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2018 FINANCIAL YEAR END NEWSLETTER

The last 12 months went quick; by our reckoning this 2018 Year makes this Newsletter Number 34. As in the past in this Newsletter we seek to share with you some interesting and useful things ranging from simple Taxpayer compliance to Year-end tax planning tips.

As we did last year we have brought forward our page on Estate Planning and Wills. I cannot stress enough the importance of having your affairs in order.

The Federal Government delivered its Budget on the 8th May 2018. We have included a brief column with some of the taxation related matters within the 2018 Federal Budget. There was some good news for small business with the immediate \$20,000 asset write-off retained for another 12 months. There is also some good news for taxpayers generally where there will be a tax offset which will see a tax reduction for some of up to \$530. Over time there will be a change to the marginal rates in favour of Tax Payers. For SMSF the existing annual Audit will be stretched to once every three years.

We again remind you of our website (www.lprttaylor.com.au) where you can access this Newsletter, past Newsletters as well as other riveting information. As always we are looking forward to the new financial year with keenness and enthusiasm. Our professional team will be rested up to strength and we are confident that we can meet your needs.

Be mindful the field of taxation is broad and complex. This Newsletter seeks to target just a few of the taxation/financial issues that could possibly affect you. Thus we hope that you read and enjoy this Newsletter but that you see it as only a very small part of a very large picture. Where we have your email address you will have received this Newsletter electronically.

THE OLD CHESTNUTS: FOR THOSE BUSY PEOPLE WHO ONLY READ THE FIRST PAGE - SOME REMINDERS:

Claiming Motor vehicle Running Cents per kilometre method (Maximum 5,000km) (Not a free ride)

If you are using the cents per kilometre method (66 cents per km for all Motor vehicles) you need to be able to show how you arrived at your estimated number of business kilometres and also have sufficient records identifying the purpose of the trips.

Motor vehicle Odometer readings

Odometer readings are required for ALL motor vehicles being claimed for tax purposes as at 30th June 2018.

Log book method – motor vehicles

For those of you who claim motor vehicle costs using a Log book, remember that you must retain your logbook and that it cannot be older than 5 years. Thus, if you have misplaced your logbook if your business usage has changed or if it is older than 5 years, then it is time to prepare another covering at least 3 continuous months.

Stock take

Don't forget to do a physical stock take as at 30th June 2018 setting out the stock items and cost thereof (unless you are a Small Business Entity and your stock value movement has been less than \$5,000).

Bad debts

Don't forget that bad debts are not deductible unless they are physically written off before 30th June 2018, and the debt must have been brought to account by the taxpayer as assessable income.

Superannuation contributions and timing

The rate for Super Guarantee stays the same thus for the year commencing 1st July 2018 (i.e. for the 2019 year) the employer obligation continues to be 9.5% and will remain at that rate until the 2021/2022 year. As a reminder these amounts need to be remitted to your employee's superannuation funds quarterly. To ensure that the final quarter complies and will qualify as a tax deduction for the 2017/2018 Financial Year all contributions must actually be made by the 30th June 2018.

(E.g. a payment in cash/cheque or transfer of assets must be in the hands of the Fund Trustee and Direct Credits must actually be in the bank of the Trustee by the 30th June 2018). Employers – we urge you to get the Super dispatched from your systems and nested by the 30th June 2018. (To be safe we

suggest that you dispatch by Friday 15th June 2018 to ensure that your contribution is well and truly cleared by the 30th June 2018) (And do not be confused with the deadline to avoid late penalties for Super Guarantee Contributions, which this year is the 28th July 2018.)

2018 Year-end Tax Planning (the old chestnuts)

As the year-end looms it is important to be aware of those year-end tax savings matters must be in place before you go to bed on the 30th June 2018 (falls on a Saturday this 2018 financial year). Also be aware that the tax savings window of opportunity will not be there as you wake up on the 1st July 2018.

Some things for your end of year Checklist

Review the useful lives of fixed assets and determine if there are any benefits in scrapping or trading in assets.

As part of our year-end work, we send out a prior year depreciation schedule. Take the time to review the schedule as you can often get you a tax deduction for any remaining book value of scrapped assets.

Capital Losses

Selling poor performing assets may enable you to bring forward a tax loss that can be offset against any capital gains made throughout the financial year.

Accept and write off Bad Debts

Painful as it is, some debts are going to be bad. Bad debts can be used to offset assessable income if they are written off before the 30th June and provided they have previously been included as assessable income.

