



**dfk**

## DFK AUSTRALIA NEW ZEALAND BUSINESS & TAXATION BULLETIN

keeping you informed **summer 2015**

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### LAST YEAR OF THE SCHOOLKIDS BONUS

The SchoolKids bonus is being phased out with the final instalment being July 2016. The SchoolKids bonus is available to a parent or carer receiving Family Tax Benefit Part A for a dependant child in primary or secondary education and the family adjusted taxable income is less than \$100,000.

From 1 January 2016, eligible families will receive SchoolKids Bonus in instalments in January and July as follows;

- Two \$215 instalments for each primary school child, totalling \$430 a year
- Two \$428 instalments for each secondary school child, totalling \$856 a year

These payments will be made electronically through the Department of Human Services.

### GIC & SIC RATES

The ATO has published general interest charge (GIC) and shortfall interest charge (SIC) rates for the second quarter of the 2015-16 income year.

The GIC annual rate for October – December 2015 is 9.14%, and the SIC rate is 5.14%.

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## CHRISTMAS FUNNY – THE TAX SYSTEM EXPLAINED IN BEER

Suppose that every day, ten men go out for beers and the bill for all ten comes to \$100. If they paid their bill the way we pay our taxes, it would go something like this:

- The first four men (the poorest) paid nothing
- The fifth person would pay \$1
- The sixth person would pay \$3
- The seventh person would pay \$7
- The eighth person would pay \$12
- The ninth person would pay \$18
- The tenth man (the richest) would pay \$59

So that's what they decided to do.

The ten men drank in the bar every day and seemed quite happy with the arrangement, until one day, the owner threw them a curve ball. "Since you are all such good customers," he said, "I'm going to reduce the cost of your daily beer by \$20." Drinks for the ten men would now cost just \$80.

The group still wanted to pay their bill the way they paid their taxes. So the first four men were unaffected. They would still drink for free. But what about the other six men? How could they divide the \$20 windfall so that everyone would get his fair share?

They realised that \$20 divided by six is \$3.33. But if they subtracted that from everybody's share, then the fifth and sixth man would each end up being paid to drink his beer.

So the bar owner suggested that it would be fair to reduce each man's bill by a higher percentage the poorer he was, to follow the principle of the tax system they had been using, and he proceeded to work out the amounts he suggested that each should now pay.

- So the fifth man, like the first four, now paid nothing (100% saving).

- The sixth now paid \$2 instead of \$3 (33% saving).
- The seventh now paid \$5 instead of \$7 (28% saving).
- The eighth now paid \$9 instead of \$12 (25% saving)
- The ninth now paid \$14 instead of \$18 (22% saving)
- The tenth now paid \$49 instead of \$59 (16% saving)

Each of the six was better off than before. The first four continued to drink for free. But, once outside the bar, the men began to compare their savings.

"I only got a dollar out of \$20 saving," declared the sixth man. He pointed to the tenth man, "but he got \$10!"

"Yeah, that's right," exclaimed the fifth man. "I only saved a dollar too. It's unfair that he got then times more benefit than me!"

"That's true!" shouted the seventh man. "Why should he get \$10 back, when I only got \$2? The wealthy get all the breaks!"

"Wait a minute," yelled the first four men in unison, "we didn't get anything at all. This new system exploits the poor!"

The nine men surrounded the tenth and beat him up.

The next night the tenth man didn't show up for drinks so the nine sat down and had their beers without him. But when it came time to pay the bill, they discovered something important. They didn't have enough money between all of them for even half the bill!

The people who already pay the highest taxes will naturally get the most benefit from a tax reduction. Tax them too much, attack them for being wealthy and they just may not show up anymore. In fact, they might start drinking overseas, where the atmosphere is somewhat friendlier.

## ACTIVITY STATEMENT & MYGOV ACCOUNTS

If you are an individual or sole trader and you have a myGov account linked to the ATO, you will no longer receive a paper activity statement. All future activity statements or instalment notices will be sent electronically with a message delivered to your myGov Inbox.

## PAYG INCOME TAX INSTALMENT CHANGES

From 1 January 2016 companies or corporate groups with an annual turnover of greater than \$20million will be required to pay their PAYG Income Tax Instalment on a monthly rather than quarterly basis. The first monthly PAYG Instalment for January 2016 will be due for payment on 21 February 2016.

## SUPERANNUATION PRESERVATION AGE

The gradual change in preservation age for superannuation benefits starts to be relevant in the 2016 financial year. Your preservation age is the minimum age at which you can access your preserved super benefits without meeting another condition of release and is based on your year of birth.

