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DFK AUSTRALIA NEW ZEALAND BUSINESS & TAXATION BULLETIN

keeping you informed **spring 2015**

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3 FREE TABLET APPS TO HELP YOUR BUSINESS PLANNING

The Australian government business website has released three tablet based apps to assist small business owners in the planning stages of their business venture.

- MyBizPlan – Assists in the development of a business plan and provides a roadmap for success.
- MarketMyBiz – provides marketing plan options to reach your target market and boost your customer base.
- MyBizShield – Helps in the establishment of an emergency management and recovery plan for unpredictable situations such as a fire or flood.

Go to GooglePlay or the App Store to download your free copy.

GIC & SIC RATES

The ATO has published general interest charge (GIC) and shortfall interest charge (SIC) rates for the first quarter of the 2015-16 financial year. The GIC annual rate for July – September 2015 is 9.15%, and the SIC annual rate is 5.15%.

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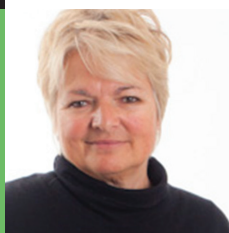
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FEATURE ARTICLE: **\$20,000 ASSET DEDUCTION FOR SMALL BUSINESS ENTITIES**

For small business entities, now is a great opportunity to consider reducing your business income tax liability by purchasing assets for your business.

The government announced in the 2015 Federal Budget certain taxation measures to assist small business entities. The objective of the move is to ease cash flow pressures on small businesses.

One of the main initiatives is the availability of an immediate write-off for individual depreciating assets that cost less than \$20,000. Accelerated depreciation for low value pool balances below \$20,000 is also now permitted. This tax break applies from 17 May 2015 to 30 June 2017. Prior to the announcement the write off threshold for assets was \$1,000.

Who is eligible?

The immediate tax deduction only applies to 'Small Business Entities', which have an annual turnover of less than \$2 million.

The turnover test includes the aggregated turnover of affiliates and connected entities that are also engaged in carrying on the business. To qualify, you must be running a business. Simply having an ABN isn't enough.

What assets can be deducted?

The tax deduction only relates to assets purchased as part of running a business. This means no tax deduction is allowed for private assets, such as a car only used for private purposes. The deduction is also limited to the business use of an asset that is used for both business and private purposes.

Assets that cost \$20,000 or more (which can't be immediately deducted under other provisions) are deducted over time using the general small business pool. Under the pooling mechanism a deduction for 15% of the cost is allowed in the first income year with a diminishing value rate of 30% deduction on the opening pool balance allowed for each income year thereafter.

There is no limit to the number of assets each under the \$20,000 threshold that can be claimed in an income year.

If an asset is used for business and private purposes, the deduction is apportioned and only the business proportion is deductible.

If an asset costs more than \$20,000, but is only used partially in a business, to a value of less than \$20,000, the deduction is not immediately allowable and the asset should be included in the small business pool.

The new laws also include changes to allow primary producers to immediately deduct capital expenditure on fencing and water facilities such as dams, tanks, bores, irrigation channels, pumps, water towers and windmills.

The assets excluded?

Assets excluded from the additional deduction include horticultural plants and in-house software allocated to a software development pool. In most cases specific depreciation rules apply to these excluded assets.

However, an eligible small business can claim an immediate deduction for the cost of purchasing business software off the shelf or developing software for use exclusively in its business where the cost is less than \$20,000.

An exception applies if the entity has previously chosen to claim deductions for in-house software under the software development pool rules. In these cases the costs need to continue to be allocated to a software development pool.

How the GST works

For a business that is registered for GST, the cost of the depreciating asset is its GST-exclusive value provided that the business can fully claim the credit. If a business is not registered for GST, the cost of the depreciating asset is its GST-inclusive value because it is not entitled to claim input tax credits.

When deductions can be claimed

The deduction is claimed in the relevant income year in which the asset is first used or installed ready for use within the period that this measure applies. Simply placing an order with a supplier will not satisfy the requirements for claiming the deduction.

What is the tax benefit?

The income tax benefit will depend on whether your small business has a taxable income. Deductions are only useful to offset against a tax liability. If your business makes a loss then a tax deduction is of limited benefit because you're not paying any tax. Losses can often be carried forward into future years but you lose the cash benefit of the immediate deduction. The non-commercial losses rules may also prevent claiming the business loss against other sources of taxable income.

The benefit of the tax deduction will be 28.5% of the value of the purchase price of the asset for the 2016 financial year, following the tax rate reduction from 1 July 2015 for small business entities from 30%.

Should you have any queries in relation to availability of the deductions, contact us to speak to one of our tax specialists.

FUEL TAX CREDITS

The next 6 monthly rate change for fuel tax credits due to indexation commenced from 1 August.

Now that the fuel tax credit rates are changing regularly, it is very important to keep good records to support your claim. For fuel used in heavy vehicles you are required to apply the applicable rate on the date you acquired the fuel.

