DFK AUSTRALIA NEW ZEALAND BUSINESS & TAXATION BULLETIN

keeping you informed **winter 2015**

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BUILDING & CONSTRUCTION INDUSTRY – TAXABLE PAYMENTS REPORT

The required lodgement date for the Taxable Payments Report for business operating in the building and construction industry has been extended to 28 August 2015.

Any business operating in this industry is required to report to the ATO all contractor payments for services rendered during the financial year. For each contractor, you need to report the following details:

- ABN
- Name
- Address
- Gross amount paid for financial year
- Total GST included in the gross amount

TRUST REQUIREMENTS PRIOR TO 30 JUNE 2015

A reminder that all trustees of any trust are required to make a resolution of eligible beneficiaries prior to 30 June 2015. Trustees are also required to lodge a TFN report with the ATO for any new beneficiaries receiving a distribution for the first time in the 2015 financial year. This report must be lodged by 31 July 2015.

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REAL ESTATE HELD IN A SELF-MANAGED SUPER FUND

Self-Managed Superannuation Funds are required to report their assets at market value at 30 June each financial year. This also includes the market value of any real estate held in the fund. While the ATO does not require valuation of real estate every year, if there is any material change in the value of a property, the trustees of the fund should seek a new valuation.

Due to the significant appreciation in property prices recently, particularly in Sydney, it would be prudent to obtain valuations at 30 June 2015. A valuation by a real estate agent or property managing agent is usually sufficient for account preparation purposes.

PERSONAL PROPERTY SECURITIES ACT

The PPSA commenced operation in 2012 and brought with it significant changes to the way property ownership (other than real property) is viewed from a legal and financial perspective. The PPSA operates on the underlying assumption that whoever has possession of an asset, owns the asset for insolvency purposes unless it has been registered on the Personal Property Security Register (PPSR).

If you own personal property that is in the possession of another entity, the interest should be registered on the PPSR. Even if legal title can be proved beyond any doubt, if an asset is not listed on the PPSR, another entity may have priority to your asset in an insolvency event. This register applies to any personal property held by any type of entity and includes the common business situations of supplying goods on credit, finance security, leasing and consignment stock.

This could be important for related party business where one company owns the machinery while a related company is the trading entity. Without registration on the PPSR, this is not an effective asset protection strategy.

A business may have reviewed their need to register assets on the PPSR when the legislation commenced in 2012, but have not assessed their circumstances since. If you would like further information in respect of the PPSA please talk to your DFK ANZ contact and we can arrange legal advice if necessary.

SELF–EDUCATION EXPENSES

If you are completing a course of study or training which is directly work related, you may be able to claim a tax deduction for self-education expenses in your personal income tax return.

The course of study must be directly related to your current employment rather than study which may assist you to gain future employment.

The types of expenses you may claim include:

- Course Fees (excluding any HECS-HELP payments)
- Textbooks, trade or academic journals
- Consumables such as stationery, postage, and equipment less than $300
- Depreciation on equipment over $300
- Travel expenses to and from place of education and accommodation and meal if staying overnight
- Student union and amenities fees

The total education expenses are reduced by $250, however if you incur some non-deductible expenses related to self-education eg. childcare, this may offset the $250 reduction.

PAYROLL TAX – GROUPING REQUIREMENTS

As the payroll tax year ends at 30 June 2015, it is a good time for a business to review their payroll tax registrations, especially to respect of a payroll tax group. Businesses that are grouped for payroll tax purposes only have access to a single threshold deduction for the whole group and each member of a group is liable for any outstanding payroll tax of other group members.

There are a few situations which require the formation of a payroll tax group:

- A holding company and a subsidiary company
- Multiple companies who are subsidiaries of the same holding company
- Use of common employees across two or more businesses
- Commonly controlled businesses when a person(s) together have a controlling interest of more than 50% across different entities

In any of the above situations, a payroll grouping is automatically required unless an application for exclusion from a group is submitted to the Chief Commissioner.
A business may be excluded from a group if it is shown to operate independently of other related businesses.

Any company, trust, partnership or body corporate that pays Australian wages, even if the entity is registered overseas, is required to be included in the payroll tax group.

