



TAX INCENTIVES

TAXATION AND ACCOUNTING SERVICES

" Giving you an added incentive "

TAXINCENTIVES PTY LTD

PO BOX 3454 CAROLINE SPRINGS VIC 3023

PHONE: 0439 536 596

ABN : 63 646 025 468

EMAIL: taxincentives@accountant.com

WEBSITE: <https://www.taxincentives.info>

TAX NEWSLETTER FOR YEAR ENDING 30 JUNE 2017

PERSONAL TAXATION

Personal tax rates: small tax cut from 1 July 2016; Budget deficit levy not to be extended

The Government announced in the Budget that it will increase the 32.5% personal income tax threshold from \$80,000 to \$87,000 in an attempt to go some way to addressing tax bracket creep.

Personal tax rates

Tax rates and thresholds summarised

The rates for the 2016-17 year (including the 2% temporary budget deficit levy, but excluding the 2% Medicare levy) are:

| Taxable income \$ | Tax payable \$ |
|-------------------|---------------------------------------|
| 0 - 18,200 | Nil |
| 18,201 - 37,000 | Nil + 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+ | 54,232 + 47% of excess over \$180,000 |

Medicare Levy Surcharge and Private Health Insurance Rebate - indexation pause to continue

The Government will continue the pause on indexation of the income thresholds for the Medicare Levy Surcharge and Private Health Insurance Rebate till 1 July 2018.

Medicare Levy will increase to 2% and then increase to 2.5% from 1 July 2019 to ensure the National Disability Insurance Scheme is fully funded and to guarantee Medicare

SMALL BUSINESS

Small business threshold to increase to \$10m

The Budget announced that the small business entity threshold will increase from \$2m to \$10m

If this correspondence is not received by the intended party please contact the sender



TAX INCENTIVES

TAXATION AND ACCOUNTING SERVICES

" Giving you an added incentive "

TAXINCENTIVES PTY LTD

PO BOX 3454 CAROLINE SPRINGS VIC 3023

PHONE: 0439 536 596

ABN : 63 646 025 468

EMAIL: taxincentives@accountant.com

WEBSITE: <https://www.taxincentives.info>

TAX NEWSLETTER FOR YEAR ENDING 30 JUNE 2017

As a result, a business with an aggregated annual turnover of less than \$10m will be able to access a number of small business tax concessions including:

SMALL BUSINESS

Small business threshold to increase to \$10m

the simplified depreciation rules, including immediate tax deductibility for asset purchases costing less than \$20,000 until 30 June 2018;

If the Business is registered for GST then the exclusive amount is the cost i.e. item cost \$21998 GST inc less 10% GST 1999 NET of GST Amount is \$19999

If the Business is not registered for GST then inclusive amount is taken into account so if the item cost \$20,001 you would get the immediate deduction

the simplified trading stock rules, which give businesses the option to avoid an end of year stocktake if the value of the stock has changed by less than \$5,000;

a simplified method of paying PAYG instalments calculated by the ATO, which removes the risk of under or over estimating PAYG instalments and the resulting penalties that may be applied;

the option to account for GST on a cash basis and pay GST instalments as calculated by the ATO;

immediate deductibility for various start-up costs (eg professional fees and government charges);

12-month prepayment rule; and the more generous FBT exemption for work-related portable electronic devices (eg mobile phones, laptops and tablets) – the FBT car parking exemption for small business already applies to entities with "annual gross income" of less than \$10m.

CGT concessions

The threshold changes will not affect eligibility for the small business CGT concessions, which will only remain available for businesses with annual turnover of less than \$2m or that satisfy the maximum net asset value test (and other relevant conditions such as the active asset test).

