



The time has arrived for the lodgment of **2018 Tax Returns**.

Additional Resources:

- **James W Mann Finance.** Let us quote you on a better mortgage rate. No cost if we cannot save you money.
- **Our web page, www.jwmann.com.au.** Please refer to this new resource for updated information, and current newsletters.

News From the Budget:

- Personal tax cuts will be progressively introduced commencing from 1.7.18
- Medicare Levy will now remain at 2% and not be increased to 2.5% as announced.
- From 1.7.19 deductions for expenses for **holding Vacant Residential or Commercial Land**, including Interest will be **denied**. This will now form part of the Cost Base on Sale.
- From budget night, 09.05.17, depreciation claims on plant and equipment will be limited to assets actually purchased by the taxpayer. Existing assets as at 9.5.17 will continue to be claimable, however subsequent owners will not be able to claim them.
- From 01.07.17 travel claims to rental properties for Inspection and maintenance will no longer be deductible.
- From 01.07.17 all individuals under age 75 will be able to claim a tax deduction for personal super contributions.
- From 01.07.19 businesses who make payments to employees **without withholding, or contractors with no ABN quoted, will not get a Tax Deduction for the payment.**
- The Small businesses Immediate Write off for assets installed ready for use costing less than \$20,000 is extended to 30.6.19, and the eligible Income threshold is also extended from \$2Mil. to \$10 Mil.
- **Super Caps for 2018:**
 - For all individuals Concessional Cap is \$25,000.00. -For all individuals Non-Concessional Cap is \$100,000.00.

Individual Returns:

- **Private Health Cover:** Each partner will receive a separate individual Private Health Statement. You will need to have your Private Health Statement before your return can be prepared.
- **Spouse Income:** Spouse income is needed for reporting purposes to enable your return to be completed.
- **Excess Super Contributions :** This will now be included in the Individuals Assessable Income, getting taxed at their marginal rate. This will be a saving for individuals who are not on the top marginal rate.
- **New ATO Audit Methods.** Where a person is selected for Audit the ATO is now **contacting your employer directly** to confirm whether work related claims made are part of your job description and are necessary. ie Work travel, using home office etc.
- **ATO Audit focus:** The ATO has increased data matching looking at: property transactions, online selling (e.g. ebay), insurance of valuable assets, Australians working overseas, work travel claims and high work related expenses.
- **Rental properties:** The ATO is continuing it's scrutiny of Rental Properties, flagging an extensive audit program. Therefore, extra care in making claims is necessary, particularly when there has been some private use of the property. Details of all types of rental expenses claimed are now submitted to the ATO with the return, making the need for substantiated claims even greater. **The ATO will give extra attention to Depreciation claims and Loan Refinancing!** Additional scrutiny for **holiday homes**, and repairs to **newly** acquired property.
- You **must** provide **accurate** details of bank interest income earned by you during the financial year from 1st July 2017 to 30th June 2018. You must also include all other income, particularly shares individuals are paid and foreign income. The ATO's income matching system now detects a number of people who have understated their income on their return. In most cases these people have not deliberately understated their income, but did not provide their tax agent with sufficient information. **Please do not guess or estimate your interest income.** We suggest, for the sake of simplicity and confidence, that you obtain a **Statement of your Interest Income** from your bank for all accounts and bring it with you or drop off with tax information.

Business Returns:

- **Superannuation compulsory contributions** remains at **9.5%**. This must still be **paid quarterly**, and within 28 days, or it will result in penalties and a denial of tax deduction. All entitlements from 01.07.16 must now comply with the Superstream measures, which require all payments to be both reported and paid electronically to the super fund. Small businesses which employ less than 20 employees can make a single electronic payment to a clearing house who will then distribute the payments to the individual funds. Please see our web site for further information.
- **One Touch Payroll**. This new reporting obligation commences for Employers with more than 20 employees from 1.7.18, and for all other employers from 1.7.19. This applies to Mum and Dad Companies, so it will require the business to be able to utilize a compliant **Electronic payroll** system for all activity. At **J.W Mann & Assoc** we have some payroll solutions to ensure you will be compliant with this. If you need to discuss this please call our office.
- **Extended reporting** of Contractors from 01.07.18 to include **Cleaners and Courier drivers**. From **1.7.19** it will cover **Security providers, Road freight Transport and Computer Design and Services**.
- **Increased powers** to the ATO enable them to **report outstanding debt**, greater than \$10,000.00, for more than 90 days where no payment plan is in place, to **credit reporting agencies**. This could severely impact upon the day to day operations of the business.
- **ATO Audit Focus**: The ATO has flagged their audit activity to focus on businesses **outside their industry benchmark ratios, PSI; Uber Drivers and Airbnb operators**, and will also focus on your liability to pay Super, PAYG and WorkCover.
- **Work related claims**: This year the ATO have indicated this area will come under **strong audit scrutiny**. This will include attacking the claim for **work laundry and all Motor Vehicle Travel**. The ATO are hoping people will be put off from making a claim, however do not be discouraged from making a valid claim. To ensure that you keep the claim in an audit, you will need to satisfy the substantiation requirements of the ATO and sign a declaration of your responsibility to the content of your return. **Work related claims must be substantiated** with receipts if their balance is over \$300.00. It would help our process if you compiled your receipts and other records of your deductible expenses before making your appointment. This may include Motor Vehicle log books, travel and usage diaries. Much more detail is required this year in the tax return, showing the types of claims made. We continually undergo training to keep abreast of these changes and strive to ensure that you receive the **maximum claims** you are entitled to.

Additional Information

- **Documents** you need to email in or bring to the consultation may include PAYG summaries, pension or benefit statements, documents related to all bank accounts or other financial investments such as Term Deposits or share dividends, details of family income, employee share details
- **GST** clients note that the changes to the new tax system are putting greater demands upon you. We are able to provide **GST Specific** manuals or software that track the GST credits you can claim back. If you have not already got one of these, call our office to ensure you do not miss out on your GST claims.
- **Personal Services Income**, commonly called the New Contractor Law, will be a big issue this year and will significantly add to the complexity of affected returns. The rules are complex and need to be treated on an individual basis.
- **Return Charges:** The fee for preparation and lodgment of your Basic Individual Return remains at \$140.00 GST inclusive. Additional charges apply for extra schedules and complex issues. These may include:

| | | | |
|--------------------------------------|--------------------------|---------------------------------------|------------------------------|
| ▪ Rental Property | ▪ Contractor Income | ▪ Business Losses and Deferred Losses | ▪ Capital Gains Calculations |
| ▪ Rebates for Pensions and Annuities | ▪ Employee Share Schemes | ▪ PSI Schedules | ▪ Low Cost Pools |
| ▪ Depreciation Schedules | ▪ Termination Payments | ▪ Investments and Trust Income | |

We also provide a complete range of other services outside of tax preparation, such as **Business Planning, Advice and Investment Strategies. Leasing and HP Finance** at competitive rates are also now available.

We strive to have our system as up to date as possible, so please bring along your most current **email address**.

To make an appointment for your Tax Return please **ring Karen on 9314 6011**.

Yours Faithfully,

Peter J. Smith - FCPA

James W. Mann & Associates



2017/18 Individual Tax Return Checklist

Your Checklist

- Claims for deductions ✓
- Receipts for deductions ✓
- Car Claims and log books ✓

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

Tax saving strategies prior to 1 July 2018

A good strategy to reduce tax payable is normally to accelerate any income tax deductions into the current income year, which will reduce overall taxable income in the current year.

The tax rates for resident (adult) individual taxpayers for the **2017/18** income year are as follows:

| Taxable Income threshold | Tax payable ¹ |
|--------------------------|---|
| 0-\$18,200 | Nil |
| \$18,201-\$37,000 | 19% of excess over \$18,200 |
| \$37,001-\$87,000 | \$3,572 + 32.5% of excess over \$37,000 |
| \$87,001-\$180,000 | \$19,822 + 37% of excess over \$87,000 |
| \$180,001 and over | \$54,232 + 45% of excess over \$180,000 |

¹ The Medicare levy of 2% generally applies in addition to these rates.

Common 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 2017/18 income year.