Write off obsolete inventory

The year-end stock-take should involve a review of all inventories. Obsolete stock may be scrapped or valued below cost subject to **specific** guidelines.

Prepay some expenses

Small business entities and individuals may bring forward deductible expenses such as rent, repairs and office supplies that cover an advance period of no more than 12 months.

Trust Distribution Resolutions

For all of you Trustees of Discretionary Trusts, we have sent to you our suggested draft distribution resolutions. Please ensure the Resolutions are reviewed, signed and sent back to us (or safely tucked into your file) before the 30th June 2018.

Capital expenditure vs repairs

Without breaking the law, where you can, ensure that where Capital expenditures versus repairs, that you favour repairs. The first step is to test if the asset was mended with the same materials and only taken back to its “pre-broke” original condition. If yes, then the expense is normally a repair and not capital. So review all spending during the year to identify all repaired items as to deductibility. Remember capital purchases can often be depreciated.

Instant Asset write-off (Extended to 30th June 2018)

The upfront \$20,000 deduction claim where a small business purchases a business asset is still in place. The Federal Government has announced in its Budget 2018 that it has been extended for a further 12 months ending 30th June 2019.

Review unpaid expenses (your business Creditors)

For those in Businesses that account on an accruals basis and have fallen behind in paying their rent and other expenses, you may still claim the arrears amount as a tax deduction.

Deferring some Income

Businesses that return income on a cash basis may benefit from deferring the receipt of the income until after the 30th June. This can be as simple as deferring the issue of invoices for work not 100% complete.

Have you moved from employment into a self-employment business?

Small business entities starting up a business became entitled to immediately deduct a range of start up costs. The costs include legal work, accounting advice, and government fees and charges. These costs are often referred to as “Blackhole Expenses”. Some can be claimed 100% in the year incurred and some over 5 years.

Maybe you have assets that have gone up in value and you have or want to sell- Here are four simple strategies to help you minimise your CGT bill:

1. Use the Small business Concessions

Small Business Entities may be eligible to use a number of CGT concessions from rollovers to retirement exemptions. Often with the correct application of these exemptions, CGT can be reduced to nil.

2. Ensure you hold an asset for 12 months

Taxpayers (excluding companies) can discount a capital gain by 50 percent if they hold the asset for more than 12 months.

3. Offset a capital loss against a capital gain

In your tax return, we track any prior capital losses and offset any capital losses to a current year gain. Sometimes it is wise to sell a loss asset in the same year that you have a capital gain and use that capital loss against the gain realised in that year.

4. Defer Asset Sales

On the other hand, if you expect to make your capital gains on the sale of an asset, consider deferring the disposal until after the 30th June. This is a particularly good idea if you know for next year you will have a capital gain loss, or even just a taxable income.

With CGT, timing is everything (this is really important)

If you want to benefit from the 50% discount, you must hold the asset for 12 months before disposal.

If you signed the sale contract on the 28th June 2018 even if Settlement is 5 years later, you are deemed to have sold in the 2018 financial year (and any tax payable is associated with the 2018 tax return due in say March 2019).

Some Tax tips for you property barrens

If you are not making capital gains in these slower economic times, at least you should be striving to reduce your income tax. Here are six tips:

1. Interest can be claimed

Interest on the money you borrowed to buy the property is deductible providing your goal is to earn rental income (otherwise the interest gets added to the CGT cost base). Also, interest on any money that you borrowed to make renovations or repairs to the property, or furnish the property is normally tax deductible.

2. Reducing PAYG Withholding

It is nice to get a tax refund at the end of the year. However, there is a mechanism with the ATO to vary the amount of PAYG tax your employer withholds from your wages over the year if you anticipate significant losses on your negatively geared rental property.

3. Prepaid Expenses

You might consider prepaying any expenditure, such as repairs, rates and levies to maximise the 2018 financial

year deduction (be mindful that any initial repairs to a rental house that has been just purchased are not deductible, but a depreciation claim is allowed).

4. Claiming Depreciation on Assets

The ATO accepts that certain assets will decline in value over time and you are entitled to claim this decline as an expense (depreciation) each year until the asset cost is written off. Depreciation applies to such assets as freestanding furniture, stoves, washing machines, fridges, and televisions.

We remind you of a 2017 change where if you have entered into a buying contract of a rental house on or after 9th May 2017, you are not entitled to claim the depreciation on the existing assets that come with your new rental house.