Reduced tax rates for small business

If this correspondence is not received by the intended party please contact the sender



TAX INCENTIVES

TAXATION AND ACCOUNTING SERVICES

" Giving you an added incentive "

TAXINCENTIVES PTY LTD

PO BOX 3454 CAROLINE SPRINGS VIC 3023

PHONE: 0439 536 596

ABN : 63 646 025 468

EMAIL: taxincentives@accountant.com

WEBSITE: <https://www.taxincentives.info>

TAX NEWSLETTER FOR YEAR ENDING 30 JUNE 2017

The company tax rate for small business entities will reduce to 27.5%, the rate is set to reduce further to 27% in 2024-25 and then by 1 percentage point per year until it reaches 25% in 2026-27.

SMALL BUSINESS

Unincorporated businesses

To complement the company tax rate reductions, the tax discount (or tax offset) for unincorporated small businesses (eg sole traders and partners in a partnership) will increase over a 10-year period from 5% to 10%.

The tax discount will increase to 8% on 1 July 2016, remain constant at 8% for 8 years, then increase to 10% in 2024-25, 13% in 2025-26 and reach a new permanent discount of 16% in 2026-27. The maximum value of the discount will remain at \$1,000.

The Government also announced that more taxpayers will be able to access the tax discount. From 1 July 2016, access to the discount will be extended to individual taxpayers with business income from an unincorporated business that has an aggregated annual turnover of less than \$5m (the current threshold is \$2m).

Company tax rate to reduce to 25% by 2026-27

The Government intends to reduce the company tax rate to 25% over the next 11 income years.

The measure will be phased in, depending on the company's size (ie its aggregated annual turnover). Small businesses will benefit sooner. The phase-in for all companies will be completed in the 2026-27 income year.

For example, companies with a turnover of \$10m or more will not get any reduction in tax until 2017-18.

Conversely, those companies with a turnover of \$9,999,999 or less will get it in 2016-17 (ie, from 1 July 2016)

Franking credits will continue to be calculated in the usual manner, ie by reference to the amount of tax paid by the company making the distribution.

SUPERANNUATION

If this correspondence is not received by the intended party please contact the sender



TAX INCENTIVES

TAXATION AND ACCOUNTING SERVICES

" Giving you an added incentive "

TAXINCENTIVES PTY LTD

PO BOX 3454 CAROLINE SPRINGS VIC 3023

PHONE: 0439 536 596

ABN : 63 646 025 468

EMAIL: taxincentives@accountant.com

WEBSITE: <https://www.taxincentives.info>

TAX NEWSLETTER FOR YEAR ENDING 30 JUNE 2017

Superannuation pension phase - \$1.6m transfer balance cap for retirement accounts

From 1 July 2017, the Government has proposed to introduce a transfer balance cap of \$1.6m on the total amount of accumulated superannuation an individual can transfer into a tax-free "retirement account" (also known as retirement phase or pension phase). Subsequent earnings on these pension transfer balances will not be restricted.

According to the Government, this \$1.6m transfer balance cap for amounts transferred into pension phase will limit the extent to which the tax-free benefits of retirement phase accounts can be used for tax and estate planning. The measure is estimated to have a gain to revenue of \$2bn over the forward estimates.

SUPERANNUATION

Retirement account cap - \$1.6m

Where an individual accumulates amounts in excess of \$1.6m, they will be able to maintain this excess amount in an accumulation phase account (where earnings will be taxed at the existing concessional rate of 15%). The \$1.6m cap will be indexed in \$100,000 increments in line with CPI (the same as the Age Pension assets threshold does).

The amount of cap space remaining for a member seeking to make more than one transfer into a retirement phase account will be determined by apportionment. The proportionate method will measure the percentage of the cap previously utilised to determine how much cap space an individual has available at any single point in time. For example, if an individual has previously used up 75% of their cap they will have access to 25% of the current (indexed) cap.

Subsequent fluctuations in retirement accounts due to earnings growth or pension payments will not be considered when calculating cap space.

Individuals who breach the cap will be subject to a tax on both the amount in excess of the cap and the earnings on the excess amount.

Existing pension balances

Members already in the retirement phase as at 1 July 2017 with balances in excess of \$1.6m will be required to either: transfer the excess back into an accumulation superannuation account to reduce their retirement account balance to \$1.6m by 1 July 2017; or withdraw the excess amount from their superannuation.

