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TAXING POINT

December 2015

Welcome to SC Accounting

On behalf of Erma, Graeme and Tom, I wish you all a very enjoyable festive season and happy, healthy and safe 2016. We look forward to seeing you all in the new year.

PLEASE NOTE THAT THE OFFICES OF SC ACCOUNTING WILL BE CLOSED FROM 24 DECEMBER 2015 AND REOPENING ON MONDAY 11 JANUARY 2016.

TAX HIGHLIGHTS

Christmas parties and gifts 2015— For those employers hosting **staff christmas functions** during this festive period, we wanted to provide you with some information around the deductibility of christmas events. It is important to appreciate that any event involving the provision of food and drink involving staff will be considered “entertainment”. Entertainment will normally either be considered non tax deductible to the employer or tax deductible but subject to FBT—this includes christmas events. Exemptions apply where christmas functions are held on site. We can confirm that **christmas gifts** provided to staff will be tax deductible (and not subject to FBT), provided they are considered minor in value eg less than \$300 per person and infrequent and irregular eg once per year. Where a christmas gift is provided to a staff member at the christmas party that is also provided by the employer, the benefits are associated benefits, but each benefit (christmas party and gift) needs to be considered separately to determine if they are less than \$300 per person in value. If both the christmas party and the gift are less than \$300 per person in value and the other conditions of a minor benefit are met, they will both be exempt benefits. (Therefore the provision of a Christmas gift at the Christmas function of a combined value of less than \$300 per person will be exempt)

Work related car expenses—substantiation rules 2015/16— Under current arrangements, there are four methods for claiming car expenses: Cents per kilometre - capped at 5,000kms, Logbook - unlimited kms 12% of original value and One-third of actual expenses. To simplify the rules, from 1 July 2015 the Government has abolished the one-third of actual expenses method and 12% of original value method. **The cents per kilometre method (with the existing 5,000km cap) and the logbook method (with unlimited kms) will remain.** We therefore note that any employer providing their car for work purposes should consider the benefits of maintaining a logbook to maximise their car related claims. The cents per kilometre method will be simplified to use a standard rate of 66 cents per km rather than a rate based on the engine size of the car.

Rental Property deductions on holiday homes— The ATO is increasing its focus on rental property deductions and is encouraging all owners to double check their claims before lodging their tax return. It will pay particular attention to excessive deductions particularly those properties located in popular holiday destinations around Australia. The ATO will be focusing in rental income lower than market rates to friends and family as well as deductions claimed when used privately.

CGT Rollover Relief for Small business entities from 1 July 2016— we note that the Federal Government has introduced draft legislation which will allow small business entities the ability to roll over their business structures, and defer CGT. This is a significantly expanded option allowing goodwill, stock, plant and equipment to be transferred from one related entity to another. If you are considering a business restructure, we recommend that you contact us, but wait until 1 July 2016 to enact it, if it becomes law.

TAX HIGHLIGHTS (CONT)

Immediate deductibility of start up expenses— small business and individuals are allowed to immediately deduct certain costs incurred when starting up a business, including costs incurred with raising capital with effect from 1 July 2015 onwards.

Extending FBT Exemption— small business employers (T/O less than \$2 mill) that provide employees with work related portable devices, such as mobile phones, laptops and tablets, can now provide more than 1 device even when they have substantially the same functionality (with effect from 1 April 2016).

Employer super obligations— Please ensure that you remain vigilant with your SGC obligations and ensure that you pay at least 9.5% of ordinary time earnings on a quarterly basis. You should start considering electronic payment clearing houses for superannuation payment processing. Further, those of you with Contractors who work with you on a regular basis, need to consider whether they may be eligible for SGC contributions. If you are in any way unsure of your SGC obligations, please do not hesitate to contact us.

SMSF NEWS

SMSF Admin Penalty Regime— From 1 July 2014, the ATO has been operating with extended administrative penalty regime with real teeth. In essence, if an SMSF trustee contravenes the SIS Act, the ATO has the power to apply penalties to the trustee based on the severity of the breach. The ATO plans to risk assess all stakeholders in the SMSF sector and will target their audits and investigations accordingly. Penalties range from financial fines up to \$10,800 per trustee, enforced education and/or rectification directives. We suggest that all SMSF Trustees maintain their personal knowledge about their rights and responsibilities. There are many ongoing SMSF Trustee education programs and we recommend that all SMSF Trustees “*Take The Challenge*” and visit this website (www.smsftrustee.com/cpa/html/home.asp) to enhance your SMSF trustee knowledge.

