

TAXING POINT: ARE YOU READY FOR 30 JUNE?



June 2018 edition

Welcome to SC Accounting

On behalf of the team at SC Accounting, we welcome you to our end of financial year edition of Taxing Point. We ask that you please take the time to read and digest these comments, in particular, any pre 30 June tax planning matters and contact us on 9 569 7516, should you need to discuss anything.

In this edition we focus on:

- Tax planning measures pre 30 June 2018
 - o Income strategies
 - o Expense strategies
 - o Structural strategies
- Budget Update

The financial year that was!!

As the 2018 financial year draws to a close we reflect on the economy which has very sound fundamentals. Our economy remains solid with the Reserve Bank keeping a lid on inflation (CPI 1.9% within target range) and official interest rates unchanged at record levels for this period. Unemployment is down from 5.6% to 5.4% with economists believing that the full employment target of 5% will be achieved. This all goes well for business. Having now moved beyond the resources boom, our economy relies on infrastructure, building and construction, technology and health care industries. Whilst our economy has sound fundamentals, we are at the mercy of international factors principally trade barriers, regional security, China and US muscling and Trump!!

Speaking of Trump, he has now been in power for just under a year and a half, and the topsy turvy ride continues!! Having said that the Trump influence and his unconventional approach has seen the world's largest economy, US grow like never before. 12 months ago, journalists reported Dow Jones at "its record high in trading" of 21,515.60. Today it is over 25,000.00 or a whopping 16.6% growth in 12 months. Compare this to the All Ords which has quite a respectable return from 5,835.50 12 months ago to 6,212.50 (6.5% growth). Where will these economies be in another 12 months?

Whilst our economy is likely to continue to prosper, the financial services sector and principally the Banks, are under the microscope. Dodgy lending and financial advisory practices have been exposed and to that end, together with the tightening of APRA regulations, lending criteria will contract in the market. This will undoubtedly result in stricter lending approvals, which has a flow on effect to property pricing and new building and construction approvals in the future. We are already

seeing the fall out with the reduction in property clearance rates and ultimately a reduction in property pricing growth.

Through SC Accounting's Financial Advisory business, SC Wealth Creation, and its experienced financial advisory team, we can assist you in maneuvering through the investment maize and help you achieve far superior returns than you currently enjoy.

INVESTMENT ADVICE - Your only commitment is to give us a call on (03) 9569 7516 so we can discuss these options on how to improve your life and financial wellbeing.

Our motto, "Our business is to help you enjoy your business"

TAX PLANNING MEASURES 2017/2018

Please note with the 2018 financial year end fast approaching, you should be mindful of your total net income (net profit) and, wherever possible, look to bring forward expenses and defer revenue as a means to tax minimization. Here are a few simple strategies which can be adopted over the next few weeks should you need to lower the tax bill. Prior to implementing these strategies, it is essential that you set up a phone or physical meeting with Steve Creelman or Mark Caruso to ensure that this planning technique is appropriate for your particular circumstances. A small tax meeting could potentially save you tens of thousands:



INCOME STRATEGIES

- **Defer receipt of income** should you operate on the cash basis;
- **Salary packaging** can minimise tax;
- **Review investments realised in the period** and where **potential capital gains** exist, ensure that you choose the selected parcel of assets that have been held for more than 12 months (50% discounting applies) ; also review your current portfolio of assets to see whether you can absorb any capital gains with any unrealised capital losses
- **review investments** held in joint names with a view to transferring (be mindful of CGT tax implications) income producing assets to the lower income earning spouse/partner (ensures tax on those earnings are minimised);
- **defer receipt of bonus payments** until start of new fiscal year;



EXPENSES STRATEGIES

- **Bring forward deductions** – tax deductible bills due in July 2018 should be paid prior to 30 June 2018 when operating on the cash basis
- **prepayments for small business entities and non-business individuals** – a tax deduction is allowed for expense prepayments of up to 12 months in advance when actually paid, rather than incurred;
- **superannuation contribution** – maximise your concessional super contribution caps but be careful not to exceed these limits and be mindful of restrictions. If you have any questions please contact our financial planner Steve Creelman to set up a time for a meeting.
- **Bad debts (business)** – bad debts, previously returned as income of the business, can be claimed as a tax deduction provided the actual outstanding debt is written off the debtors system prior to 30 June;
- **Capital allowances (depreciation)** – a claim for depreciation is allowed for newly purchased assets based on its useful life (under the STS system, pooled assets are written off at a fixed rate of 30%.; assets first acquired and entering the pool are written off at 15% in the first year and then 30% thereafter— immediate write off for new assets up to \$20,000 for both 2017/2018 and again in 2018/2019)

STRUCTURAL STRATEGIES

Do a “Financial Health Check”

- look at investments - how are they going? What income and capital growth is derived? Are you adequately diversified?
- look at insurance – adequate income protection, TPD and Life cover, Business Expenses and Trauma insurance?
- look at super – what is your age? what have you got accumulated? when do you plan to retire?
- look at wills and POA – do you have a Will? when was it last updated? have your personal circumstances (family and/or assets holdings) changed dramatically?

