



DFK AUSTRALIA NEW ZEALAND BUSINESS & TAXATION BULLETIN

keeping you informed **summer 2016**

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CHRISTMAS GIFTS & PARTIES

As the festive time approaches, there are work Christmas parties to be planned and gifts purchased for staff. During this time it is important to take the Fringe Benefits Tax rules into consideration to ensure Christmas does not cost more than expected.

If your Christmas party is provided to employees only, on your business premises and during work hours, it is an exempt fringe benefit. Additionally, if the party is held at an alternative location and the cost is less than \$300 per employee or associate then it may be regarded as a minor fringe benefit and therefore exempt. It is also important to remember that any entertainment expenses which are FBT exempt are therefore not deductible for income tax. Gifts provided to employees will be FBT exempt if the gift is valued at less than \$300 as it will be considered a minor fringe benefit.

It is currently the Australian Tax Office's view that each benefit is considered individually when applying the \$300 threshold for a minor benefit, rather than looking at the sum of total fringe benefits provided to an employee over a period.

GIC & SIC RATES

The ATO has published general interest charge (GIC) and shortfall interest charge (SIC) rates for the second quarter of the 2016-17 income year.

The GIC annual rate for October – December 2016 is 8.76%, and the SIC rate is 4.76%.

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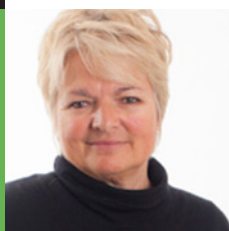
**STEPHEN
Bushell**

DFK ANZ Chairman
B.Bus FCA FTI



**LIZ
Binet**

Executive Officer
MBA



LAST CHANCE FOR 5% HELP REPAYMENT BONUS

Until 31 December 2016 if you make a voluntary HELP debt repayment of \$500 or more, you will receive a 5% bonus to assist in reduction of the loan amount. If your loan balance is less than \$500 and you repay the loan in full, then you will also receive a 5% bonus.

A voluntary repayment is an amount paid over and above the compulsory amount that is automatically calculated through your income tax return. From 1 January 2017 the voluntary repayment bonus will no longer apply.

In order to make a payment, please log onto myGov to obtain the Payment Reference Number (PRN) and then make payment via Bpay or Credit Card.

MAJOR SUPERANNUATION CHANGES

The largest overhaul of the superannuation system for 10 years has been passed through parliament. The changes impact upon all individuals and how they plan for their retirement savings. Below is a very brief overview of the changes:

- **Concessional Contributions Cap**
Reduced from \$30,000 or \$35,000 for an over 50 year old to one limit for everyone of \$25,000.
- **Removal of Income Test**
Previously personal super contributions were only tax deductible to an individual if less than 10% of their income came from salary and wages. This test has been removed to make it easier for all individuals to top-up their superannuation balance, subject to contributions caps.
- **Div 293 Tax Income Threshold reduced**
Individuals with adjusted taxable income of \$250,000 will now have to pay an additional 15% tax on all concessional superannuation contributions.

- **Catch up Contributions**
An individual with a superannuation balance of less than \$500,000 and who has not used their full concessional contributions cap in the previous 5 years may make additional contributions over the concessional cap in the current year.
- **Limit on Non-Concessional Contributions**
Individuals whose superannuation balance is greater than \$1.6million cannot make any further non-concessional contributions.
- **Lower Non-Concessional Contributions Cap**
The cap is reduced from \$180,000 to \$100,000 per year however the ability to 'bring forward' two years worth of contributions remains.
- **Low Income Superannuation Tax Offset**
A tax offset available for individuals with income up to \$37,000, by receiving a refund into their superannuation account for tax paid on concessional contributions up to a limit of \$500.
- **Transition to Retirement Pensions**
Removal of tax-free exemption of earnings for transition to retirements pensions.
- **Limit on Account Based Pensions**
A \$1.6million limit on amounts transferred into account based pensions which receive tax-free earnings. Any superannuation balances exceeding this amount will be taxed at 15%.
- **Temporary CGT Relief**
For pension account balances that exceed \$1.6million and are required to be moved back into accumulation, the assets will have a reset cost base at 1 July 2017.

To find out how these changes may impact upon your individual circumstances, please contact our specialist team.



CYBER SECURITY TIPS

In our ever increasing digital world there is always the threat of your privacy being breached, your identity stolen or financial transactions being conducted without your authority. The ATO has released their top tips for keeping you digitally safe.

