Waugh Miller Macqueen Pty Ltd

Client Newsletter

JUNE 2019

Would you prefer this newsletter to be emailed to you in future? See page 9.

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CERTIFIED PRACTISING ACCOUNTANTS

CONTENTS:

2019 BUSINESS OUTLOOK

The 2018/19 financial year has seen mixed results, often flat business conditions and reduced profits. Is it also timely to reflect on trends which have impacted on small business such as - growing number of businesses going into receivership/ liquidation. The banking royal commission and associated concerns within the financial services reform framework, highlighted the importance of INDEPENDENT services and advise rather than accepting the large corporate view
Farm wise, 2018 produced above average outcomes in most grain growing areas, enabling businesses to consolidate equity. Again it may be timely to reflect that trends, markets and seasons can change rapidly and we have to be in the game to take advantage of positive trends.
Try to maintain proven profit production methods, and build business resilience; enabling a:

- Careful evaluation of non essential expenditure,
- Take advantage of commodity price improvement (e.g. Grains/wool in 2017/18).
- Stabilization of land asset values and avoidance of boom/bust cycles.
- Question the need for change; particularly in financial related products and understand what benefits, if any benefits, will result.

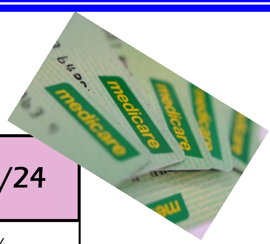
Remember, poor spending decisions in boom years can cause pain long into the future.

ATTENTION PLEASE

Please complete the attached annual 30/06/2019 **Tax Action Sheet** *and return to this office ASAP & ensure the* **Trust Income Resolutions** *are signed and returned by 30/06/2019* **(posted separately if applicable)**

ATTENTION: IMPORTANT NOTICE

TAX RATES & OFFSETS:



	Tax Rates 2018/19		Proposed Tax Rates 2023/24	
MEDICARE LEVY	$0 - $18,200	0%	$0 - $18,200	0%
From 1/7/17 - 2%	$18,201-$37,000	19.0%	$18,201 -$45,000	19.0%
	$37,001 - $90,000	32.5%	$45,001 - $120,000	32.5%
	$90,001-$180,000	37.0%	$120,001 - $180,000	37.0%
	$180,001	45.0%	$180,001	45%

Medicare Levy - Low income thresholds

Medicare Levy Low Income Threshold amount	From 1/7/2019	From 1/7/2018
Singles	22,398	$21,980
Families	$37,794	$37,090
Pension - Single	$35,418	$34,758
Pension - Couples	$49,304	$48,385

There will be no increase to existing 2% Medicare Levy in 2018/19.

Medicare Surcharge - Applies to taxpayers who do not have an appropriate level of private hospital insurance. Applies to singles with incomes above $90,000, and couples with incomes above $180,000.

Private Health Insurance Rebate - Reduced from 1/7/12 for high income earners.
Singles above $84,000,
Families above $168,000

The rate is 30% of premium, but reduces to:

Families:	Singles:	
> $176,000	> $88,000	- Rebate 20% (Surcharge if no private Health Insurance—1%)
> $204,000	> $102,000	- Rebate 10% (Surcharge if no private Health Insurance—1.25%)
> $272,000	> $136,000	- Rebate NIL (Surcharge if no private Health Insurance—1.5%)

Senior & Pensioners Tax Offset ('SAPTO") (Replaces Senior Australian Tax Offset)

SITUATION	MAX OFFSET	SHADE OUT	THRESHOLD
- Single	$2,230	$32,279	$50,119
- Each member of couple	$1,602	$28,974	$41,790

SMALL BUSINESS ENTITY - Corporate Tax rate - 27.5%
Corporate tax rate - 30% for Companies with turnover > $50M

Immediate relief for low and middle income earners:

The Low and Middle Income Tax Offset ("LAMITO") is a non-refundable tax offset that is intended to benefit Australian resident low and middle income taxpayers. Currently, the LAMITO applies from the 2019 income year to provide tax relief of up to $30, with a base amount of up to $200.