For stand-alone assets costing less than \$300, you can claim the whole amount in the year of purchase.

Depreciating assets valued at less than \$1,000 can be grouped in a low-value asset pool and depreciated together.

5. Claiming Capital works deductions

If your pride-and-joy rental property was built after 1985, you might be able to claim capital works deductions (think of building depreciation) for the construction costs. Capital works deductions are income tax deductions that can be claimed for expenses such as:

- The original construction cost;
- The costs of additions such as adding a room, garage, patio or pergola;
- The cost of altering a building i.e. adding a room, garage, patio or pergola;
- The costs of capital improvements to the surrounding property; and
- Structural improvements such as a sealed driveway and retaining walls.

The deductions are normally spread over 25 or 40 years (i.e., flat rate of 4.0% or 2.5%) depending when the construction began.

Some reminders for Self-Managed Superannuation Fund (SMSF) - End of Financial Year (some important things)

Withdrawing minimum pension (this is important)

We remind those of you drawing pensions from your superfunds that there is a minimum amount that must be extracted;

For the 2018 year, this percentage is based on your 1st July 2017 members' balance, and would have been advised to you by us as part of our 30th June 2017 year end work.

If you have misplaced our advice or you are at all unsure as to what your Minimum Pension amount is, please contact us. Once you are reminded of the minimum percentage, please do your sums and ensure that the amount you have withdrawn equals or exceeds the minimum requirements.

<u>Age</u>	<u>2018 Standard Percentage Factor</u>
Under age 65	4%
65 - 74	5%
75 - 79	6%
80 - 84	7%
85 - 89	9%
90 - 94	11%
Age 95 and over	14%

Valuations of Fund Assets at 30th June 2018

The Trustee needs to ensure that all assets are valued/appraised as at 30th June. Listed shares are easy but for other assets such as real estate, paintings, antiques, etc. it is a touch more tedious (but if the need arises we can help you organise an online property valuation).

Individuals claiming a tax deduction for Super Contribution

If you are a self-employed contractor making a tax-deductible contribution to your superannuation fund, remember that you must also lodge a Notice of Intention to Claim a Tax Deduction form with your Trustee before you lodge your Tax return.

Adding to Super by downsizing your home

From the 1st July, 2018 new law kicks in that will enable Australian retirees to sell the family home (think down size) and deposit \$300,000 for each of the husband and the wife into a superannuation fund. The theory is that the \$300k/\$600k will enable the owners to stay at home longer. But as always there are some rules and things to weigh-up which include the following;

- 1) The Taxpayers must be 65 years or older and must have owned the family home (CGT main residence) for at least 10 years.
- 2) The Taxpayers are not required to buy another home. What's more, they can buy a more expensive home.
- 3) The contribution is a non-concessional contribution, but there is no need to pass the work test (indeed there is no work test).

- 4) But if you have reached the \$1.6m the \$300K must stay in the accumulation compartment (thus earnings are subject to 15% tax).
- 5) A bit of a downer is that the \$300K in the superfund will be included by Centrelink in the Asset and Income tests. Plus, they are counted in determining eligibility for age care and home care facilities.
- 6) The contribution to Super must be made within 90 days of Settlement (Settlement is when you have received the proceeds of your home).
- 7) The big one to ponder is, will the downsize (after costs) leave you enough extra money to make it all worthwhile?

For all of you young savers for the First Home Super Saver Scheme (i.e. \$15,000 per year to max of \$30,000)

For those young savers that have been faithfully contributing to your superfund under the First Home Super Saver Scheme for the deposit on your first home, there is some good news. That news is that after the 1st July 2018 you can make withdrawals. Further, where you have contributed and not claimed a tax deduction, the capital and the earnings thereon will be able to be withdrawn tax-free.

However, where your contributions were claimed as a tax deduction, you will be taxed at your marginal rate (19c, 32.5c, 37c etc) but given a tax offset of 30%.

The Cash Economy under attack

The Cash Economy is alive and surviving all too well. So we are going to get some new law that will seek to achieve a tightening of the net, including;

- a) Ban on electronic sales suppression tools (software). (For the honest and unaware shopkeepers amongst us, sales suppression software serves the purpose of falsifying the level of sales within Point of Sale Systems.)
- b) Those clients associated with the building industry would know that a builder who makes payments to a subcontractor has to report those payments to the ATO. This information is then cross-checked to the subcontractor's tax returns.

