Mogg Osborne Pty Ltd

Newsletter
End of Financial Year
2017/2018

2018 Tax Planning Guide

The end of another financial year is fast approaching. At Mogg Osborne, we believe part of our client brief is to help you minimise your tax liability within the framework of the Australian taxation system.

We would like to highlight some end of year tax planning opportunities but you need to act quickly and we encourage you to schedule a meeting as soon as possible to assess your options and the steps you need to take well before the 30th June, 2018.

1. Delay Deriving Assessable Income

One effective strategy is to delay deriving your income until after June 30, 2018 by:

- Delaying the Timing of the Derivation of Income until post June 30.
- Timing of Raising Invoices for Incomplete Work (Businesses)

Where this strategy will not adversely affect your cash flow, consideration should be given to deferring the recognition of income until after 30 June 2018. Please note, not banking amounts received before June 30 until after June 30 does not qualify because the income is deemed to have been earned when the money is received or the goods or services are provided (depending on whether you are on a cash or accruals basis of accounting).

- Cash Basis Income - Some income is taxable on a cash receipts basis rather than on an accruals basis (e.g. rental income or interest income in certain cases). You should consider whether some income can be deferred in those instances.
- Consider delaying your invoices to customers until after July 1 – this will push the derivation of the income into the next financial year and defer the tax payable on that income. If you operate on the cash basis of accounting you simply need to delay receiving the money from your customers until after June 30.
- Lump Sum Amounts - Where a lump sum is likely to be received close to the end of a financial year, taxpayers should consider whether this amount (or part thereof) can be delayed or spread over future periods.

2. Bringing Forward Deductible Expenses or Losses

Prepayment of Expenses - In some circumstances, Small Business Entities (SBE) and individuals who derive passive type income (such as rental income and dividends) should consider pre-paying expenses prior to 30 June 2018. A tax deduction can be brought forward into this financial year for expenses like:

- Employee Superannuation Payments including 9.5% Superannuation Guarantee Payments for the June 2018 quarter (that have to be received by the Superannuation Fund by June 30, 2018 to claim a tax deduction).
- Superannuation for business owners, directors and associated persons
- Wages, bonuses, commissions and allowances
- Contractors
- Travel and accommodation expenses
- Trade creditors
- Rent for July 2018 (and possibly extra months)
- Insurances
- Printing, stationery and office supplies
- Utility expenses – telephone, electricity and power
- Advertising including directory listings
- Motor vehicle expenses such as registration and insurance
- Subscriptions and memberships to professional associations and trade journals
- Accounting fees
- Leasing of Plant and Rental

A deduction for prepaid expenses will generally be allowed where the payment is made before 30 June 2018 for services to be rendered within a 12-month period. While this strategy can be effective for businesses operating on a cash basis (not accruals) basis, we never recommend you spend money on items you don't need. However, paying expenses in June that are due in July could save you some tax this year and provided your cash flow permits, it makes good business sense.

3. **Wages to Children**

Each child can be paid up to $20,370 pa in wages and pay no tax (if this is their only income). These must be "commercially realistic" and be paid before 30th June into the child's bank account.

4. **Superannuation**

Maximum Deductible Amounts per person

AGE	**MAX**
All ages	$25,000

Superannuation funds pay contributions tax at only 15%.

5. **Super Co Contribution**

If your total income (taxable + fringe benefits) is less than less than $51,813 and you make a "Non-Concessional contribution" into a complying superannuation fund then you may be eligible for the government co contribution. The maximum co-contribution is available when total income is less than $36,813. This also applies to Self Employed people and children earning an income. If you contribute $1,000 the government will contribute $500 if below $36,813.

6. **Bad Debts**

If you have bad debts or likely bad debts make sure these are actually removed from your debtor's records at 30th June.

7. **Travel Allowance**

If you are employed by your own company or trust and you are <u>required to travel overnight for business</u>, then you may pay yourself a "Travel Allowance". No substantiation (i.e. receipts) is required if the claim does not exceed what the tax office considers reasonable. However, some evidence of when and why the trip was undertaken is required. The tax office considers $301.70 per day per person reasonable for Melbourne and $228.95 for Country areas.

8. **Plant Costing Less Than $20,000 (Extended until 30/06/2019)**

Small businesses can claim a 100% tax deduction for plant items costing less than $20,000.