USE OF FUEL	TYPE OF FUEL	FROM 2 FEBRUARY 2015	FROM 1 AUGUST 2015
Vehicle greater than 4.5 tonnes GVM travelling on a public road	Petrol or diesel	12.76 cents	13.06 cents
Specified off-road activities	Petrol or diesel	38.9 cents	39.2 cents
To power auxiliary equipment of a heavy vehicle travelling on public roads	Petrol or diesel	38.9 cents	39.2 cents
Fuel for domestic heating	Kerosene & heating oil	38.9 cents	39.2 cents

ATO LAUNCHES VOICE AUTHENTICATION

Australians who contact the Australian Tax Office by phone are now being given the option to record a small 'voiceprint' which may be used to verify themselves for future calls to the ATO. This will provide future security and convenience for telephone correspondence with the ATO which will also help to deter, prevent and detect identity theft.

FRAUDULENT EMAILS & 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.

CROWDFUNDING & TAX IMPLICATIONS

Crowdfunding is the practice of using social media and the internet to raise funds and supporters for a particular project or venture. There may be tax consequences if you are involved in crowdfunding, depending on the nature of the arrangement, your role and your circumstances.

If you are receiving funds through crowdfunding it is important to determine if this is taxable income and if your transactions could be subject to GST. If the project is determined to be a business, then records should also be maintained for any allowable deductions associated with the venture.

If you provided money to a crowdfunding project and receive a financial return, this could be assessable income.

CARS & TAX

The depreciation cost limit for cars in the 2015-2016 financial year remains unchanged at \$57,466. This also means the maximum amount of GST credit which can be claimed for a car is limited to 1/11th of the car limit being \$5,224. A business cannot claim any GST credit for any luxury car tax paid on the purchase of a vehicle.

The luxury car tax threshold has increased to \$63,184 from 1 July 2015 with a higher threshold of \$75,375 available for fuel efficient luxury cars.

The car allowance from 1 July 2015 is now a flat 66 cents per kilometre, rather than a tiered rate dependant on engine capacity.

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FINANCE ARTICLE: HOW TO MAXIMISE YOUR LOAN BORROWING CAPACITY



WHAT AFFECTS A LOAN AFFORDABILITY

Loan borrowing capacity can be affected by what liabilities a person has (eg credit cards, store accounts, store finance, personal loans & vehicle finance).

- Excessive credit card limits and credit cards held and not used will reduce your loan borrowing capacity.
- Income will also determine your loan borrowing capacity. A person investing in property will increase income with the rent they'll receive which increases loan borrowing capacity.
- Living expenses affect loan borrowing capacity.
- Non deductible debt verses deductible debt (ie negative gearing). Lenders allow for negative gearing for investors in serviceability which increases loan borrowing capacity.

HOW TO MAXIMISE YOUR LOAN BORROWING AFFORDABILITY & MEET THE LENDERS CRITERIA

- Reduce credit card limits to manageable levels and cancel or close unused credit card accounts.
- Consolidate debt – By consolidating credit cards, loans, debt etc this reduces monthly commitments on these debts and there is additional income for servicing a new loan.
- Budget living expenses (entertainment, restaurants etc) which increases savings and increases borrowing capacity.
- Have tax returns completed and lodged, as lenders will require current financial details for a loan application.

- Increase repayments on non deductible debt (home loans etc) to repay these loans quicker and also increase equity in a property to use for investment.

STRUCTURE LOANS TO INCREASE BORROWING AFFORDABILITY

- Having split loans, being a separate loan for the investment property purchase, and as such the investment loan would be Interest Only which enables better management of the investment (ie maximise tax benefits with negative gearing) and maximise cash flow for loan servicing.
- Having split banking (ie with two lenders) can increase loan borrowing capacity with multiple investment properties.
- If all loans are with one lender then borrowing capacity can be reduced with that lender, being the way that lender assesses the total loans held with it. If loans are with other lenders then this gives them greater borrowing capacity as those loans are not assessed at a higher repayment level, but at actual repayments.

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

Contact DFK ANZ on

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UPCOMING KEY DATES & DEADLINES

21 SEPTEMBER 2015	August Monthly Activity Statement due for lodgement and payment
30 SEPTEMBER 2015	Annual TFN Withholding Report – due date for lodgement when a trustee is required to withhold amounts from beneficiaries in a closely held trust
21 OCTOBER 2015	September Monthly Activity Statement due for lodgement and payment
21 OCTOBER 2015	Annual PAYG Instalment Notice due for lodgement and payment
21 OCTOBER 2015	Quarterly PAYG Instalment activity statement due for lodgement and payment for head companies of a consolidated group
28 OCTOBER 2015	Superannuation Guarantee Contributions due for payment for July – September 2015 quarter
28 OCTOBER 2015	July – September 2015 Business Activity Statement due for paper lodgement and payment
31 OCTOBER 2015	Due date for lodgement of 2015 Income Tax Return for all entities with one or more prior year returns outstanding at 30 June 2015
21 NOVEMBER 2015	October Monthly Activity Statement due for lodgement and payment
26 NOVEMBER 2015	July – September 2015 Business Activity Statement due for electronic lodgement and payment
1 DECEMBER 2015	2015 Income Tax Payment required for Large and Medium taxpayer (lodgement due 15 January 2016)
1 DECEMBER 2015	2015 Income Tax Payment due for companies and super funds when lodgement of return required on 31 October
21 DECEMBER 2015	November 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.

General Enquiries exec@dfkanz.com

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IMPORTANT: Information contained in this newsletter is not advice. Clients should not act solely on the basis of material contained in this bulletin. Items herein are general comments only and do not constitute or convey advice per se. Also changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. The bulletin is issued as a helpful guide to our clients and for their information.