- **Ensure passwords are strong and secure**
Use a combination of letters, numbers and symbols and change them regularly.
- **Ensure all devices have the latest available security updates**
Run weekly virus and malware scans.
- **Use a spam filter on your email account**
Always use a filter and never open unsolicited emails. Always be wary of attachments that are unknown, even if the sender is someone you know.
- **Secure your wireless network**
Password protect your home network and avoid making online transactions using public or complementary wi-fi.
- **Be vigilant about what you share on social media**
Keep personal information private and consider any information shared on social media as entering the public sphere, even if you have privacy settings.
- **Treat your personal information like cash**
Only share your personal information when you are required to through an authorised process and to authorised people.

- **Monitor accounts for unusual activity or transactions**
Check accounts (bank, digital portals or social media) for transactions or interactions that you did not make.
If an organisation sends an unexpected email about changes to your account do not click on the hyperlink or open attachments. Rather, check your account immediately and contact the organisation by phone.
- **Ensure mail is secure**
Consider a PO Box if your personal mail box is unable to be secured.

Whenever digital correspondence is unexpected or slightly odd, please double check it's authenticity as it is most likely a scam.

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FEATURE ARTICLE **DEATH & TAXES**

We are quite happy to talk about the amount of tax that we pay (or don't pay) but many people are very reluctant to talk about the other certainty in life.

Many people find the subject of estate planning too confronting or have the misconception that because they aren't wealthy or don't have too many assets estate planning isn't necessary for them. However estate planning doesn't simply apply to the wealthy and regardless of the size of your estate, it is vital that you put things in place to take the pressure off your heirs during a time of personal grief.

Effective estate plans don't just cover off on what happens in the event of your death but should also cover situations where you become unable to legally function on your own. In this article we aim to give you a brief overview of what is necessary to formulate an effective estate plan.

KNOW YOUR CURRENT POSITION

This may sound obvious but to develop an effective estate plan you must first know what makes up your estate. This will include:

- Physical assets – any physical item that you own that can be deemed an asset. This will include the family home, investment properties, furniture, cars, boats, caravans, art, jewellery, collections, computers, cameras, etc. We recommend that you create a list of these assets and record their values next to each item, but that the list be limited to assets that have a value of more than \$100;
- Non-physical assets – these will include bank accounts, share investments, managed fund investments, loans that you may have made to relatives, their entities or unrelated third parties, superannuation benefits, insurance policies. We recommend that you create a list of these assets and record their values next to each item, however unlike the physical assets we don't recommend limiting the values of items to include on the list. We would also recommend that for bank accounts you include the financial institution and account details whilst for share investments you should record your Holder Identification Number (HIN) if known. If you have made loans to third parties you should have formal loan agreements in place so that the debts can be legally called upon without dispute at a later date;

- List your liabilities – this will include property loans, business loans, personal loans, car loans, credit cards, other investment loans. We recommend that the list include the financial institutions that made the loans together with their account numbers and current balances. In addition you should stipulate how you would like these liabilities to be extinguished in the event of your death.

HAVE A CURRENT WILL

Your Will stipulates how you want your liabilities extinguished and how you want the remainder of your assets distributed. Without a current Will your wishes may not be carried out and potentially cause your heirs considerable distress. An effective Will can also avoid nasty legal disputes between family members which only serve to erode the value of your estate.

Your Will can be as simple or as complex as you would like and is generally determined by the value of your estate, the nature of the assets held in your estate and your family relationships. At all times your Will should reflect your wishes and be drawn up by an appropriately qualified estate planning solicitor to ensure that it is legally enforceable so that your wishes will be carried out.

If you already have a Will but your personal, business or financial situation has changed since your Will was created then your Will may be invalid or outdated, so it's important to revise it to accommodate these changes.

ENSURE YOUR WILL NAMES A SUITABLE EXECUTOR

Your executor is the person(s) who will ensure your Will is carried out according to your wishes. You will not be around to oversee the distribution of your estate and as such it is pivotal that the person you select as executor be trustworthy. In considering who to appoint as your executor(s) you should take into account matters such as:

- Whether the person(s) have the resources and time to devote to what can be a complex and time consuming task?
- Whether they would take an impartial role in any family disputes?
- Whether they are willing to accept the legal responsibilities of being executor

If you cannot find a suitable executor you may want to consider a professional executor. The use of a professional executor will come at a cost and impact on the value of your estate that is available for distribution.