SUPERSTREAM REPORTING

The new SuperStream reporting requirements are compulsory for employers with 20 for more employees from 30 June 2105. For employers with 19 or fewer employees, SuperStream reporting is required to be implemented by 30 June 2016. In order to comply with these requirements you may be required to update your payroll system.

If you would like assistance in fulfilling your superannuation reporting and payment obligations, speak with your DFK ANZ contact.

BEWARE OF FRAUDULENT EMAILS & PHONE CALLS

A reminder to be wary whenever you receive unsolicited emails or phone calls from the ATO or various State Revenue Offices. These government agencies may contact you via email, or SMS from time to time to alert you to services provided but will never ask for personal or financial details via these methods.

If you have received any suspicious correspondence, please verify it directly with the government agency involved or talk to your DFK ANZ contact prior to responding.

GIC & SIC RATES

The ATO has published general interest charge (GIC) and shortfall interest charge (SIC) rates for the fourth quarter of the 2014-15 income year.

The GIC annual rate for April – June 2015 is 9.36%, and the SIC rate is 5.36%.

FINANCE ARTICLE
FINANCING A RENOVATION

Have the wave of home improvement shows on television inspired you to carry out some renovations? Whether it's big or small, an investment project or home extension you've been dreaming about for years, the big question is – how are you going to pay for it? Here are some options to consider:

Extend Your Mortgage

If you're planning an extensive renovation, one of the most common ways to finance your project is to increase your current mortgage. This can be advantageous as you spread the cost out over a long period.

Personal Loan

A simple and cost-effective option for financing smaller scale renovations.
The interest rates on personal loans are generally higher than home loans, but they typically have a fixed interest rate that stays the same for the full term of the loan. This can be useful for budgeting, but the catch is you can't usually make additional repayments to get ahead and reduce costs.

Credit Card

A convenient and flexible option if you already have a card with a high credit limit. However, it might be costly if you don't pay the debt within the interest free period.

Home Equity Loan or Line of Credit

These products enable you to use your home as an asset for additional borrowing. This allows you to borrow money at a lower interest rate compared to a personal loan or credit card and can usually be drawn up to the approved limit at any time.

Know Your Budget – Avoid a Budget Blow-out

Setting a budget is essential for successful renovation. Research your costs thoroughly and review your budget weekly to ensure you stay on track.

Consider DIY

A great way to save money on your renovation is DIY on easy things like painting, landscaping and other non-structural jobs.

Be Creative

Small changes like changing wall colours, updating light fittings and smart decorating can have just as big an impact as larger scale alterations.

To find out more about the renovation financing options, be sure to get in touch.

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FEATURE ARTICLE TAX PLANNING 2015 – GET ORGANISED & SAVE THOUSANDS

As we approach the end of the financial year, it is important to consider the value of tax planning. A few small decisions now could save you thousands of dollars on your next tax return.

DEFER INCOME

Deferring the raising of invoices until July can be a very effective tool in deferring the associated tax liability (as long as your business cash flow permits). The strategy is even more powerful this year due to the reduced company income tax rates coming into effect on 1 July 2015.

As a result of the 2015 Federal Budget released in May, companies with an aggregated annual turnover of less than $2 million will receive a 1.5% reduction in their tax rate to 28.5% (down from 30%).

As most businesses operate on an accrual system, tax is paid on the value of invoices rather than cash received. By deferring part of your income until next financial year, you have the opportunity to take advantage of this reduced tax rate.

ACCELERATE DEDUCTIONS

Often businesses can claim a deduction for certain pre-paid expenses and 'incurred' expenses (even if unpaid). Considering the reduced income tax rate next financial year, it makes sense to maximise expenses this year to take advantage of that 1.5% benefit.

A common expense arising at this time of year is staff and director bonuses. So long as you have calculated and announced these bonuses to the relevant staff before 30 June, you will be able to claim the deduction in your 2015 income tax return.

You may also like to consider pre-paying certain expenses such as worker's compensation insurance, office rent, interest or charitable donations to claim the deductions early.