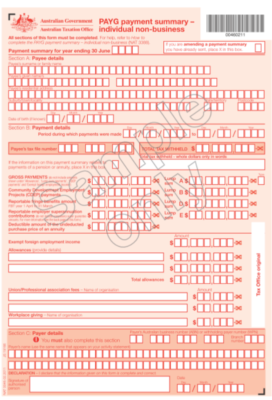
The Coalition Government has announced that it will increase the LAMITO, with effect **from the 2019 income year**, to provide **tax relief of up to $1,080** per annum, as well as an **increased base amount of up to $255** per annum. The (increased) LAMITO will be available for the 2019 income year up until the 2022 income year (inclusive) and will be received on assessment after individuals lodge their income tax return. The current and proposed LAMITO apply as follows:

LAMITO (current)		LAMITO (proposed)	
$0 - $37,000	Up to $200	$0 - $37,000	Up to **$255**
$37,001 - $48,000	$200 + 3% of excess over $37,000	$37,000 - $48,000	**$255 + 7%** of excess over $37,000
$48,001 - $90,000	$530	$48,001 - $90,000	**$1080**
$90,001 - $125,333	$530 - 1.5% of excess over $90,000	$90,001 - **$126,000**	**$1,080** - 3% of excess over $90,000
$125,334+	Nil	**$126,001+**	Nil

*If legislation not passed until after 1/7/19, then ATO will automatically amend lodged returns and issue refunds for LAMITO tax offset

IMPORTANT COMPLIANCE REQUIREMENTS

- Complete Annual 30/6/2019 “Tax Action Sheet” requirements and return ASAP (yellow sheet attached).
- Ensure Trust Income Resolutions are signed and returned by 30/6/19 (sent separately if applicable).
- Ensure employee 9.5% superannuation contributions for 30/6/19 are made by 28th July 2019.
- New Super Stream provisions—Now apply where employee super must be reported through a clearing house.
  This will allow ATO to match and check employer contributions are made and paid on time.
  IMPERATIVE that 9.5% employee superannuation is paid quarterly by 28th July, October, January and April each year.
  (Heavy penalties can apply for late and non-payments - or a superannuation guarantee charge form can be lodged and paid to the ATO).
- Single Touch Payroll (STP) - starts from 1/7/19 - Refer to Page 12 for transition arrangement.
- Car motor expense claims—The 1/3 claim method has been withdrawn, and also for incorporated businesses, the FBT reimbursement is a flat 20% (not based on annual kilometres).
  Therefore to gain any reasonable claim, small business operators will need to complete a 12 week log book to establish a business claim, otherwise each motor vehicle car claim deduction is limited to $3,400pa (5000 business kilometres x 68¢).



- Ensure 2018/19 annual wages PAYG Payment Summary is completed and sent to ATO by 31/7/19.
  Be careful to:
  - Send original employee PAYG payment summary for each employee to ATO with annual employer PAYG Summary statement.
  - Give employee copy of 18/19 PAYG Payment Summary to employees by 14/7/19.
  - Ensure summary for year reconciles with quarterly/monthly BAS reported throughout the year.
- Review Business contract arrangements to ensure compliance with Fair Work commission rules.

WORKING HOLIDAY MAKERS (BACK PACKER TAX) (“WHM”)

For Work and Holiday Visa holders of 417 Visa, 462 Visa and Bridging Visas.
From 1/01/17 - 15% Back packer tax rate on first $37,000 applies.
(Previously 32.5% rate for non residents)
Business’s must register as WHM employer with ATO, and backpacker employees are to be given a PAYG payment summary, Code ‘H’, (or place ‘H’ next to the income earned).

2019 BUDGET

A PRE-ELECTION BUDGET
NOW PASSING THROUGH PARLIAMENT

1. PERSONAL INCOME TAX RATES

1.1 As per Page 2 table, with proposed changes from:
- 1/7/2022, 19% tax bracket through to $45,000 (From $37,000)
- 1/7/2025, 32.5% Middle marginal rate reduces to 30%.

1.2 Introduction of Low and Middle Income Tax Offset (LAMITO) to increase base offset from $200 to $255 and maximum offset $530 to $1080.
This will apply for the 2018/19 year to reduce net tax payable and/or increase tax refunds (See Page 2).

1.3 Increase Medicare levy Low Income threshold (See Page 2).

2 BUSINESS TAX PAYERS

2.1 Instant asset write-off threshold increased to $30,000 from 3/4/2019.
Previously $20,000 up to 29/1/2019, and
$25,000 up to 3/4/2019. (See Page 11)
Applies to all small business entities (SBE), turning over less than $10M from 1/7/2018, and medium sized businesses with turnover less than $50M from 2/4/2019.

2.2 Deferral of Company Division 7A Loan changes to 1/7/2020 (See Page 9).

2.3 Single Touch Payroll (STP)
Expanded to include all businesses from 1/7/2019, but subject to transitional deferrals as follows:
- Employers with 5 to 19 employees can defer to 30/9/2019.
- Employers with 1 to 4 employees can defer for two years and report quarterly up to 30/6/2021.
- Closely held employers can report quarterly.