HAVE YOUR WILL CATER FOR YOUNG CHILDREN OR COMPLEX FAMILY SITUATIONS WHERE REQUIRED

Any family situation that involves marriage, divorce, blended families, spendthrift children or those who need special care (such as disabled family members) requires careful planning. Failure to take into account complex family situations can lead to messy and costly litigation from person(s) contesting your Will which may lead to your estate being left to those other than those selected by you. The impact of this can not only be financially crippling to your estate but the emotional impact it has on your loved ones is irreversible.

Estate planning can help reduce any future issues and provide greater financial security for your loved ones.

Establishing a testamentary trust provides you with the ability to provide ongoing support and maintenance to a minor until they reach an age where they can manage their own financial affairs. Similarly, if you want to leave an inheritance to someone with a legal disability then the use of a testamentary trust may be beneficial. A testamentary trust is a special trust that comes into existence on your death and is settled from assets that you leave to it under your Will. As part of your Will you establish the terms of this trust such as who the trustees are, how long the trust is to run for, how the income and capital is to be distributed, etc.

LEAVING A GIFT TO THE COMMUNITY

Your Will may stipulate making a special bequest to a community organisation, however establishing a charitable trust can be tax effective alternative which provides a gift that will keep on giving well beyond your time here on earth. Rather than a one-off donation to a charity, money in a charitable trust is invested and any income earned is distributed to the charitable cause, resulting in gifts being made year after year.

This can be established during your lifetime or as part your estate plan, however they do require ongoing administration and you will need to consider who will manage the affairs of the charitable trust after your death.

PREPARE A LETTER OF REASONING

Your Will sets out how your assets and liabilities are to be dealt with after you die. What it doesn't do is set out the reasons behind your decision. Attaching a letter setting out the reasons behind your estate plan is just as important as the Will itself. Setting out the reasons why you have left certain items to one family member over another or have excluded someone completely may reduce the possibility that someone will challenge your Will. In the event that someone does challenge your Will the courts will be able to take your reasoning into account. Without such a letter the courts will have to make assumptions as to why your Will was drafted in a certain manner – remember you will not be around to be able to provide any additional input.

ENSURE THAT YOUR SUPER BENEFITS ARE APPROPRIATELY DEALT WITH

Your superannuation benefits are not covered by your Will, unless you specifically request that your death benefits be left to your estate. Whether you belong to a public superannuation fund or have a personal self-managed superannuation fund, providing your superannuation fund trustee with a Binding Death Benefit Nomination (BDBN) is essential.

A BDBN is a legal document requiring the trustee to pay your death benefits to your nominated beneficiary(s). Please note that under current superannuation legislation there are restrictions as to whom you can leave your superannuation death benefits to. Care should also be taken when completing the BDBN to ensure that it is completed and executed in accordance with the superannuation fund's requirements otherwise the BDBN may be invalid or subject to challenge resulting in your death benefits being dealt with in a manner contrary to your wishes.

Some BDBNs only have a life span of 3 years before they need to be reviewed, whilst other may have an indefinite life span and others automatically cease to be effective upon certain events (such as divorce or separation). You should obtain a good understanding of how your superannuation death benefits are to be dealt with and review them on a regular basis.

It is also important to consider how your superannuation benefits will be taxed when they are paid out. Under current tax laws benefits paid to a death benefit dependant will be tax-free whilst benefits paid to your estate may be subject to income tax. The amount of income tax payable will be impacted by the makeup of your superannuation benefits and you should seek tax advice regarding the tax implications to ensure that your superannuation death benefits are not taxed excessively.

ENSURE TAXES DON'T DIMINISH THE VALUE OF YOUR ESTATE

With the correct structures in place, you can help minimise tax on your estate and maximise the inheritance you leave to your heirs.

We recommend that prior to finalising your estate plan that you have it reviewed by an estate planning tax expert to ensure that it not only complies with your wishes but is also tax effective.

Some strategies to minimise tax on your estate may require taking action prior to your death. For example where there are no death benefit dependents it may be more tax effective for you to withdraw your superannuation benefits prior to your death and have them form part of your general estate tax-free.

Alternate structures may achieve your desired outcomes without the tax implications and you should ask your tax adviser to explore these as well. This might include establishing a trust now which you can manage whilst you are alive and then appoint an alternative trustee upon your death.

