home office expenses for further information about the limited circumstances in which you may claim for occupancy expenses and how to calculate you claim – more information at www.ato.gov.au

Remember if your property was purchased after September 1985, it may become subject to Capital Gains Tax when you sell it

If you are claiming minor use for your home office, you can calculate your claim by using a fixed rate of 45 cents per hour. You need to keep a record for a representative period and reasonable duration (generally four weeks) of the time spent in your home office on employment activities.