2.4 ABN system tightened, such that if tax returns are not lodged from 1/7/2021, then ABN will be cancelled.

3. SUPERANNUATION

- Removal of work test requirements for 65 and 66 year olds from 1/7/2020.
- Increase bring forward rule for 65 and 66 year olds to make up to 3 years of non concessional, non deductible contributions.

4. FLOOD RELIEF GRANTS made non taxable

5. "SHAM" Contractors - The Fair Work Ombudsman will be provided with resources to target employment relationships as independent contractors to avoid employment, superannuation and statutory requirements. (Severe penalties apply).

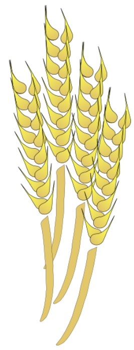
6. ATO TAX AVOIDANCE TASK FORCE
$1B over 4 years to target tax compliance by multinationals, public and private companies, trusts and high wealth individuals.

PRIMARY PRODUCTION TAX TOPICS

A. Averaging:
Averaging is still beneficial, particularly for people moving into averaging for first time and tax payers with large seasonal income variations.
The recent increase in tax thresholds generates drops in Primary Production Average rates particularly for average incomes below $87,000, and persons first entering averaging.
A five year average income of $50,000 sets a rate of 15.6%
While a five year average income of $87,000 gives a rate 22.8%, (this compares well with middle income tax rates of 32.5% and 37%).
Note: Taxpayers who previously opted out of averaging are now reinstated into averaging after 10 years.

B. Working Holiday Backpacker Tax ("WHM")
As of 1/1/17, working holiday 417, 462 and Bridging Visa holders are subject to new provisions.
A flat 15% backpacker tax rate applies on first $37,000 pa ($712 per week).
Business's must register as WHM employees with the ATO, and give out a PAYG payment summary, indicating a "H" in the 'gross payment type' box. If your payment summary doesn't have this box, then just put the letter "H" next to the income earned by the working holiday maker.
Employers must still pay compulsory superannuation.

C. New Farm Management Deposit ("FMD") provisions



- FMD cap increases from $400K to $800K per person.
- Individuals non PP income (excluding net capital gain) must be <$100,000.
- Must be redeemed at death or within 120 days of ceasing to be a Primary Producer.
- Can be redeemed in less than 12 months under natural disaster recovery relief arrangements; using Australian rainfall deficiency analyser.

FMD use in loan offset amounts allows the FMD to be linked to a Bank Loan to reduce interest paid as a direct offset for partnerships only, (i.e. does not yet apply to Corporate and Trust Loans). Are tax deductible when deposited, and taxable when redeemed. Note, the leap frog benefit if held for 13 months, June one year, to July the next.

D. Pre-purchase of consumables
ATO has ruled that purchases of consumables for use up to 3 months, in current production cycle, after end of financial year are deductible.
This ruling places doubt on the deductibility of input purchases for use in the next years crop program.

E. Farm Stamp Duty exemption on Family Farmland transfer
The State Revenue Office has tightened and narrowed requirements to gain the Stamp Duty Exemption, confirmed by a decision of the State Administrative Tribunal made in April 2015.
If the farming business is operated as a partnership of individuals and a Corporate Trust, the exemption was disallowed on the basis that all parties were not family members of the Transferor as it included a corporation (The Trust).
However if the business is operated as a trading trust the exemption can apply.
Result: This decision throws another layer of action required to position the business prior to applying for Stamp Duty Exemption. Legal Stamp Duty consultation is needed prior to implementation of any land transfer in succession planning.

F. Small Business Entity (SBE) concessions:
The threshold increases from $2M turnover to $10M from 1/7/16 year for a SBE to access:
SBE instant write off for water and fencing infrastructure.
SBE immediate deduction for business asset costing less than $20,000 in 17/18 and 18/19 years. *(Refer to Page 11 for more details).*
SBE accelerate depreciation, and full balancing charge offset for profit on disposal of plant.

G. Foreign Resident CGT Withholding Regime ("FRCGW")
FRCGW increase CGT withholding tax rate from 10% to 12.5% from 1/7/17 on property sales with threshold of $750,000.
This means a purchaser must withhold and remit 12.5% of property/farmland purchase price unless the Vendor has obtained a clearance certificate from the ATO, (a document that certifies the vendor is not a foreign resident).