1. Depreciable plant, etc, costing \$300 or less

Salary and wage earners and rental property owners will generally be entitled to an immediate deduction if certain income-producing assets costing \$300 or less are purchased before 1 July 2018.

Some purchases you may consider include:

- books and trade journals;
- briefcases/luggage or suitcases;
- calculators, electronic organisers;
- electronic tablets;

- software;
- stationery; and
- tools of trade.

2. Clothing expenses

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

- compulsory (or non-compulsory and registered) uniforms, and occupation specific and protective clothing;
- other expenses associated with such work-related clothing, such as dry cleaning, laundry and repair expenses.

3. Self education expenses

Consider prepaying the following self education items before the end of the income year:

2018 Individual Tax Return Checklist

- course fees (but not HECS-HELP fees), student union fees, and tutorial fees;
- interest on borrowings used to pay for any deductible self education expenses.

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

4. Other work-related expenses

Employees can prepay any of the following expenses prior to 1 July 2018:

- union fees;
- subscriptions to trade, professional or business associations;
- magazine and professional journal subscriptions;
- seminars and conferences;
- income protection insurance (excluding death and total/permanent disability).

Note: When prepaying any of the expenses above before 1 July 2018, ensure that any services being paid for are to be provided within a 12 month period that ends before 1 July 2019. Otherwise, the deductions must generally be claimed proportionately over the period of the prepayment.

Information Required

We will need you to bring 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 your 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 or trusts;
- details of any assets sold that were either used for income earning purposes or which may be caught by capital gains tax (CGT).

Expenses/Deductions (in addition to those mentioned above):

- award transport allowance claims;
- bank and government charges on deposits of income, and deductible expenditure;
- bridge/road tolls (travelling on business);
- car parking (when travelling on business);
- conventions, conferences and seminars;
- depreciation of library, tools, business equipment (incl. portion of home computer);
- gifts or donations;
- home office running expenses:
 - cleaning
 - cooling and heating
 - depreciation of office furniture
 - lighting
 - telephone and internet;
- interest and dividend deductions:
 - account keeping fees
 - 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/work related);
- overtime meal allowances;
- rental property expenses – including:
 - advertising expenses
 - council/water rates
 - insurance
 - interest
 - land tax
 - legal expenses/management fees
 - genuine repairs and maintenance
 - telephone expenses
- superannuation contributions;
- sun protection items;
- tax agent fees;
- telephone expenses (business);
- tools of trade.



2017/18 Year End Checklist for Business

Many of our business clients like to review their tax position at the end of the income year and evaluate any year-end strategies that may be available to legitimately reduce their tax. Traditionally, year-end tax planning for small businesses is based around two simple concepts-i.e., accelerating business deductions and deferring income.

However, Small Business Entities ('SBEs') have greater access to year-end tax planning due to particular concessions that only apply to them (the SBE system replaced the previous Simplified Tax System ('STS') on 1 July 2007). Taxpayers that qualify as an SBE can generally pick and choose which of the concessions they wish to use each year (although see below regarding the simplified depreciation rules). The basic requirement to be eligible for most of the SBE concessions for the year ending 30 June 2018 is that the business taxpayer's annual turnover (including that of some related entities) is less than \$10 million.

The following are a number of areas that may be considered for all business taxpayers.

Maximising deductions for non-SBE taxpayers

Non-SBE business taxpayers should endeavour to maximise deductions by adopting one or more of the following strategies:

- Prepayment strategies;
- Accelerating expenditure; and
- Accrued expenditure.

Prepayment strategies – non-SBE

Any part of an expense prepayment relating to the period up to 30 June is generally deductible.

In addition, non-SBE taxpayers may generally claim the following prepayments in full:

- expenditure under \$1,000;
- expenditure made under a 'contract of service' (e.g., salary and wages); or
- expenditure required to be incurred under law.

Note: Prepayments can be a little confusing, so before you commit to making a payment please feel free to call us with any queries or assistance if required.