9. **Farm Management Deposits (FMD) (Primary Producers Only)**

Funds are placed in an FMD with a bank and a tax deduction is gained for the deposit. The funds must be invested for a minimum of 12 months and you cannot have more than $100,000 off farm income. When the funds are withdrawn, the amount of the withdrawal is included as assessable income and taxed in the year withdrawn. Total cap of contributions is $800,000.

10. **Obsolete Stock**

When doing your stock take at year-end, consider valuing old/obsolete stock at its market value (possibly zero!!).

11. **Capital Gains Tax Strategies**

- If you have capital gains and "unrealized" capital losses, consider realizing (selling) these losses to offset against the gains made
- Defer disposal to next year but remember the date of disposal for CGT is the date of contract signing NOT settlement date
- Defer a disposal to ensure the asset has been held for at least 12 months

Key 2018 Year End Reminders

Date	Action Required
BEFORE **30 June 2018**	• Ensure your employee superannuation payments are received and allocated by your employees' super fund prior to 30 June 2018 to ensure a tax deduction for this year. • Any payments made between 1 July 2018 and 28 July 2018 will count towards your Superannuation Guarantee requirement but will not be tax deductible until the next financial year.
1 July 2018	• Superannuation guarantee rate is still 9.5% • Review regular concessional contributions (including salary sacrifice arrangements) as the maximum contribution has been reduced to $25,000 for everyone
16 July 2018 or before	Provide 2018 PAYG Payment Summaries to all employees
30 July 2018	Quarterly Superannuation contributions due for employees (for the period 1 April 2018 to 30 June 2018). **THIS IS A KEY DEADLINE!** **If using a SuperStream service other than the ATO, there can be significant delays in amounts being received by the superannuation fund. Contact your SuperStream service for processing times.** *(Note: If your contributions are not received by the Superannuation Fund by 30 July 2018, you must complete a Superannuation Guarantee Charge Statement and forward it to the ATO together with underpaid superannuation plus administration fees and interest by 14 August 2018. Superannuation Guarantee Charge payments are NOT tax deductible.)*
14 August 2018 or before	Lodge your 2018 Annual PAYG Payment Summary Statement (for employees) with the ATO. Penalties apply for late lodgement.
28 August 2018	Taxable Payments Annual Report due for lodgement with the ATO (building and construction industry

$$$

Mogg Osborne is giving you the chance to win $500 off your 2018/2019 Fees!
All you need to do is pay your outstanding account in FULL before 30th June 2018 to go in the draw!
Winner will be announced 4th July 2018

$$$

On Tuesday 8 May, the federal government handed down its Budget for the 2018–19 financial year. This is the third Budget delivered by Treasurer Scott Morrison and is likely to be the final Budget before the next federal election.

Here are some of the announced Budget changes that could affect you. However, it's important to remember that these are only proposals at this stage, and each proposal will only become law once it's passed by Parliament.

Tax changes

Seven-year personal income tax plan

The government's three-point plan for personal income tax reform will be delivered over the next seven years as follows.

Stage 1 from 2018–19:

- A new Low and Middle Income Tax Offset (LMITO) worth up to $530 p.a. will be introduced, in addition to the current Low Income Tax Offset (LITO).
- The top threshold for the 32.5% personal income tax bracket will increase from $87,000 to $90,000.

Stage 2 from 2022–23:

- The top threshold for the 19% personal income tax bracket will increase from $37,000 to $41,000.
- The top threshold for the 32.5% personal income tax bracket will increase from $90,000 to $120,000.
- The LITO will increase from $445 to $645.

Stage 3 from 2024–25:

- The 37% personal income tax bracket will be removed.
- The top threshold for the 32.5% personal income tax bracket will increase from $120,000 to $200,000.

What this could mean for you

If you're eligible for the LMITO, it will be available each year from the 2018–19 financial year until the 2021–22 financial year. You'll receive the payment as a lump sum after lodging your tax return.
For more information about the proposed changes to tax thresholds and offsets, please ring Mogg Osborne.

Maintaining the Medicare Levy at 2%

In the 2017–18 Federal Budget, an increase in the Medicare Levy rate from 2% to 2.5% of taxable income was announced, which was legislated to take effect on 1 July 2019. However, the government has confirmed it will not proceed with this initiative and the Medicare Levy will remain at 2%.