H. Instant Write-off - Fodder storage
From 19/8/18, an outright deduction is available for grain and hay storage sheds, and silos used for storage of feed grain and hay for livestock (Primary Producers only). If used for storage of grain for human consumption, then no outright deduction applies. BUT, if stored for onsale to livestock producers, then outright deduction available.
Does not apply to second hand items. If expense made through partnership then deduction must be allocated amongst the partners.

FAMILY TAX BENEFIT

(Note: Information below is current as at 31/12/2018)

FAMILY TAX BENEFIT - PART A:

Maximum rate of Family Tax Benefit Part A

For each child	Per fortnight	Per Annum
Aged under 13 years	$182.84	$5,518.74
Aged 13-15 years	$237.86	$6,953.25
Aged 16-19 years, secondary student, or exempt from	$237.86	$6,953.25
In an approved care organisation aged 0-19 years	$58.66	$1,529.35

Base Rate of Family Tax Benefit Part A

For each Child	Per f/night	Per Year
0 - 19 years of age	$58.66	$2,281.25

Note: Payment per year figures include the Family Tax Benefit Part A supplement ($751.90 per child).
Note: FTB A is not Assets tested however Part B will only be available where the combined income is ≤ $80,000

Income limits above which only the base rate of FTB Part A may be paid:

Number of Children aged		13-15 years of age or secondary students 16-19 years of age			
		Nil	One	Two	Three
0-12 years of age	Nil		$ 77,088	n/a	n/a
	One	$ 69,916	$ 93,276	n/a	n/a
	Two	$ 86,104	n/a	n/a	n/a
	Three	n/a	n/a	n/a	n/a

Income limits at which FTB Part A may not be paid:

Number of Children aged		13-15 years of age or secondary students 16-19 years of age			
		Nil	One	Two	Three
0-12 years of age	Nil		$ 99,414	$ 115,742	$ 146,749
	One	$ 99,414	$ 108,570	$ 139,576	$ 170,583
	Two	$ 104,512	$ 132,404	$ 163,411	$ 194,418
	Three	$ 125,232	$ 156,239	$ 187,245	$ 218,252

For maximum FTB, Part A combined adjusted taxable income[1] must be $53,728 pa or less.
Income over this amount reduces benefit by 20 cents in $1 until base rate is reached.
FTB "A" will stay at Base Rate until combined income reaches $94,316 pa.
At this point FTB "A" will decrease by 30cents in $1 until payment reaches nil.

FAMILY TAX BENEFIT - PART B:

Maximum rate of Family Tax Benefit Part B

(For 1 child per family)

Age of Youngest Child	Per fortnight	Per Year
Under 5 years	$155.54	$4,420.15
5-15 year (for 1 child only)	$108.64	$3,197.40
(or 16-18 if full time Secondary Student)		

Sole Parents automatically receive maximum FTB Part "B". For 2 parent families, the income of the main earner cannot be greater than $100,000. For the minor income earner they can earn up to $5,621 taxable income per annum, beyond this amount FTB "B" is reduced by 20 cents in $1.

HEALTH CARE CARD

Income threshold $53,728, same test as FTB Part A.
No asset test.

SENIORS HEALTH CARD

Annual adjusted Income[1] limit -
- $87,884 Couples,
- $54,929 Individuals

PARENTAL LEAVE PAY (PLP)

The Parental Leave Pay provides a government funded entitlement for working parents who meet the eligibility criteria. If you are the primary carer of a child born or adopted into your care you may have access to Parental Leave Pay at the National Minimum Wage, for up to 18 weeks at $719.35 per week (worth $12,948.30).
Income test for individual—Adjusted Taxable Income[1] of $150,000 or less not asset tested.
From 1st July 2016, the government will remove the ability for individuals to 'double dip', by taking payments from both their employer and the government. The government will ensure that all primary carers would have access to parental leave payments that are at least equal to the maximum PLP benefit (currently 18 weeks at the national minimum wage).

[1] Adjusted taxable income is the sum of your:
- Taxable income
- Adjusted Fringe Benefits
- Tax free Government Pensions or Benefits
- Target Foreign Income
- Reportable Super contributions/deductible personal super contributions
- Total net financial and property investment losses
- Income from superannuation account based income streams

AGE PENSION

(Note: Information below is current as at 31/12/2018)

Age Pension

Basic conditions of eligibility
- Men and women are eligible at age 65
- Both men and women born on or after 1 July 1952, see table below:

People born between	Eligible for Age Pension at age
1 July 1952 and 31 December 1953	65 ½
1 January 1954 and 30 June 1955	66
1 July 1955 and 31 December 1956	66 ½
1 January 1957 and later	67

Basic rates:

Status	Fortnight
Single	$834.40*
Member of a couple	$629.00*

*Eligible pensioners may also receive Pension Supplement and Energy Supplement

Age Pension Assets Test

Cuts age pension $3 a fortnight for every $1000 above threshold.