The same system is going to be implemented for payments made to Courier Services and Cleaning Services. Presumably, the reporting will only need to be made by those of us with an ABN.

The law will apply to payments made after the 1st July 2018, with the first Report to be due on or about the 8th August 2019.

GST Withholding on Residential property

For all of you budding property builders who are registered for GST, the ATO is going to get further involved in your sale of New Residential Property (i.e., Residential property that you construct and is sold for the first time). What is now happening is a Builder sets up a company, registers it for GST, builds a block of units, claims the GST on construction inputs and then sells what is New Residential Property (sold plus GST). The Purchasers pay over the money, including the GST and the Builder takes the money, and closes down the company, skips town and never passes the GST onto the ATO.

New law from the 1st July 2018 will see the Purchaser (probably the Settlement Agent) charged with the task of withholding the GST component of the purchase price of the New Residential premises, and to also be responsible for remitting the GST directly to the ATO.

Work-related expenses / Standard Deduction

When we ask our employee clients, whether or not they incurred any work-related expenditures (deductions), we often get the response that we should just include in their tax return, the amount that can be claimed without receipts. On the face of it, the “Standard Deduction” amount is \$300.00 seems easy enough, but like most tax law the devil is in detail. Although the ATO does not require you to have receipts for the \$300.00, you need to be able to show how you worked out the claim.

A sting in the tail is that if you wish to claim say \$400.00 in work-related expenses, then it is not just the \$100.00 but rather the full \$400.00 for which you need documentation.

As to amounts greater than \$300.00, the ATO now requests that we have you confirm the following;

- a) That you spent the money and were not reimbursed;
- b) The expenses is directly related to earning your income;
- c) You have the records to prove the expenditure.

Finally, as evidence that the fine people of the ATO are taking this seriously, they have provided specific information together with real examples of taxpayer

breaches. For your interest, the ATO link is as follows; <https://www.ato.gov.au/Media-centre/Media-releases/Pull-up-your-socks-and-don-t-claim-them/>

Claims for Motor vehicle running costs

The ATO is also going to run Big Bertha’s magnifying glass over deduction claims for work-related car expenses (and it would seem rightly so). As for the 2016 year, total motor vehicle claims have grown to \$8.8 billion. The \$8.8 billion represents more than 40% of all work-related claims. In 2016 there were 3.75m Taxpayers who claimed motor vehicle expenses. The ATO has carried out audits on this item and found breaches ranging from outright “cooking” of logbooks, to fabricating claims for the cost of carting bulky goods to and from work.

Of particular concern is the 900,000 taxpayers who claim car running expenses using the cents per KM method (i.e., up to 5,000 km @ 66 cents). Many Taxpayers wrongly believe that the 5,000 km is a Standard Deduction. The Tax Office has made it clear that although you do not need a complying log book, you do need to be able to show that the car usage was work-related and be able to produce a diary or similar document to show how you arrived at your total Kms.

As to penalties; in addition to paying the correct tax, you can be handed penalties ranging from 25% to 75% of the tax you shortchanged the ATO (or more if there is found to be aggravating circumstances).

Contractors or employees; that is the question

It was once the clear position that if a Worker was controlled by the Boss, then they were an employee. What was meant by “control,” was that if the employee was told what task to do, and how and when it was to be done then the Boss was the Employer and the Worker was the Employee. Recently the goal posts were shifted to where “control” is still a part of decision making but it is no longer the only test. Arising from a recent Federal Court case (Putland v Royans Pty Ltd 2017), there are now at least 10 indicators to assist in answering the often vexing question of “employee or contractor;”

- 1) The existence of hourly rates and lack of profit points to an employee relationship;

- 2) If the Boss supplies the tools & equipment this leans to an employee relationship;
- 3) Working for just one Boss indicates employment;
- 4) A Worker who cannot delegate points to an employee relationship;
- 5) If the Boss and not the worker gets the Goodwill from a happy customer, then this points to an employee relationship;
- 6) The fact that a Worker has an ABN carries little or no weight;
- 7) The issuing of invoices by the Worker and the keeping of accounting records is an indicator of a contractor relationship. But on their own does not carry great weight;
- 8) You can be working from home in your own office, but given the technology of modern times, you can still be an employee;
- 9) If you do not advertise your business to the market place this is an indicator of being an employee; and
- 10) The Federal Court found that if you wear the boss's uniform this indicates employee status. In the inverse, if you do not wear the owners uniform that does not make you a Contractor!