Your preservation age will be 55 if you were born before 1 July 1960 and if you were born after this date, you will have a higher preservation age of:

- 56 – if you were born between 1 July 1960 and 30 June 1961
- 57 – if you were born between 1 July 1961 and 30 June 1962
- 58 – if you were born between 1 July 1962 and 30 June 1963
- 59 – if you were born between 1 July 1963 and 30 June 1964
- 60- if you were born after 30 June 1964

To access your preserved super in the 2015-16 financial year, you must have turned 55 before 1 July 2015.

## TIME LIMIT ON GST & FUEL TAX CREDITS

Most businesses promptly claim a GST or Fuel Tax Credit as it is crucial for their business cashflow, however it is important to remember that a 4 year time limit exists from the time a business first became entitled to the credit. If a claim is made to the ATO for a credit after the four year time limit, it will not be refunded.

## WEBSITE COSTS IN YOUR BUSINESS

Most small and large businesses have a website in order to reach new and existing customers with information and sometimes provide a sales platform.

If you incur website development costs prior to the commencement of your business, the costs can be claimed as an income tax deduction over 5 years once business has started.

Once a business has commenced, if it is a small business (aggregated turnover less than \$2million) then the instant asset write off threshold (\$20,000) can be applied to website development costs, otherwise the general small business pool depreciation rate of 30% applies.

If costs are allocated to a software development pool or the simplified depreciation rules do not apply then a business may deduct 20% of the cost per year.

Website costs which are considered 'on-going maintenance' of the site such as registration fees and hosting costs are deductible as they are incurred.

## FINANCE ARTICLE TIPS ON PAYING OFF YOUR HOME LOAN & SAVING INTEREST

**With historically low interest rates, now is a good time to take stock of your finances. Many people want to achieve their goal of home ownership and now is as good a time as any to look at some of the measures that can see this happen sooner rather than later.**

### Make extra repayments

When you boil it right down, all of the strategies for paying off your loan more quickly involve making extra payments and/or more frequent repayments. You can do this by making a one-off or lump sum repayment to your loan, or by increasing your regular repayments. There are a number of strategies for doing this. Making extra repayments whenever you receive extra income is a valuable habit. For example, when you receive your tax return put the payment straight towards repaying your home loan.

One simple way to increase repayments is to take your monthly repayment, halve it and pay that amount each fortnight. This is equal to making an extra month's repayment every year. While you're at it, if you can make some small lifestyle changes, like not buying your lunch, or buying one less coffee per day you can add an extra \$25 or \$30 per week to your repayment. You probably won't notice the difference but your home loan will.

### Offset account

An Offset account is a deposit account that is linked to your home loan. The funds in your offset account do not earn interest. Instead the balance in your offset account is offset against the balance of your linked home loan, reducing the amount of interest you pay in relation to your home loan.

### Review your loan

Is your loan still right for you? Are you paying for features that you don't use, or do you need more flexibility? Does your loan let you make extra repayments or does it penalize you for paying your loan off early? Switching to a 'no-frills' loan, requesting a 'professional loan package' or consolidating your accounts may reduce the interest rate or fees payable on your loan. Switching to a fixed rate loan is a common way for borrowers to obtain certainty in times of rising interest rates.

### Know your fees

Lenders charge different fees, so be cognisant of any incidentals that may not be captured in the interest rate.

### Beware of interest only

Don't select an interest-only loan if you want to repay it quickly. Always opt for principal plus interest. When borrowers "set and forget" their mortgage, they usually pay too much interest and have the debt longer than they should.

As you can see there is no secret to paying your home off sooner, you just need to make sure that you have the right loan for your situation set up in the right way.

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## FEATURE ARTICLE **CHANGES TO THE FOREIGN INVESTMENT REVIEW BOARD RULES**

**The Australian Government has recently announced the introduction of new disclosure rules and fees for all foreign investment in Australia.**

The current rules require the following investors to register and seek approval with the Australian Government's Foreign Investment Review Board:

### **1. Foreign Governments**

All foreign government investors must notify the Australian government and get prior approval before making a direct investment in Australia

### **2. Privately-owned foreign investors – business acquisitions**

Foreign persons should notify and get prior approval before acquiring a substantial interest in, or control of, an Australian business that is valued above \$252 million. Foreign persons also need to notify for prior approval if they wish to acquire a substantial interest in an offshore company whose Australian subsidiaries or gross assets are valued above \$252 million.

### **3. Privately-owned foreign investors – agricultural/rural land**

Foreign persons must seek prior approval for a proposed acquisition of an interest in rural land where the cumulative value of rural land that the foreign person (and any associates) already holds exceeds, or immediately following the proposed acquisition is likely to exceed, \$15 million.

### **4. Privately-owned foreign investors – real estate**

Regardless of value, foreign persons generally need to notify the Government and get prior approval to take an interest in residential real estate, vacant land or to buy shares or units in Australian urban land corporations or trusts. Foreign persons also need to notify for prior approval if they want to take an interest in developed commercial real estate that is valued at \$55 million or more.