Status	Test threshold	Pension cuts out
Single homeowner	$258,500	$564,000
Single non-homeowner	$465,500	$771,000
Couple homeowners	$387,500	$848,000
Couple non-homeowners	$594,500	$1,055,000

Age Pension Income Test:

	Full pension	No pension*
Status	Fortnight	
Single	$172	$2004.60*
Couple	$304	$3066.80

Fortnightly pension cuts out by 50¢ for every dollar of Centrelink-assessable income above income test threshold.
*Likely to be hit by asset test long before income reaches this level.

myGov accounts

- Please note that if you link your ATO account to your myGov account, we will no longer receive paper documents of your Notice of Assessments, quarterly PAYG notices, BAS's etc. You will need to access those documents via your myGov account.

We advise you to unlink your ATO account from your myGov account to avoid missing any important ATO notices.

To unlink your ATO account from your myGov account, go to the "**Services**" page, and select the "**Unlink**" icon next to the ATO service.

SMALL BUSINESS CAPITAL GAINS TAX (“CGT”) CONCESSIONS

From 1/07/2007 new simplified rules were made to determine if a business is a SBE and thus qualify for a range of active asset capital gains tax concessions.

To qualify for CGT concessions, an eligible small business must have either:
- Net assets of <$6M, or turnover of <$2M per year.

The eligible SBE can then choose the following:
(Not available for non small businesses)
Small Business CGT Concessions to neutralise tax on realised Capital Gains:
* 15 Year exemption -
(All gains tax free if asset held > 15 years and taxpayer is aged > 55)
* 50% Active asset reduction
* CGT Retirement exemption (Rollover the taxable CGT component into a super fund tax free or class this as tax free ETP if > 55)
* Replacement Asset rollover

SMALL BUSINESS ENTITY (“SBE”)
- Other business income tax concessions:

From 1/7/16, business turnover threshold increased from $2M to $10M for eligible concessions including:

- Accelerated depreciation, 15% in acquisition year, then 30% per year.
- Instant write-off of eligible plant and equipment purchases up to $25,000 from 29/1/19, and $30,000 from 3/4/19.
- Profit on disposal of plant - balancing charge offset against plant pool.
- Prepayment of expenses immediate deductibility.
- GST concessions of paying quarterly instalments.
- Quarterly provisional tax instalments, and for Primary Producers, 75% / 25% instalments at back end of financial year.

SUPERANNUATION

SUPERANNUATION KEY POINTS:

- Tax deductible contributions:
  As from 1/7/17, a single deductible cap of $25,000 per year for all taxpayers. Furthermore, taxpayers can carry forward unused deductible contributions into future years.
  Tip: *When planning for a future capital gain or income/salary spike, taxpayer can build up unused superannuation contributions from 17/18 on to offset higher tax rates in future years.*
- Super deductible contributions taxed at 15%, within super fund,
  but for individuals earning $250,000, taxed at 30% (i.e. Extra 15% surcharge).

OTHERWISE THE MAIN SUPERANNUATION INITIATIVES AND ADVANTAGES REMAIN

- Account Based Superannuation Fund Pensions over 65 are tax free.
- Superannuation fund earnings taxed at 15% in Accumulation Phase and tax free in Pension Phase. However, the new Budget measures will tax the fund at 15% where a person is in transition to retirement pension but has not retired between age of 60 - 65, effective from 01/07/2017. (Income within fund taxed at 15%.)
- Deductible contributions can be made up to 75 years, subject to 40 hours in any one month work test for over 66. (Test is not scrapped).
- Tax free lump sums can be taken after age 66 or after 60 if retired from position, or after 55 if permanently retired.
- Salary earners can now make additional salary sacrifices or personal deductible contributions up to an all up limit of $25,000 per year. (i.e. the 10% PAYE rule is scrapped).

Recent changes affecting superannuation contributions

The Government has recently introduced significant changes affecting superannuation contributions, most of which apply from **1st July 2017**.

From **1st July 2017**, the following key changes to the contribution rules will apply:

(a) **Non-concessional (or personal non-deductible) contributions**

* **Reduced non-concessional contribution limits** - The annual contribution limit has been reduced from $180,000 to **$100,000** per person. Furthermore, the $540,000 'bring forward' amount has been reduced to **$300,000** (i.e. 3 x $100,000 annual non-concessional contributions limit).
* **New $1.6 million superannuation balance restriction for non-concessional contributions** - An individual who has total superannuation entitlements of at least $1.6 million at the start of an income year will not be able to make non-concessional contributions in that year without breaching their limit.