If this correspondence is not received by the intended party please contact the sender



TAX INCENTIVES

TAXATION AND ACCOUNTING SERVICES

" Giving you an added incentive "

TAXINCENTIVES PTY LTD

PO BOX 3454 CAROLINE SPRINGS VIC 3023

PHONE: 0439 536 596

ABN : 63 646 025 468

EMAIL: taxincentives@accountant.com

WEBSITE: <https://www.taxincentives.info>

TAX NEWSLETTER FOR YEAR ENDING 30 JUNE 2017

Excess balances for these members may be converted to superannuation accumulation phase accounts. A tax on amounts that are transferred in excess of the \$1.6m cap (including earnings on these excess transferred amounts) will be applied, similar to the tax treatment that applies to excess non-concessional contributions.

Transition to retirement pensions - tax concessions to be reduced

The Government said it will remove the tax exemption on earnings for pension assets supporting Transition to Retirement Income Streams (TRISs), also known as transition to retirement pensions (TTRs). Under the changes, earnings from assets supporting TRISs will be taxed at 15% (instead of the current 0%). The change will apply from 1 July 2017 irrespective of when the TRIS commenced.

SUPERANNUATION

Transition to retirement pensions - tax concessions to be reduced

The Government believes that reducing the tax concessions for TRISs will help to ensure that they are "fit for purpose" (ie for the purpose of substituting work income) and not primarily accessed for tax purposes.

No election to treat as lump sum In addition, the Government said individuals will no longer be able to make an election under reg 995-1.03 of the ITA Regs to treat certain TRIS payments as lump sums for tax purposes, which currently makes them tax-free up to the low rate cap (\$195,000).

Transition to retirement income streams can be a valuable strategy for certain taxpayers who have reached their preservation age and can draw down on their superannuation via an income stream while, at the same time, salary sacrificing employment income back into retirement savings. The preservation age is currently 56 (up from 55) for those born after 30 June 1960 (and before 1 July 1961) and will gradually increase until it reaches age 60 (for those born after 30 June 1964).

Non-concessional contributions: \$500,000 lifetime cap from 3rd May 2016

The Government has introduced a lifetime non-concessional contributions cap \$500,000 effective from Budget night, ie 7.30 pm (AEST) on 3 May 2016. The lifetime non-concessional cap (indexed) will replace the existing annual non-

If this correspondence is not received by the intended party please contact the sender



TAX INCENTIVES

TAXATION AND ACCOUNTING SERVICES

" Giving you an added incentive "

TAXINCENTIVES PTY LTD

PO BOX 3454 CAROLINE SPRINGS VIC 3023

PHONE: 0439 536 596

ABN : 63 646 025 468

EMAIL: taxincentives@accountant.com

WEBSITE: <https://www.taxincentives.info>

TAX NEWSLETTER FOR YEAR ENDING 30 JUNE 2017

concessional contributions cap of up to \$180,000 per year (or \$540,000 every 3-years under the bring-forward rule for individuals aged under 65).

Non-concessional contributions: \$500,000 lifetime cap from 3rd May 2016

Non-concessional contributions include contributions which are not included in the assessable income of the receiving superannuation fund, eg non-deductible personal contributions made from the member's after-tax income (formerly known as undeducted contributions).

The \$500,000 lifetime cap will take into account all non-concessional contributions made on or after 1 July 2007.

Contributions made before commencement (ie 7.30 pm AEST on 3 May 2016) cannot result in an excess of the lifetime cap. However, excess non-concessional contributions made after 7.30 pm AEST on 3 May 2016 will need to be removed or subject to penalty tax. The cap will be indexed to average weekly ordinary time earnings (AWOTE).

Defined benefit schemes

After-tax contributions made into defined benefit accounts and constitutionally protected funds will be included in an individual's lifetime non-concessional cap. If a member of a defined benefit fund exceeds their lifetime cap, ongoing

SUPERANNUATION

Defined benefit schemes

contributions to the defined benefit account can continue but the member will be required to remove, on an annual basis, an equivalent amount (including proxy earnings) from any accumulation account they hold.