Please note that immediate deductions will not apply to the following:

- Unpaid superannuation owing for the quarter ended 30 June
- Purchases of trading stock
- Purchases of depreciating assets

SMALL BUSINESS INSTANT ASSET WRITE OFF & SIMPLIFIED DEPRECIATION

As a result of the recent Federal Budget, businesses (including companies, trusts, sole-traders and partnerships) with an aggregated annual turnover of less than $2 million will receive an immediate deduction for assets purchased and installed after 7.30pm on 12 May 2015 up to the value of $20,000 (previously $1,000).

This is great news for all small business owners who are considering purchasing new assets. The instant deduction covers assets like plant and machinery, office supplies, furniture, vehicles, etc.

Assets purchased for over $20,000 will be pooled and depreciated at 15% of the purchase cost for the first year and 30% of the remaining balance in each subsequent year.

CAPITAL ALLOWANCES & DEPRECIATION ON BUILDINGS

If you or your business has recently purchased or made structural improvements to a commercial or residential building that you use for either your business premises or to derive rental income, you may like to consider obtaining a quantity surveyor's report.

Construction and improvement costs of buildings can be deducted evenly over a 40 year period and certain contents and fixtures at an accelerated rate.

Often for new buildings, the tax savings in the first year alone cover the cost of acquiring a quantity surveyor's report.

Talk to us about your accounting today

If you're interested in global outsourcing, foreign operations or any business and accounting support, we can make it happen.

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BAD DEBTS

Review your accounts receivable. If you have any old and outstanding debts that you do not expect to ever recover, consider writing these off. There is no need to pay tax on money that you will never receive.

OBSOLETE STOCK

If your business sells physical goods, you should always perform an end of year stock-take. This ensures that your inventory system is accurate, it gives you a chance to review the value of your stock and claim a deduction for any damaged, lost or obsolete stock.

DIVIDENDS

Paying a year-end dividend from a company will not affect the entity's taxable income but could have significant advantages for the individual or entity receiving the dividend. In circumstances where a company has paid income tax in previous years, franking credits can be attached to dividends paid to members. This results in a 30% credit for the shareholder, which if planned effectively, can result in thousands being paid from a company without attracting extra tax.

SUPERANNUATION CONTRIBUTIONS

Maximising your super contributions is worthwhile to take advantage of the reduced superannuation tax rate of 15%.

Before making any large superannuation contributions before 30 June please ensure that you do not exceed your contributions cap:

MEMBER'S AGE	CONCESSIONAL CAP	NON-CONCESSIONAL CAP
Under 49 Years	$30,000	$180,000
49 or older at 30 June 2014	$35,000	$180,000

Concessional contributions include employer contributions, salary sacrifice and personal contributions made by self-employed individuals who plan on claiming a tax deduction for this. These contributions will provide a tax deduction for the company/sole-trader making the payment, so long as the payment is physically made before 30 June.

Non-concessional contributions are after-tax payments (i.e. no tax deduction will be claimable in your business or personal name).

SALARY SACRIFICING INTO SUPER

This remains one of the best strategies to reduce an individual's income tax while maximising future retirement benefits. Employers will still receive a tax deduction for the full payment, but individuals will receive the relief of paying tax in their superannuation fund at 15%.

Please note that once contributed into super, this money will not be accessible until you are at least 55 and begin drawing a pension. As salary sacrificing is also included as part of your concessional contributions for the year, please ensure that you do not exceed your respective cap (see table above).

SUPER CO-CONTRIBUTIONS

The government's superannuation co-contribution scheme is still in effect for the 2015 financial year. Per last year, the government will match up to 50% of non-concessional (ie. after-tax) superannuation contributions up to a maximum of $500 for low income earners. For example, a $1,000 personal contribution will be met with a $500 co-contribution for individuals earning up to $34,488. This $500 co-contribution will gradually reduce by 3.33 cents for every dollar earned over $34,488 until it cuts out at $49,488.

RE-CONTRIBUTION STRATEGY

For those between the ages of 60 and 65, or over 65 and still working, you may consider a re-contribution strategy in your super fund.

After years of working and contributing into superannuation, most people are likely to have both a taxable and tax-free balance inside super.