ENSURE YOU HAVE AN ENDURING POWER OF ATTORNEY

An Enduring Power of Attorney (EPOA) is a legal document that nominates someone to act on your behalf and that this power will continue should you lose capacity in the future to make legally binding decisions. This contrasts with a General Power of Attorney which ceases the moment you lose the ability to enter into legally binding contracts. Situations where you may wish to have an EPOA include:

- You become unexpectedly ill or have an accident.
- You are developing an illness (or have a predisposition to one) such as dementia or Alzheimer's disease where you may not be in a position to make legally binding decisions in the future.

An EPOA must be given whilst you are still able to enter into legally binding contracts. Without an EPOA, your family would need to apply to a state authority to appoint an administrator to manage your affairs. This may place an undue emotional burden on your family who may already be suffering from the traumatic events that lead to your situation. In addition your assets may be frozen for a lengthy period and decisions could be made that are not in line with your wishes.

ENSURE YOU HAVE AN ENDURING GUARDIANSHIP

An EPOA nominates someone to look after your personal affairs, however it does not give them the authority to make decisions about your personal well-being. An Enduring Guardianship nominates someone in advance to act on your behalf should you lose capacity in the future to make decisions about your personal well-being. This includes situations where you:

- Unexpectedly become ill or have an accident.
- Are developing an illness (or have a predisposition to one) such as dementia or Alzheimer's disease where you may not be in a position to make financial decisions in the future.

An Enduring Guardianship may include the authority to make decisions regarding:

- Whether to continue with life support.
- Whether to commence or cease treatment for a medical condition.

If you want to be specific regarding your wishes then you should issue your Enduring Guardian with an Advance Medical Directive. This is a document that sets the medical directions that you want to be carried out should you become incapable of making the decision yourself. This directive may cover a limited number of situations such as whether you wish to be resuscitated, or are to receive a blood transfusion or can be all encompassing to cover things such as whether you want to be put on life support,

ENSURE THAT YOU HAVE ADEQUATE PERSONAL INSURANCE COVER

Having a loved one die or become permanently disabled is a traumatic experience and maintaining the right types and levels of personal insurance can help reduce the financial burden to you and your family in a crisis.

The right type and level of insurance can help to repay debts, ensure that there are sufficient funds to provide an income stream that allows your family to maintain their current lifestyles, and to provide an income stream to cover additional costs incurred as a result of your death or permanent disability. No estate plan would be complete without a thorough review of your insurance needs. We recommend that you seek advice from a suitably qualified personal insurance specialist to ensure that you have the adequate level of cover to maximise the inheritance left to your heirs.

IF YOU RUN A BUSINESS ENSURE YOU HAVE A BUSINESS SUCCESSION PLAN

There are a multitude of questions that need to be addressed when you operate a business, especially where the business is being conducted jointly with another party. Some of the questions that need addressing may include:

- What will happen to your business when you die?
- Will your business partner take over?
- Will your family be compensated for any stake you have in the business?
- Will business be able to continue should you be forced to leave or die?

An effective succession plan should make provisions for these scenarios to ensure that your business affairs are managed according to your (and your business partner's) wishes and that any family members are accounted for. This may include each business owner taking out a life policy on the other business owner(s) and enter into a buy sell agreement to purchase the other business owner's share of the business should they die or become incapable of continuing in the business. The formulation of the buy sell agreement should be done in conjunction with your business adviser and appropriately qualified legal adviser. Once this has been established and an estimate of the business value determined you should consult an appropriately qualified professional personal insurance consultant for the right type and level of cover to hold in conjunction with the buy sell agreement.

SO I HAVE PUT ALL THIS IN PLACE – WHAT NOW?

An effective estate plan is one which is like a pot plant - it needs regular attention for it to reach its full potential. The key to any effective estate plan is to regularly review it as your life changes (birth of children or grandchildren, marriage, divorce, death of a partner etc).

In addition to the many changes in your personal circumstances legislation and case laws are always being modified and as such even if your personal circumstances haven't changed we recommend reviewing your estate plan every 3 years. This doesn't necessarily mean that you need to amend your estate plan you just need to ensure that it remains the most appropriate for your circumstances. For an estate plan to be effective people need to know of its existence. Far too often we see people go to the trouble of formulating and putting into effect an estate plan, and when the time comes for it to be utilised no-one knows about it or doesn't know where the documents are located. You should tell your executor and someone close to you where your Will and other estate documents are located so that in the event that they are required someone knows where to find them.