Review your Family Business / Investment Vehicles

- What is the Trading Structure? Does it meet your current circumstances? Does it allow for family succession eg CGT implications, Is it tax effective? Does it provide Asset Protection?
- Where is your super? Are you paying too much in administration fees? Do you have an interest in managing your own retirement monies?
- Do you have personal assets owned in a company? Please note that the enjoyment of personal assets owned by a private company may attract unwanted FBT implications?
- Trust Distributions to Associated Private Company’s now have added tax complications and should be reviewed prior to any declaration made;
- Family Trust Deeds should be updated to ensure that distributions of different classes of income can be effectively distributed without concern;
- Superannuation Fund Trust Deeds should be updated to ensure they meet current SIS Act regulations, in particular with respect to borrowings .

Succession and Retirement Planning

- Are you planning to retire and hand the family business to family members? What succession planning arrangements and discussions have been made amongst the family? Does your legal business structure allow for a smooth tax effective transition?
- Are you considering a Sale of Business? Do you need a valuation / independent assessment of the Business' value? We will work with you to ensure the best possible result and the best possible tax outcome from the sale;
- Have you considered your retirement and the options open to you? Have you considered a stepped approach to retirement where you progressively reduce your working commitments (and income), but complement your reduced income with a TRIS (Transition to Retirement Income Stream). Have you spoken to Steve Creelman our financial planner about your retirement plans and if you can achieve your retirement goals?

Budget Update:



In light of the Henry Review, the Government is aiming to simplify and flatten the tax system while also expecting a surplus in 2019-2020. As expected, the government is positive and optimistic about the economic future. Some of the main budget announcements that will impact you are summarized below.

INCOME TAX PROPOSED CHANGES

- Tax cut of up to \$530 per year for Australians earning up to \$90,000
- 37% Tax rate proposed to be abolished in 2024-2025 with a flatter tax system. Tax payers earning up to \$200,000 are proposed to have a tax rate of 32.5%
- 37% Tax rate threshold proposed to rise from \$87,000 to \$90,000 in 2019 with an additional proposed threshold increase in 2022-2023 to \$120,000.

GOVERNMENT DEBT & ECONOMIC GROWTH

The Government is expecting a budget deficit of \$14.5 billion next financial year and total debt is expected to peak at \$350 billion in 2017-2018. Forecasts are however expecting a surplus in 2019-20 based upon the following positive economic conditions:

- Unemployment to fall from 5.5% to 5.25% by 2019 – 2020.
- GDP Growth to increase from 2.1% in 2016-2017 to 3% in 2019 - 2020
- Expected wage growth of 2.25% in 2017 – 2018.

BUSINESS & INNOVATION

- \$20,000 Small business instant asset w/off extended into 2018/2019
- \$500 million for the Medical Research.
- R&D Grant incentive overhauled with higher scrutiny
- Focus on stopping Multinational companies shifting profits to lower taxed countries.
- \$50 million for an Australian Space Agency.

EDUCATION & HEALTH

- Easier access to Youth Allowance for regional students with an increase in funding of \$125 million for 2,000 additional regional student places.
- \$54 million increase spending to assist against domestic & sexual assault, elder abuse and cyber safety
- \$4.8 billion increase in spending on Medicare funding over 4 years
- \$5 billion increase in spending on aged care spending over 4 years
- \$2.4 billion increase in investment spending on new medicine over 4 years
- 4y/o national childcare agreement extended for 2019
- Skills Checkpoint for Older Workers (SCOW) program aimed to encourage people to stay in the workforce longer

INFRASTRUCTURE

- \$1.75 billion for Melbourne's North East Link.
- \$475 million for Monash University Rail.
- \$5 billion for Melbourne Airport rail Link.

OTHER

- \$50 million to commemorate the 50th anniversary of Captain Cook's arrival
- \$140 million to encourage film directors to Australia
- \$500 million over 7 years for the Great Barrier Reef research and \$107 million over 11 years for Antarctic Research
- \$293 million on airport security cargo screening upgrades
- ABC Funding Frozen over 3 years
- Increase spending on Federal Police, ASIO and ASIS
- Foreign aid to be cut by \$110 million over 4 years



For any questions, feel free to contact us on (03) 9569-7516

Kind Regards

The Team at SC Accounting



Chartered Accountants
25 Station Street
Oakleigh Vic 3166

PO Box 93
Oakleigh Vic 3166

Tel : +61 3 9569-7516
Fax: +61 3 9569-6442

Email: info@scaccounting.com.au