

Welcome to our Spring 2016 newsletter. We hope all's well with you and your business and the continual rain isn't dampening business performance.

Hopefully with summer approaching there'll be sunny days ahead, which will brighten the outlook and give things a chance to dry out.☀️

There has been a lot happening recently, especially on the tax and super fronts, which has kept us all guessing as to what will or won't be changed. Let's hope things settle on the political and some stability is restored.

Following is a brief overview of the more important changes that will have an impact on our clients.

FEDERAL BUDGET – WHAT'S IN, WHAT'S OUT AND WHAT'S TO COME?

The Federal Government proposed a number of changes in its Budget in May. It took those changes into an election in early July with the hope of winning the election with a healthy majority in both houses. Unfortunately for them that didn't eventuate and they limped over the line with a one seat majority in the Lower House and a Senate makeup similar to that of the previous government, where they now have to rely on doing deals with minor parties and independents to get legislation through. Not a favourable outcome!!

WHAT'S IN?

(Not a great deal at this point.)

- ◆ **Individual tax rates** – there has been a minor tax rate reduction from 1 July 2016. The 32.5% upper limit threshold has increased from \$80,000 to \$87,000, providing a maximum tax saving of \$315 p.a. to those with 2017 Taxable Incomes of \$87,000 and above. **Employers**, please note, this change will effect the tax withheld from employees' wages of \$1,542 per week and above. The Withholding Tax changes take effect from 1 October 2016. You can download a copy of the latest Tax Office Tax Tables on our website or by going to: <https://www.ato.gov.au/Rates/Tax-tables/?2016emailnotification>.
- ◆ **Super** – From 1 July 2017, providing you have less than \$1.6mil in super, the maximum **Non-concessional** (non-tax deductible) contributions you can make to super will be reduced from \$180,000 to \$100,000 p.a. and the 3 year "bring forward" amount will be reduced from \$540,000 to \$300,000.
- ◆ **Super** – once your super balance exceeds \$1.6mil, your concessional (tax deductible) contributions plus the net earnings on amounts over \$1.6mil, will be subject to an additional 15% tax in the hands of the Super Fund. This applies to all Funds, whether the members are in Accumulation or Pension phase.

WHAT'S OUT?

- ◆ **Super** – the proposed \$500,000 lifetime cap on non-concessional contributions has been removed. This seen as a win for common sense.
- ◆ **Super** – the proposed scrapping of the work test for 65-75 year olds. This was seen as good move but unfortunately it remains.

WHAT'S TO COME?

- ◆ **Tax Relief for Small business** – from **1 July 2016** the government intends to reduce the company tax rate from 28.5% to 27.5% for companies with turnovers of less than \$10mil. p.a. Furthermore, they intend to reduce the company tax rate to 25%, for all companies, by 2026/27. Given current media reports, it's likely that the small business tax rate will reduce to 27.5% but it will likely apply to companies with turnovers of less than \$5mil. not \$10mil. Watch this space!!!



Rear - Jacqui, David, Maureen, Dale
Front - Greg, Hong, Rosie, Maree

COBAR

- We still have our office in Cobar and Rosie and other staff are still making regular trips.
- You may phone for support 6836 2600 or 6882 5922
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WHAT'S TO COME?.....

- ◆ **SBE (Small Business Entity) Turnover Threshold**—currently the SBE turnover threshold is \$2mil. If the threshold is increased to \$5mil or \$10mil, it will make the other SBE tax concessions available to many more of our business clients, which will be very much welcomed. The other SBE tax concessions include simplified depreciation rules, immediate write off of assets costing less than \$20,000 (ex GST), ability to account for GST on a cash basis and simplified trading stock rules. Please note, the current \$2mil turnover threshold will not be changed for access to the small business Capital Gains Tax concessions. Don't forget the \$20,000 immediate write off finishes 30 June 2017.
- ◆ **SBITO (Small Business Income Tax Offset) - From 1 July 2016**, the government intends to increase the SBITO tax discount for individual taxpayers from 5% to 8%. It also intends to increase the turnover eligibility threshold from \$2mil to \$5mil. The maximum amount of the Tax Offset will remain at \$1000.
- ◆ **GST**—from **1 July 2017**, GST will apply to low value goods imported by consumers. Currently imported goods costing under \$1000 are exempt from GST.
- ◆ **Super-** reduction in concessional (tax deductible) contribution cap to \$25,000 p.a. for all contributors, regardless of age. Currently if your 50 and over, you can contribute up to \$35,000 p.a. and if you're under 50, you can contribute up to \$30,000 p.a. This is likely to be introduced from **1 July 2017**.
- ◆ **Super**—from **1 July 2017**, the government proposes to allow individuals under 75, a tax deduction for personal contributions to super by removing the "10% test". Currently if your income from salaries and wages is more than 10% of your Adjusted Taxable Income then you're unable to claim a tax deduction for personal contributions. This, if passed into law, will be a considerable benefit to salary and wage earners as they will no longer need to use salary sacrificing to gain a tax saving when contributing to super.
- ◆ **Super**—from **1 July 2017**, the Div. 293 threshold is expected to be reduced from \$300,000 to \$250,000. Currently if your Adjusted Taxable Income is greater than \$300,000 you pay an additional 15% tax on your concessional super contributions.
- ◆ **Super**—from **1 July 2017**, the government intends to increase access to the low income spouse superannuation tax offset by raising the Adjusted Taxable Income threshold, for the low income spouse, to \$37,000 (from \$10,800). The current Offset amount will remain at 18% of the contributions made on behalf of the spouse, with the maximum Offset capped at \$540.
- ◆ **Super**—the existing Low Income Superannuation Contribution due to expire 30 June 2017, will be continued under LISTO (Low Income Superannuation Tax Offset), where low income earners with Adjusted Taxable Incomes of less than \$37,000 will be entitled to maximum Tax Offset of \$500.
- ◆ **Super**—from 1 July 2017, the government intends to remove the tax exemption to Super Funds that are paying **Transition To Retirement Income Streams (TRISs)** to members. TRISs are pensions and are generally paid to members who are under age 65 and not actually retired. Currently, when the member is receiving a TRIS, the Super Fund pays no tax on that member's share of earnings in the Super Fund.

2015 / 2016 tax year is upon us, attached is a checklist to help you organise your paperwork.



If you have any queries regarding any business related matters, please don't hesitate to contact one of our friendly staff.

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