(b) **A reduced concessional (or deductible) contributions limit** - The annual limit in respect of concessional (or deductible) contributions (e.g. Employer contributions and personal deductible contributions) has been reduced to **$25,000 for all individuals** (irrespective of their age).

(c) **Claiming deductions for personal (after-tax) contributions** - From 1st July 2017, an individual will generally be able to deduct personal (after-tax) contributions irrespective of their work status (i.e. Whether or not they are an employee) and irrespective of the level of any salary income derived during the relevant income year.

(d) **Additional 15% tax liability on contributions for people earning more than $250,000** - From 1st July 2017, individuals earning more than $250,000 will generally be liable to pay an extra 15% tax on deductible contributions (including employer contributions) received by their superannuation fund. (Limit prior to 30 June 2017 was $300,000).

(e) **Extending the tax offset for spouse superannuation contributions** - From 1st July 2017, the existing tax offset of $540 (maximum) for spouse contributions will generally be available to a taxpayer who makes superannuation contributions for the benefit of a spouse whose income is *less than* $40,000 (the existing spouse income threshold is only $13,800).

TRUSTS

FAMILY TRUSTS - The operation of Family Trusts as secure asset holding vehicle and flexible business trading structures is **unaffected**, other than:

- to the extent of Income distributions to Pty Ltd Corporate "Bucket Companies", must now be actually paid out by the end of a 7 year or 10 year specified loan period.

However, the Government has released exposure draft legislation to increase trustees certainty, and provide **clarity** in the tax treatment of Trusts, provided resolution for distribution of Trust income are recorded by 30/6/2019. (i.e. By the end of the financial year.)

- **TRUST STREAMING OF INCOME**
  - Capital gains and franked dividends can be streamed to specific beneficiaries.
  - All other trust income will be assessed to beneficiaries on a proportionate basis, based on their share of Trust income distributed.

- **TRUST Distributions to corporate "Bucket Companies"** (to limit tax rate at 27.5%):
  (All distributions to corporate beneficiaries up to 16/12/2009 are unaffected by the new rules)

  All future Trust distributions to bucket companies
  (tax rate or 27.5% Small Business tax rate) must be supported by:

  - A transfer of funds into the company bank account, **or**
  - A 7 year loan agreement, whereby the Trust must pay the company 5.2% interest per year, **or**
  - A 10 year loan agreement whereby the Trust must pay the company 8.32% interest per year (Current small business indicator rates).

  By the end of the 7 year or 10 year period, the Trust loan principal must be repaid in full by either:

  - Receiving back fully franked dividends from the company, or
  - Paying loan principal to company bank account,
    OR, investing in income producing assets for the company.

  If necessary, in high income situations the bucket company distribution can be used, but there will be a sunset pay back clause triggered in 7 or 10 years.

TAX TIP - Avoid a private company UPE becoming a Division 7A loan

As a concession, the ATO allows a trust to retain the funds representing a private company UPE without a Division 7A loan arising, if the funds are held on **sub-trust** for the sole benefit of the company, and all the benefits flow back to the company. This is a useful alternative if the trust cannot fully pay out the UPE, or wishes to use the funds (e.g. as working capital).

To end this, the following ('safe harbour') sub-trust options are specified in PS LA 2010/4:

1. A **7-year interest only** investment with interest payable at the Div. 7A benchmark rate.
2. A **10-year interest only** investment with interest payable at the RBA's 'indicator lending rate for small business variable (other) overdraft' (for the month of May immediately before the start of the relevant income year).
3. The UPE funds are **invested in a specific income-producing asset** for the company.

RESOLUTION FOR DISTRIBUTION OF TRUST INCOME BY END OF FINANCIAL YEAR

Please ensure the Trust Income Resolution is signed by 30/6/19,
which will be posted to you for signing and returning (if applicable).

If you would like this newsletter to be emailed to you in future, please send an email to us at wwmdow@wn.com.au with "Email Newsletter" in the subject field.

SUPERSTREAM CONTRIBUTION STANDARDS

New superannuation standards prescribe minimum payment and reporting obligations for employers and super funds in relation to employer contributions.

- Employers must make super contributions on behalf of employees by submitting payment and data electronically.
- All super funds must receive employer contributions electronically. (New rules do not apply to employer and SMSF Trustees for contributions made by a related party).