After-tax contributions made into defined benefit accounts and constitutionally protected funds will be included in an individual's lifetime non-concessional cap. If a member of a defined benefit fund exceeds their lifetime cap, ongoing contributions to the defined benefit account can continue but the member will be required to remove, on an annual basis, an equivalent amount (including proxy earnings) from any accumulation account they hold.

The amount that could be removed from any accumulation accounts will be limited to the amount of non-concessional contributions made into those accounts since 1 July 2007. Contributions made to a defined benefit account will not be required to be removed. The Government will consult to ensure broadly commensurate and equitable treatment of individuals for whom no amount of post-1 July 2007 non-concessional contributions are available to be removed.

If this correspondence is not received by the intended party please contact the sender



TAX INCENTIVES

TAXATION AND ACCOUNTING SERVICES

“ Giving you an added incentive “

TAXINCENTIVES PTY LTD

PO BOX 3454 CAROLINE SPRINGS VIC 3023

PHONE: 0439 536 596

ABN : 63 646 025 468

EMAIL: taxincentives@accountant.com

WEBSITE: <https://www.taxincentives.info>

TAX NEWSLETTER FOR YEAR ENDING 30 JUNE 2017

Date of effect

The lifetime non-concessional contributions cap will commence from 7.30 pm (AEST) on 3 May 2016. The \$500,000 lifetime cap will take into account all non-concessional contributions made on or after 1 July 2007.

Contributions made before 7.30 pm AEST on 3 May 2016 cannot result in an excess of the lifetime cap.

However, excess non-concessional contributions made after 7.30 pm AEST on 3 May 2016 will need to be removed or subject to penalty tax.

The introduction of a \$500,000 lifetime cap on non-concessional contributions will effectively limit the ability of some taxpayers to implement withdrawal and re-contribution strategies for tax and estate planning purposes.

Broadly, the aim of a re contribution strategy is to convert a superannuation interest from a taxable component to a tax-free component. Re-contributed personal superannuation contributions are classified as non-concessional contributions.

As such, they will be limited to the \$500,000 lifetime cap for non-concessional contributions from 3 May 2016. Currently, a re-contribution strategy is only restricted by the annual cap of \$180,000 (or \$540,000 every 3 years for those under age 65).

While a person is alive and aged 60 and over, the respective components of any superannuation benefits do not matter as all benefits are received totally tax-free. However, the underlying tax components become relevant again upon death when the remaining superannuation benefits are paid to a non-dependant (15% tax rate plus Medicare levy on the taxable component).

WORKSHEETS

2017 Tax Return Worksheet: - [this worksheet you can fill out for the preparation of 2017 Tax Return](#)

Please fill out the worksheets relevant to your tax circumstances and email it to taxincentives@accountant.com

We also have worksheets available for you to use for the preparation of your tax return which can be found on the website <http://www.taxincentives.net.au/> under ; **WORKSHEETS**

Please fill out the worksheets relevant to your tax circumstances and email it to taxincentives@accountant.com

you can post it out to along with your supporting documentations to;

If this correspondence is not received by the intended party please contact the sender



TAX INCENTIVES

TAXATION AND ACCOUNTING SERVICES

" Giving you an added incentive "

TAXINCENTIVES PTY LTD

PO BOX 3454 CAROLINE SPRINGS VIC 3023

PHONE: 0439 536 596

ABN : 63 646 025 468

EMAIL: taxincentives@accountant.com

WEBSITE:<https://www.taxincentives.info>

TAX NEWSLETTER FOR YEAR ENDING 30 JUNE 2017

[TAXINCENTIVES PTY LTD PO BOX 3454 CAROLINE SPRINGS VIC 3023](#)

I look forward to hearing from you, please contact me if you have any further queries about the your tax circumstances

Kind Regards,

Angelo Sangiorgi

Principal Director

Taxincentives Pty Ltd

If this correspondence is not received by the intended party please contact the sender