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

FINANCE ARTICLE WHEN WAS YOUR LAST FINANCIAL CHECK-UP?

Summer is usually the time we are most motivated to improve our lives, whether it's by losing those extra winter kilos or finishing that renovation. While reassessing and changing other areas of your life, why not look in to your financial health for a quick check-up?



Creating budgets and saving money aren't usually things we like to talk about, but checking in on our financial health every once in a while could mean the difference between reaching our financial goals and being unaware of what our financial goals even are.

If it's been a while since you evaluated your financial position, where should you start?

Before you start budgeting, set some financial goals. These could be short-term goals like a weekend vacation, a new pair of shoes or a new car. Also look at the long-term goals, such as owning your home, being debt free, or diving into property investment.

Set a timeframe in which you want to achieve these goals and design your budget accordingly. Having clear, achievable goals will keep you on track to financial freedom and help you live your ideal lifestyle.

A budget is a great way to keep track of all of your expenses and income. Use this on a weekly, fortnightly or monthly basis to monitor your cash flow. It is important to consider all expenses you may incur, remembering to include things like registration, insurance and taxes, which may not be due on a regular basis.

Setting a budget is also a great way to find areas where you might be able to cut back, allowing you to find the extra money to achieve your goals. This may be as simple as skipping your afternoon coffee or reducing your gym membership. Every little saving helps you get closer to your financial goals.

The next area to consider in your financial health check is your mortgage and personal loans. Are these still working in your favour? Could you be getting a better deal?

You should seek professional advice when it comes to evaluating your loans, as there might be hidden terms and conditions that could limit what you can and can't do. This could include being locked in to your loan for a certain period of time, break costs or switching fees if you choose to switch your loan.

Summer is a great time to evaluate your financial health and make changes to achieve your financial goals sooner. If you would like help with your financial health check, give us a call today.



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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.

UPCOMING KEY DATES & DEADLINES

1 DECEMBER 2016	2016 Income Tax Payment due for companies and super funds when lodgement of return required on 31 Oct
1 DECEMBER 2016	2016 Income Tax Payment due for large and medium entities
21 DECEMBER 2016	November 2016 Monthly Activity Statement due for lodgement and payment
15 JANUARY 2017	2016 Income Tax Return due for lodgement for large and medium companies and super funds
21 JANUARY 2017	December 2016 Monthly Activity Statement due for lodgement and payment (except for small business clients)
21 JANUARY 2017	Quarterly PAYG Instalments activity statement due for lodgement and payment for head companies of a consolidated group
28 JANUARY 2017	Superannuation Guarantee Contributions due for payment for Oct – Dec 2016 quarter
21 FEBRUARY 2017	December 2016 Monthly Activity Statement for small businesses due for lodgement and payment
21 FEBRUARY 2017	January 2017 Monthly Activity Statement due for lodgement and payment
28 FEBRUARY 2017	2016 Income Tax Return due for lodgement for all non-taxable large and medium entities as per the last year lodged
28 FEBRUARY 2017	2016 Income Tax Return due for lodgement and payment for all new registrants
28 FEBRUARY 2017	October – December 2016 Business Activity Statement due for lodgement and payment
21 FEBRUARY 2017	February 2017 Monthly Activity Statement due for lodgement and payment
28 FEBRUARY 2017	2016 Income Tax Return due for lodgement for all non-taxable large and medium entities as per the last year lodged
28 FEBRUARY 2017	2016 Income Tax Return due for lodgement and payment for all new registrants
28 FEBRUARY 2017	October – December 2016 Business Activity Statement due for lodgement and payment
21 MARCH 2017	February 2017 Monthly Activity Statement due for lodgement and payment
31 MARCH 2017	2016 Income Tax Return due for individuals and trusts whose latest return resulted in a \$20,000 tax liability
31 MARCH 2017	2016 Income Tax Return due for lodgement and payment for all new registrants

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

DFK AUSTRALIA NEW ZEALAND LTD

A Level 12, 222 Pitt Street, Sydney NSW, 2000

P PO Box Q819, Queen Victoria Building, Sydney NSW, 1230

T +61 1300 DFK ANZ **F** +61 2 9264 9294 **ABN** 52 071 231 13

dfkanz.com **exec@dfkanz.com**



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