Payment methods required to be used by employers and super fund trustees:
- Bulk electronic clearing direct entry system
- BPAY
- Electronic Funds Transfer

i.e. Employers will need a BPAY Biller code and/or the super fund bank account details.

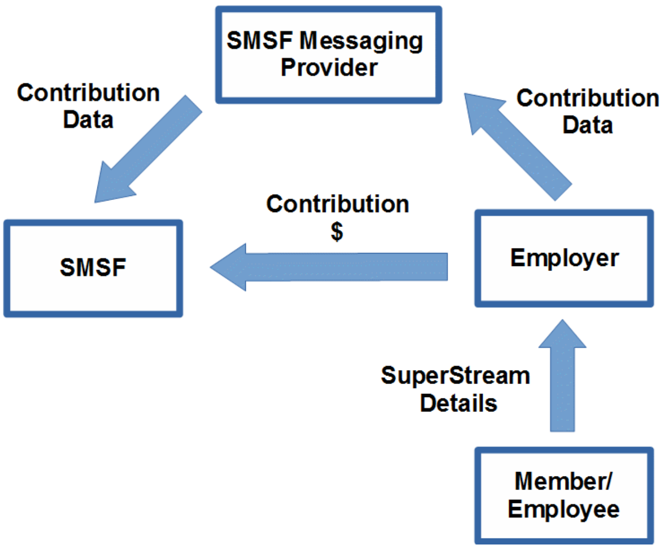
small business superannuation clearing house https://www.ato.gov.au/Super/SuperStream

Small Business Superannuation Clearing House:
The SBSCH can be only be accessed via your myGov account if you are a sole trader, or by obtaining an AUSKEY for partnerships and Trusts.
An alternative to a myGov account and an AUSKEY, is that employers set up an account with a free clearing house such as CareSuper, or Australian Super.
You can then process your employees super obligations via their clearing house.

Employers with over 20 employees:
If you employ over 20 employees, you need to work with your service provider to decide which best suits you to become compliant.

Self Managed Super Fund (SMSF) providers services

SMSF Trustees will need to provide their Employers with an "electronic service address" and their Superannuation fund bank detail to enable them to make contributions to Self Managed Super Funds electronically.
SMSF Trustees can receive employer contribution messages sent using SuperStream via their electronic service address.
The electronic service address is used to identify where contribution messages for your SMSF are to be sent.
An Electronic service address can be obtained from a provider listed on the ATO website at:
https://www.ato.gov.au/Super/SuperStream/In-detail/Contributions/SMSF-messaging-service-providers/#RegisterofSMSFmessagingproviders



Compliant software providers list: http://softwaredevelopers.ato.gov.au/SuperStream-certifiedproductsregister

INSTANT ASSET WRITE-OFF

Instant write-off changes are now law

In 2018, the Coalition Government legislated a 12-month extension of the $20,000 instant asset write-off for SBE's, so that it would remain available for purchases of eligible assets costing less than **$20,000** that were first used or installed ready to use by **30 June 2019**.

Subsequent to this, on **29 January 2019**, the Coalition Government announced that it would increase the $20,000 instant asset write-off threshold to **$25,000** for SBE's, and extend the write-off by another 12 months to **30 June 2020**, for assets first used (or installed ready for use) from **29 January 2019**. However, as at Budget night (i.e., 2 April 2019), legislation had **not** passed through both Houses of Parliament to give effect to this announcement.

On 3 April 2019 (i.e., the day after Budget night), the legislation was rushed through both Houses of Parliament to give effect to **both** the 29 January 2019 announcement (noted above), as well as the changes announced on Budget night (i.e., to increase the write-off threshold from $25,000 to $30,000, and to extend the write-off to medium sized businesses). Refer to the Treasury Laws Amendment (Increasing and Extending the Instant Asset Write-off) Act 2019, which received Royal Assent on 6 April 2019.

(a) The instant asset write-off for SBE's

The changes noted above affecting SBE's (i.e., businesses with an aggregated annual turnover of less than $10 million) mean that, **for the 2019 income year**, SBE's are subject to **three different instant write-off thresholds**. The applicable threshold varies according to the time during the income year that an eligible asset was first used (or installed ready for use) for a taxable purpose. Specifically, the instant asset write-off thresholds for SBE's for the **2019 income year** are as follows:

- For assets first used (or installed ready to use) from 1 July 2018 to 28 January 2019 - **less than $20,000.**
- For assets first used (or installed ready to use) from 29 January 2019 and before 7.30pm (AEDT) on 2 April 2019 - **less than $25,000.**
- For assets first used (or installed ready for use) from 7.30pm (AEDT) on 2 April 2019 to 30 June 2019 - **less than $30,000.**

The less than $30,000 instant asset write-off threshold applicable to SBE's will then continue to apply to assets first used, or installed ready for use, until 30 June 2020.