With the current government regulations, these balances will not affect your pension over the age of 60, but they will affect any payouts made to your beneficiaries after your death. Upon your death, any money paid from your superannuation fund with a 'taxable' balance, will appear in your beneficiaries' income tax returns and be taxed at their respective marginal rates (minus a 15% offset).

A strategy can be put in place to effectively recycle your taxable super balance to ensure that your family receives the most money possible upon your death. If considering this strategy, please contact your accountant first, as the process will differ on a case-by-case basis.

PENSION PAYMENTS

Self-managed super funds must ensure that members in pension phase have taken their minimum pension payments by 30 June.

This minimum pension is calculated by taking the member's opening pension account balance at 1 July 2014 and multiplying this by the applicable statutory rate:

AGE	% OF ACCOUNT BALANCE
Under 65 years	4%
65-74 years	5%
75-79 years	6%
80-84 years	7%
85-89 years	9%
90-94 years	11%
95 years or more	14%

OTHER REMINDERS

- Review shareholder and director loans for Div. 7a concerns
- Prepare year-end trust distribution minutes
- Organise valuation of superfund properties
- Ensure vehicle log-books up to date

INVESTMENT MARKET COMMENTARY

In this update we look at interesting research on income in retirement, review the importance of dividends for Australian shares and highlight a key long term investment theme – the rise of Asia's middle class.

INCOME IN RETIREMENT

The findings from HSBC's recent Future of Retirement research came out recently.

According to the research, 44% of Australian pre-retirees believe they have not adequately prepared for a comfortable retirement.

This is an alarmingly high percentage, accentuated by greater life expectancies, which means a longer retirement for many.

This raises the important question as to how much do you really need to sustain your preferred lifestyle?

Data published by the Association of Superannuation Funds of Australia (ASFA), outlines the annual budget needed by Australians to fund either a comfortable or modest standard of living in their retirement years.

Below are the budgets for various households and living standards.

This data is a starting point. A variety of factors including holiday frequency and destination, choice of residential suburb and type of interests will affect your personal situation.

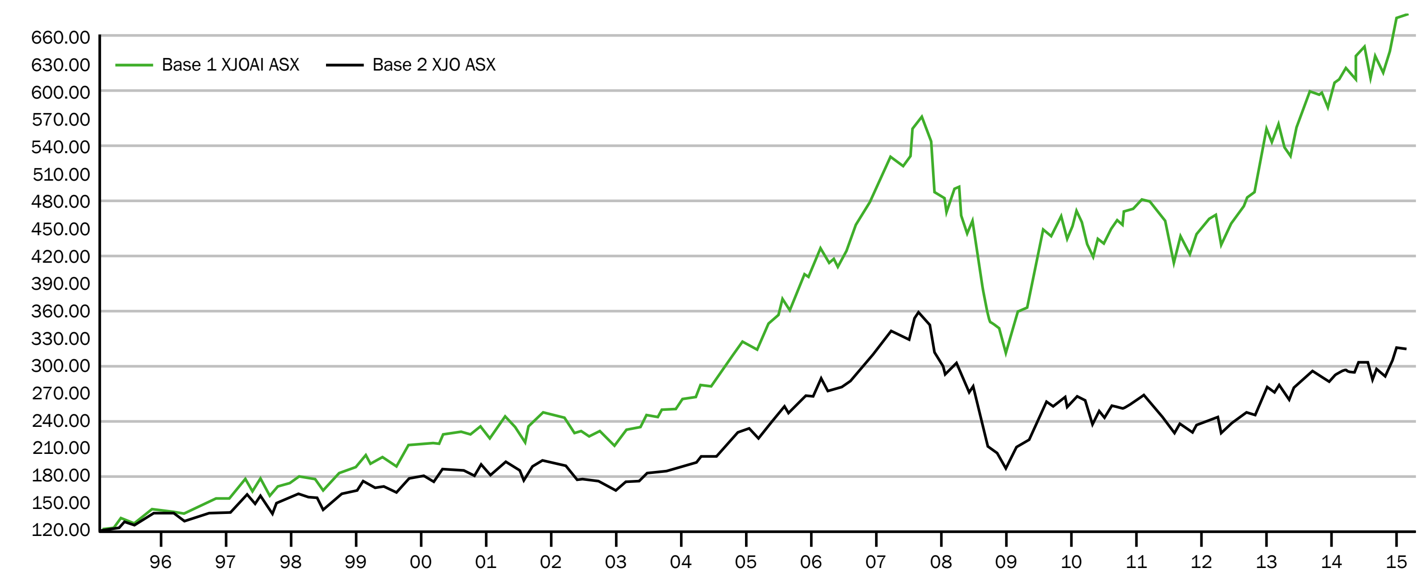
THE IMPORTANCE OF DIVIDENDS TO LONG TERM RETURNS (RETIREMENT INCOME)