What this could mean for you

It was expected that the increased Medicare Levy would also cause increases to other tax rates linked to the top personal tax rate, including fringe benefits tax. As the Medicare Levy is remaining unchanged, these consequential increases won't take effect.

Extending accelerated depreciation for small businesses

From 1 July 2018, the government will extend the existing $20,000 instant asset write-off by a further 12 months to 30 June 2019 for businesses with aggregated annual turnover less than $10 million.

Assets valued at $20,000 or more that cannot be immediately deducted can still be placed into the small business simplified depreciation pool. These assets can be depreciated at 15% in the first income year and 30% each income year thereafter. The pool can also be immediately deducted if the balance is less than $20,000 over this period (including existing pools).

What this could mean for you

Under this measure, small businesses will be able to immediately deduct purchases of eligible assets costing less than $20,000 that are installed and ready for use before 30 June 2019

Superannuation adjustments

A work test exemption for retirees

From 1 July 2019, people aged 65–74 who have a total superannuation balance of under $300,000 will be able to make voluntary contributions for 12 months from the end of the financial year when they last satisfied the work test.

What this could mean for you

This initiative will make it easier to keep contributing to super after you've left the workforce. For example, if you retire on 30 March 2020 and your super balance is below $300,000 on 30 June at the end of the year, you'll still be able to make voluntary contributions during the 2020–21 financial year. The usual concessional and non-concessional contribution caps will still apply

Increasing the maximum Self-Managed Super Fund (SMSF) membership from 4 to 6 members

From 1 July 2019, the Superannuation Industry (Supervision) Act will be amended to allow the number of members in new and existing SMSFs to increase from 4 to 6. This change will also apply to Small APRA funds (funds regulated by Australian Prudential Regulation Authority).

What this could mean for you

This initiative will provide more flexibility for larger families to be members of a single SMSF but may also increase the risk of disputes among members. It's also important to consider the need for:

• multiple investment strategies to cater for members with different risk profiles

• a corporate trustee, to avoid the risk of additional trustee penalties and to address the increased risk of fund membership changes.

Supporting mature Australians

Increasing the availability of home care packages

Since last year's Federal Budget announcement, the government has provided an additional 6,000 high-level home care packages. From 1 July 2018, the government will supplement this with a further 14,000 new packages over the next four years.

What this could mean for you

As at 31 December 2017, there were over 100,000 people in the national queue waiting for either their first home care package or an interim package, with 54.4% waiting for a high-level (Level 4) package. If you're in this situation, the initiative could help you access a home care package sooner.

Additional funding for residential aged care and short-term restorative care

During the 2018–19 financial year, the government will provide $60 million to fund additional places in residential aged care and short-term restorative care. A further $82.5 million will support mental health services for residents of aged care facilities.

What this could mean for you

As part of this initiative, the government will simplify the aged care assessment forms available via the My Aged Care website. This will make it easier to access the aged care services that you or your loved ones need.

OFFICE CLOSURE

Mogg Osborne will be closed Monday 11th June for the Queen's Birthday Public Holiday

Mogg Osborne Training Day - Friday 3rd August 2018

Outstanding Community Work Recognised

Cobram SES are one step closer to securing a permanent home in Cobram, thanks to the outstanding work Mogg Osborne employees do in the community.

Mogg Osborne was the recipient of the National Count Charitable Foundation (CCF) 2018 Community Award. The CCF was established to support count members in their philanthropic endeavours and help them make a significant difference in their community.

Employees at Mogg Osborne collectively donated 5935 hours of their time to assist more than 40 local community and sporting organisations in the past year, together with $11,400 worth of pro bono audit work.

As winner of the award, Mogg Osborne had the choice to donate $10,000 to a volunteer organisation. Faced with the task of deciding the lucky recipient in just one day, the firm held a morning tea, funnily enough a fundraiser for the Cancer Council '***biggest morning tea'***, where the staff voted unanimously to donate to the local SES branch.

The funds will make a huge difference to the current fundraising efforts of bringing the SES unit to Cobram. For long- serving Cobram SES member Carrie Hawke, emotion was rife when she was told the service would receive the $10,000 donation. 'The tears were rolling down her face'.

Mogg Osborne director Peter Mogg said it was pleasing to reflect on how much community work was carried out by the staff.

Bree Carmichael and Sam Bugge are already planning Mogg Osborne next fundraising effort for the Mogg Osborne employees, the Cobram Relay for life to be held in November.