LRBA Extended— The Government in their response to the Murray Report have decided to maintain LRBA as an eligible SMSF borrowing option moving forward. We can assist you in identifying how best to use eligible borrowings within a superannuation fund to get the most out of your SMSF assets.

Binding Death Benefit Nominations (BDBN) - we recommend that you periodically review estate planning measures including your superannuation. A valid Will addresses your wishes upon death, but your superannuation benefits do not necessarily form part of your Estate. The Trustee of your Superannuation Fund is responsible with the administration and disbursement of your Superannuation Death Benefit. Those of you, without a valid BDBN in place, are effectively leaving your superannuation benefits in the decision making hands of whomever becomes the Superannuation Trustee. Upon your death, we recommend that you put in place checks and balances to ensure that your wishes are acted upon in a tax effective and efficient manner. You need to ensure that your Will establishes who will stand as Trustee in your passing. Furthermore a valid BDBN directs the trustee to distribute your superannuation death benefits as you indicated. We also suggest that you ensure that a respected family member holds your Enduring Power of Attorney (POA). Finally, we note that it is normal practice to revisit your BDBN every 3 years (not necessarily required for SMSF funds)

Asset Valuations— please note that property valuations are required every year (the Trustee can obtain a written appraisal), but every 3 years an independent valuation will be required. With respect to rental and leases associated with related parties, an independent rental appraisal is required every 3 years to ensure it is at arms length.

Loans in members / In house Assets— we confirm that 2 common SIS Act breaches are loans to members or affiliates and in house assets where the market value of the investment exceeds 5% of the Fund. You should seek professional advice, particularly when in Accumulation phase.

Condition of Release— please ensure that you meet a condition of release before commencing a pension, otherwise it is considered Illegal Early Release of Benefits. Please seek advice before acting without knowledge.

Collectibles— For those of you who have assets held in your SMSF which are specifically treated as Collectibles or Personal Use Assets (eg artwork, antiques, jewellery etc) purchased by the SMSF prior to 30 June 2011, will need to ensure that they are properly stored, insured and valued if they are to remain in the SMSF beyond 30 June 2016. We recommend that you take action now to ensure that your SMSF is compliant and not in breach of the SIS Act.

OTHER PRACTICE NEWS

GROW HOPE FOUNDATION

SC Accounting is pleased to be associated with and to provide pro bono accounting services to a DGR called Grow Hope Foundation. The charity's main purpose is to provide indigenous people with the opportunity to seek and further their career aspirations away from their local remote communities. The secret to the success of this program is that the Foundation works with local elders to identify and encourage those who will genuinely benefit from this training. The candidates are encouraged to return to their local community to spread the goodwill and encourage others to partake. In addition to these specific tailored training programs, the Foundation is keen to spread Indigenous learning and culture to school curriculums as is the case with some private schools.



In order to further expand an already active charity, Grow Hope Foundation needs the generosity and financial support of those in the community. If you are interested in finding out more information on Grow Hope Foundation or where to donate, please do not hesitate to contact our offices.

The vision statement of Grow Hope Foundation is to walk in partnership with our indigenous communities and build relationships that will improve the health, education and employment opportunities of our indigenous people. Also to raise awareness and understanding of indigenous culture and spirituality to non indigenous Australians.

ACHIEVEMENTS AT SC ACCOUNTING

It is with great pride that we congratulate the following for their fine achievements

Tom Creelman—Tom has now completed his CA studies and is now a fully qualified chartered accountant. Tom specializes in small to medium size business accounts and tax, high net worth individuals and SMSF accounting.

Erma Mencin— Erma has completed the necessary training to assist all clients with their bookkeeping needs including on line accounting and bookkeeping services through MYOB and other products.

Steve Creelman— Steve currently holds an Advanced Diploma in Financial Planning, is a CA SMSF Specialist and is an Authorised Representative with SMSF Advice. In addition to Steve's many years professional tax and accounting expertise, Steve has been actively involved in the SMSF space for the past 15 years. In addition to tax agent services, this practice, through its licensed affiliate SC Wealth Creation Pty Ltd, can assist you with Finance Advisory services. We are more than happy to provide a no obligation financial review of your personal affairs.



**WE WISH YOU AND YOUR FAMILY A VERY MERRY
CHRISTMAS AND HAPPY NEW YEAR**