## **RESIDENTIAL REAL ESTATE DETAILED EXPLANATION**

### **Temporary Residents**

Temporary residents may acquire one established dwelling (second-hand) only and it must be used as their primary place of residence in Australia.

They may not rent the property and it must be sold once it ceases to be primary place of residence or the temporary resident departs Australia. Temporary residents are not permitted to buy established dwellings as investment properties.

Temporary residents are allowed to purchase new dwellings (purchased directly from the developer and not previously occupied for more than 12 months in total) and vacant land for residential development. However, they must apply to the FIRB for approval of these purchases.

### **Foreign Non-Residents**

Foreign Non-Residents cannot buy established dwellings as investment properties or as homes. They may acquire an existing dwelling for the purpose of redevelopment (demolish an existing dwelling and replace it with multiple dwellings). However, there has been talk in the media that the Government is looking to tighten up the rules and no longer allow the purchase for redevelopment.

Foreign Non-Residents are allowed to purchase new dwellings and vacant land for development.

## **NEW RULES – FEES FOR ALL FOREIGN INVESTMENT APPLICATIONS**

Fees on all new foreign investment applications will commence from 1 December 2015. Any applications prior to this date will have no application fees charged. The fees will be required to be paid before the investment application is processed. The 30 day time period for assessment will commence after the payment of the fee.

Fees include the following

- Residential property valued at \$1 million or less - \$5,000
- Residential property valued over \$1 million - \$10,000 plus \$10,000 for each additional million
- Commercial real estate - \$25,000
- Business Acquisitions valued at less than \$1 billion - \$25,000

- Business Acquisitions with value greater than \$1 billion - \$100,000

- Internal Re-organisations - \$10,000

## **NEW RULES – REGISTRATION WITH THE AUSTRALIAN TAXATION OFFICE**

### **Agricultural/rural land interests**

The new rules require registration of agricultural interests with ATO regardless of land value. All existing holdings must be registered by 31 December 2015. Any new interests or changes in holdings of agricultural land must be registered within 30 days. The following details will be required for registration: entity details, Foreign Investment Review Board approval number (if applicable), land location, size and usage details, land title information, size or level of foreign interests.

Register agricultural land interests at [www.ato.gov.au/aglandregister](http://www.ato.gov.au/aglandregister).

### **Australian Residential Real Estate**

From 1 July 2016 ATO will record foreign ownership of all Australian Residential real estate.

All breaches to the Australian Residential Real Estate rules should be disclosed by 30 November 2015 to take advantage of reduced penalties:

- Breach includes failure to seek approval from FIRB prior to purchasing new residential real estate in Australia or breached conditions of approval (such as renting out premises or purchased additional properties while on provisional visa)
- May receive retrospective approval and up to 12 months to divest the property
- Avoid criminal prosecution and penalties
- New penalties apply for those who do not follow the rules from 1 December 2015
- Disclose at [www.ato.gov.au/rpp](http://www.ato.gov.au/rpp)

 **GREAT PEOPLE THAT  
KNOW & UNDERSTAND ALL LEVELS OF  
BUSINESS & FINANCE**

## UPCOMING KEY DATES & DEADLINES

1 DECEMBER 2015	2015 Income Tax Payment due for companies and super funds when lodgement of return required on 31 October
1 DECEMBER 2015	2015 Income Tax Payment due for Large/Medium taxpayers, companies and super funds
1 DECEMBER 2015	2015 Income Tax Payment due for head companies of a consolidated group deemed a large/medium taxpayer
21 DECEMBER 2015	November Monthly Activity Statement due for lodgement and payment
15 JANUARY 2016	Income Tax Return due for lodgement for large/medium entities – payment already made on 1 December 2015 for companies and superannuation funds
21 JANUARY 2016	Quarterly PAYG Instalment Activity Statement due for lodgement and payment for head companies of a consolidated group
28 JANUARY 2016	Superannuation Guarantee Contributions due for payment for October – December 2015 quarter
21 FEBRUARY 2016	December 2015 and January 2016 Monthly Activity Statement due for lodgement and payment
28 FEBRUARY 2016	October - December 2015 Business Activity Statement due for paper or electronic lodgement and payment
28 FEBRUARY 2016	2015 Income Tax Return required for lodgement for all non-taxable large/medium taxpayers
28 FEBRUARY 2016	2015 Income Tax Return due for all new registrants in 2015 year (excluding individuals)
28 FEBRUARY 2016	Annual GST return or information report due for lodgement and payment
21 MARCH 2016	February Monthly Activity Statement due for lodgement and payment
31 MARCH 2016	2015 Income Tax Return due for individuals with a liability of greater than \$20,000 per last year lodged
31 MARCH 2016	2015 Income Tax Return due for companies and super funds with total income in excess of \$2million last year

## 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](mailto:exec@dfkanz.com)

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