Accelerating expenditure – non-SBE

This is where a business taxpayer brings forward expenditure on regular, on-going deductible items. Business taxpayers are generally entitled to deductions on an 'incurred basis'. Therefore, there is generally no requirement for the expense to be paid by 30 June 2018 (as long as the expense has genuinely been 'incurred', it will generally be deductible).

Checklist

The following may act as a checklist of possible accelerated expenditure:

- **Depreciating assets** costing \$100 or less can be written off in the year of purchase.
Depreciating assets costing less than \$1,000 can be allocated to a low value pool and depreciated at 18.75% (which is half of the full rate of 37.5%) in their first year regardless of the date of purchase.
- **Repairs** – repairs to office premises, equipment, cars or other business items.
- **Consumables/spare parts.**
- **Client gifts.**

- **Donations.**

2018 Year-end Checklist for Business

- **Advertising.**
- **Fringe benefits** – any benefits to be provided, such as property benefits, could be purchased and provided prior to 1 July 2018.
- **Superannuation** – contributions to a complying superannuation fund, to the extent contributions are actually made (i.e., they cannot be accrued but must be paid by 30 June).

Accrued expenditure – non-SBE

Non-SBE taxpayers (and some SBE taxpayers) are entitled to a deduction for expenses incurred as at 30 June 2018, even if they have not yet been paid.

The following expenses may be accrued:

- Salary or wages and bonuses – the accrued expense for the days that employees have worked but have not been paid as at 30 June 2018.
- Interest – any accrued interest outstanding on a business loan that has not been paid as at 30 June 2018.
- Commercial bills – the discount applicable to the period up to 30 June 2018, where the term of the bill extends past 30 June.
- Commissions – where employees or other external parties are owed commission payments.
- Fringe benefits tax (FBT) – if an FBT instalment is due for the June 2018 quarter, for example, but not payable until July, it can be accrued and claimed as a tax deduction in the 2018 income year.
- Directors' fees – where a company is definitively committed to the payment of a director's fee as at 30 June 2018, it can be claimed as a tax deduction.

Maximising deductions for SBE taxpayers

Deductions can be maximised for SBE business taxpayers by accelerating expenditure and prepaying deductible business expenses. Former STS taxpayers who have continued to use the STS cash method since before 1 July 2005 cannot accrue expenses, but other SBE taxpayers on an accruals basis can accrue expenses (see above regarding accruing expenditure).

Accelerating expenditure – SBE

All SBE taxpayers can choose to write-off depreciable assets costing less than \$20,000 in the year of purchase*. Also, assets costing \$20,000 or

more are allocated to an SBE general pool and depreciated at 15% (which is half the full rate of 30%) in their first year. Therefore, where appropriate, SBE business taxpayers should consider purchasing/installing these items by 30 June 2018.

It should be noted that SBE taxpayers choosing to use the SBE depreciation rules are effectively 'locked in' to using those rules for all of their depreciable assets.

Further note, former STS taxpayers who have continued to use the STS cash method since before 1 July 2005 and who qualify as an SBE are generally only entitled to deductions if they have paid the amount by 30 June.

(*) The small instant asset write-off threshold has been temporarily increased to 'less than \$20,000', for assets acquired and installed ready for use between 7.30 pm (AEST) 12 May 2015 and 30 June 2018. On 8 May 2018 the Government announced it intends to extend this date to 30 June 2019.

Prepayment strategies – SBE

SBE taxpayers making prepayments before 1 July 2018 can choose to claim a full deduction in the year of payment where they cover a period of no more than 12 months (ending before 1 July 2019). Otherwise, the prepayment rules are the same as for non-SBE taxpayers.

The kinds of expenses that may be prepaid include:

- Rent on business premises or equipment.
- Lease payments on business items such as cars and office equipment.
- Interest – check with your financier to determine if it's possible to prepay up to 12 months interest in advance.
- Business trips.
- Training courses that run on or after 1 July 2018.
- Business subscriptions.
- Cleaning.

Information Required

This is some of the information we will need you to bring to help us prepare your income tax return:

- Stocktake details as at 30 June.
 - Debtors listing (including a list of bad debts written off) as at 30 June. Note: In order to claim a deduction, the debt must be written off on or before 30 June.
 - Creditors listing as at 30 June.
-