Small businesses can continue to place assets which cannot be immediately deducted under the instant asset write-off into the general small business pool and depreciate those assets at 15% in the first income year and at 30% each income year thereafter. A low pool balance (i.e., the closing balance prior to current year depreciation deductions) can also be immediately deducted if it is less than the applicable instant asset write-off threshold at the end of the income year.

Further to this, the current 'lock out' laws for the simplified depreciation rules (which prevent small businesses from re-entering the simplified depreciation regime for five years if they opt out) will continue to be suspended until **30 June 2020**.

(b) The instant asset write-off for medium sized businesses.

Medium sized businesses will also be able to immediately deduct purchases of eligible assets costing **less than $30,000** that are first used, or installed ready for use, **from Budget night (i.e., 7.30pm (AEDT) on 2 April 2019) to 30 June 2020**. Refer to new S.40-82 of the ITAA 1997.

A medium sized business for these purposes is one with an aggregated annual turnover of $10 million or more, **but less than $50 million.**

To be eligible, medium sized businesses must **also** acquire these assets after Budget night (as these businesses have previously not had access to the instant asset write-off).

As medium sized businesses do not have access to the small business pooling rules, they must instead continue to depreciate assets costing $30,000 or more (i.e., which cannot be immediately deducted) in accordance with the existing depreciate asset provisions of the tax law.

Does the $20,000 threshold include or exclude GST?

The $20,000 cost is net of any GST credits that the business can claim. Therefore each asset can be $19,999 plus GST if the small business is registered for GST and can claim a credit for the GST on their BAS. If cost is more than $20,000, normal SBE depreciation rates of 15% for first year and 30% for future years apply.

New and second hand assets

Both new and second hand assets can be eligible for the instant write-off.

Eligible assets

Most business assets will be eligible for the instant write-off, but there are a small number of exclusions. Assets that are excluded include trading stock items, land, non-farming buildings and capital works, horticultural plants and software development pools.

Fencing and water facilities for primary producers - applies from 1/07/2016

Water facility items like irrigation equipment, tanks and troughs that cost less than $20,000 are able to be claimed as an instant write-off for small business farmers, rather than the usual three year write-off.

SINGLE TOUCH PAYROLL ('STP')

STP is a framework by which payroll information is reported to the ATO on real time basis - a new way of reporting payroll tax and employee super information to the ATO.
Using compatible payroll software, employees salary an wage data, PAYG and superannuation information is reported each time employees are paid.
This means:
- Pay cycle remains the same, weekly, fortnightly or monthly.
- Super SGC information is now reported.
- Employees will be able to view their Year to date wage information via their myGov login, and view an annual payment summary, now called an 'Income statement", once employers finalise end of year STP information.

<u>Start date for reporting via STP for employers with less than 20 employees is 1/7/2019</u>.

<u>OPTION TO DEFER START DATE</u>:
Employers with 5 to 19 employees are referred to as "Small employers".
These small employers have been given an automatic 3 month deferral to start STP reporting by 30/9/2019 <u>OR</u> apply for an extended deferral. (<u>Contact us ASAP if you need a deferral</u>).

<u>Deferral options are</u>:

Transitional -	Payroll software not ready Need additional time to implement STP enabled software Transitioning to new payroll software Other special circumstances
Recurring -	Intermittent internet connectivity Other special circumstances
Exemption -	Remote access / poor internet connectivity Other special circumstances

Employers with 1 to 4 employees are referred to as "Micro employers".
These micro employers have the option to apply for a "<u>Small Business Reporting concession</u>" and report quarterly up to 30/6/2021, using a registered tax agent. This will coincide with the quarterly Business Activity Statement preparation.
If you have between 1 and 4 employees, and wish to report quarterly for the first two years, please contact us as soon as possible so that we can apply for this option with the ATO, or if you would like one of the other deferral options, or are not currently employing staff, please contact us ASAP.

To set up STP using appropriate software, employers will need to provide employee information once only, for each employee.
Refer to example attached, "Employee details" form which show:
- Employee full name
- Address,
- Contact details
- TFN,
- Super fund details, and
- Employment details.

Once completed and loaded, the STP program will calculate the correct amount of PAYG withholding tax.

For more information go to <u>ato.gov.au/singletouchpayroll</u>