We continually talk about the importance of investing in companies that pay growing franked dividends. Data from the past 5 years supports this approach. The ASX 200 Index (Price only) remains 15% below its all-time high, set in 2007.

However, the ASX 200 Accumulation Index (Price + Dividends, but not franking credits) is at the time of writing 24% above its previous high – See Chart 1.

TYPE OF EXPENSE	MODEST LIFESTYLE – SINGLE	MODEST LIFESTYLE – COUPLE	COMFORTABLE LIFESTYLE – SINGLE	COMFORTABLE LIFESTYLE – COUPLE
Housing – Ongoing Only	$68.30	$65.56	$79.16	$91.77
Energy	$41.07	$54.55	$41.68	$56.53
Food	$77.05	$159.61	$110.07	$198.13
Clothing	$17.67	$28.68	$38.25	$57.37
Household Goods & Services	$26.57	$36.03	$74.75	$87.57
Health	$40.64	$78.43	$80.63	$142.30
Transport	$96.05	$98.78	$143.14	$145.86
Leisure	$73.78	$109.93	$223.60	$306.41
Communications	$9.33	$16.33	$25.64	$32.64
Total per Week	$450.48	$647.91	$816.92	$1,118.58
Total per Year	$23,489	$33,784	$42,597	$58,326

Chart 1
– ASX 200 Accumulation Index (XJOAI) vs. ASX200 Index (XJO).



This highlights the compounding power of dividends. The ASX Accumulation Index has returned +55% over the last 5 years. Dividends have contributed about 56% of total returns of the last 5 years, and that is BEFORE the value of franking credits to Australian resident taxpayers.

KEY LONG TERM THEMES – THE RISE OF THE ASIAN MIDDLE CLASS

The world has changed immeasurably over the last 30 years. The future is likely to yield even more dramatic changes. In constructing our portfolios we favour global themes of healthcare, infrastructure, and the rising Asian middle classes.

Projections show over 200,000,000 Chinese nationals per annum will travel internationally by 2020 and they will complete over 300,000,000 'trips'. The compound average growth rate per annum is around +18%

