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Date: 20/06/2016

Dear Valued Client,

The time has arrived for the lodgment of **2016 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](http://www.jwmann.com.au).** Please refer to this new resource for updated information, and current newsletters.

## **News From the Budget: Is all about Super-**

- From 01.07.17 people aged 65 - 74 can now have contributions made to their super without the need to meet the work test.
- From 01.07.17 all individuals under age 75 will be able to claim a tax deduction for personal super contributions.
- Effective from budget night, the introduction of a lifetime non concessional contribution cap of \$500 000 to replace the existing annual cap of \$180 000 .
- Small businesses with an aggregate annual turnover of < \$2 million will have an immediate deduction for assets installed ready for use costing less than \$20,000 - effective from 12/05/2015
- Immediate deductions for professional expenses in commencing a new business.
- For 2016 a 5% tax discount for income earned from unincorporated small businesses
- MV Expense claims have been simplified, reducing the methods used to claim to the cents per km, and the logbook method.
- From 01.07.17, Transition to Retirement Income streams will be taxed at 15%. There is one year remaining for the old concession.
- From 01.07.17 there will be a \$1.6 million Super transfer balance cap being a cap on the pension balance of a fund.
- From 01.07.17 a reduction of the Concessional Cap for Contributions to \$25000.00.

**Super Caps: 2 Caps for 2016: Positive changes** have been announced regarding **Superannuation caps** and are subject to certain age requirements:

- For individuals aged under 49 on 30.6.15 their Concessional Cap is \$30,000.00
- Individuals aged 49 or more on 30.6.15 will have a Concessional Cap of \$35,000.00.

## 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 Tax:** 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.
- **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 2015 to 30th June 2016. 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 for 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.
- **ATO Audit Focus:** The ATO has flagged their audit activity to focus on businesses **outside their industry benchmark ratios, PSI; and payments to contractors**, which come under the new reporting regime and also focus on your liability to pay Super, PAYG and WorkCover. They are also focusing on professions this year
- **Work related claims:** This year the ATO have indicated this area will come under strong audit scrutiny. Do not be discouraged from making a valid claim. However, 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.

- **Zone Rebate Eligibility** has been restricted to people living in the zone.
- **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 is \$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 - CPA**  
**James W. Mann & Associates**