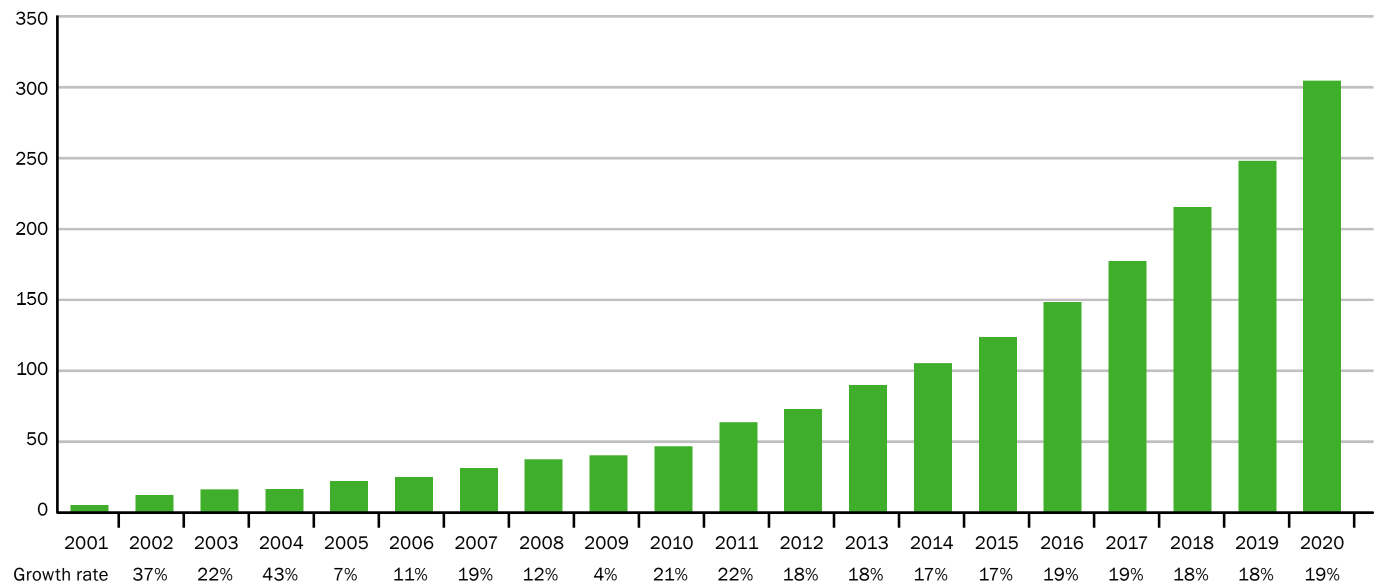
The good news is that Australia is well positioned to cater for this structural growth in outbound Chinese tourism. The recent Sydney Airport (SYD) traffic stats confirm that on current growth rates (+14.4% in 2014) China is on track to overtake New Zealand as our strongest inbound market in 2016. The same report showed passengers from India increased by 20.5% from the prior corresponding period.

CONCLUSION

Active stock selection can take advantage this, and other evolving themes. The key is to target high quality Australian shares that pay growing, sustainable dividend yields. Companies that grow both their earnings and dividends.

There is no doubt there is some short-term risk in Australian equities, which was reflected in the sharp sell-off recently. Investors need to not just focus on short-term gyrations, but remember the remarkable long-term performance of Australian stocks.

Chart 2
– Projections for Chinese Outbound Trips (in Millions) to 2020.



UPCOMING KEY DATES & DEADLINES

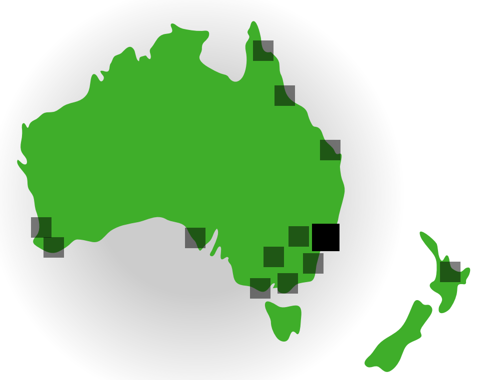
5 JUNE 2015	2014 Income Tax Returns due for lodgement and payment for individuals, trust and partnerships, where not lodged earlier
21 JUNE 2015	May Monthly Activity Statement due for lodgement and payment
30 JUNE 2015	Superannuation contributions & Minimum Pension payments for 2015 must be completed
30 JUNE 2015	End of Financial Year
21 JULY 2015	Quarterly PAYG Instalment activity statement due for lodgement and payment for head companies of a consolidated group
21 JULY 2015	June Monthly Activity Statement due for lodgement and payment
28 JULY 2015	Superannuation Guarantee Contributions due for payment for April – June 2015 quarter
14 AUGUST 2015	Lodgement of PAYG Withholding Payment Summary annual report
21 AUGUST 2015	July Monthly Activity Statement due for lodgement and payment
26 AUGUST 2015	April – July 2015 Business Activity Statement due for electronic lodgement and payment
28 AUGUST 2015	2015 Taxable Payments Report for Building & Construction Industry
21 SEPTEMBER 2015	August Monthly Activity Statement due for lodgement and payment

FOR MORE INFORMATION & FUTURE NEWSLETTERS

For more information on anything contained in this bulletin please telephone or email to our details below.

DFK AUSTRALIA NEW ZEALAND

For further information or enquiries about any of the latest business and taxation topics discussed in this newsletter, please contact the Directors and team at DFK ANZ.



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