The ATO will soon be able to report your tax debt

There exists organisations known as registered Credit Reporting Bureaus (CRBs). Currently, there are three main CRB'S in Australia with Veda Advantage being the largest. If you have ever borrowed money, then there is a good chance that one or all of these bureaus has a credit report on you. If you have defaulted on a borrowing, then it is almost certain that a Credit Report exists. If you are a lender and want to determine someone's credit worthiness, then a CRB is whom you would contact. Today the ATO cannot provide any information to a CRB concerning your tax debt. In the very near future that will begin to change for those tax debtors who fit the following criteria;

- 1) Taxpayer has an ABN (and are not an "Excluded Entity" such as a Charity);
- 2) All up tax debt of at least \$10,000; and

- 3) As a Tax Debtor has not effectively engaged with the ATO (i.e. made a payment arrangement).

Conclusion: what this all means is that if you fit the above conditions, your other lenders are going to know about your ATO tax debt.

Single Touch Payroll (STP)

The ATO wants you to stay in touch!

We recently dispatched an email (dated 13th March 2018) regarding Single Touch Payroll (STP). In short, those businesses who have 20 or more employees will need to be STP ready on 1st July 2018 (those with less than 20 get a 12-month reprieve). The ATO plans to streamline payroll and superannuation information reporting. Basically, it involves reporting wages and superannuation information to the ATO in real time (i.e. as wages are paid). Like most new developments, there are some aspects of wage-paying that Single Touch cannot yet handle. So a visit to the ATO website is time well spent. The link to the ATO website on this topic is: <https://www.ato.gov.au/Business/Single-Touch-Payroll/>

ATO Small Business Superannuation Clearing House (SBSCH)

You now need to enter the ATO clearing house from another door!

As from the 26th February 2018, those businesses that use the ATO SBSCH need to access this service via Business Portal or MyGov. Those not yet up to speed and wish to have more information on this matter, please get in touch with us.

Superannuation Payment Due Dates

In Super matters, timing is everything. See:

<https://www.ato.gov.au/Business/Super-for-employers/Paying-super-contributions/When-to-pay-super/>

For employee superannuation payments to be deductible to the employer, you will need to ensure that you pay your superannuation liability by the following due dates:

Quarter	Period	Payment due date
1	1 July – 30 September	28 October
2	1 October – 31 December	28 January
3	1 January – 31 March	28 April
4	1 April – 30 June	28 July

Note; that you are also able to pay fortnightly or monthly together with your normal pay run. The above dates are the minimum number of payments that needs to be made during a year.

Deductions for Travel Expenses by employees

Many of us travel in our job roles and incur expenses as a consequence. We receive many queries over the year as to the tax deductibility of travel expenses. To assist in your understanding, we have provided some notes as below:

1. No Travel received then you need to substantiate

- Where you incur travel costs as an employee but are not paid a travel allowance, you can still claim the expenses under Sec 8(1), but you will need to substantiate the claim with written evidence (invoices, receipts, etc.); and
- If you travel away from home for six consecutive nights or more, you need to keep a travel diary.

2. You do not have to substantiate your expenditure where you receive a Travel allowance, provided:

- You receive a “bona fide” travel allowance for food, drink, and accommodation;
- The travel allowance is paid to cover a **specific trip** undertaken or to be undertaken;
- The deduction does not exceed a predetermined reasonable allowance; and
- If the allowance is for an overseas journey, there is an added obligation. Put simply, food, drink, and incidentals do not need to be substantiated, but accommodation does.

Then there is the fine print

a) The amount must be for a bona fide travel allowance (i.e., an amount that could reasonably be expected to cover the cost associated with the journey and not say just \$5.00).

b) The allowance must be paid for a specific trip that involves the employee traveling overnight for work (it is incorrectly believed that the mere receipt of an allowance is sufficient to deduct the travel expenses (this is not correct).

c) The expenses must be incurred (the money needs to have been spent) and the employee cannot simply claim expenses equal to the allowance.

d) The employee may be required to show the nexus between the journey, the expenses and earning income.

Business Travel expenses

The self-employed have not been overlooked.

The cost of travel between home and work

The cost of travel between home and work is not normally a deductible expense. As you have yet to commence earning until you get to your place of work, the cost cannot be said to have been “incurred in gaining or producing your assessable income.” But like all good tax law there are exceptions:

The itinerant worker:

The cost of the journey between home and work can be deductible if the work is itinerant in nature, in that it involves traveling from place to place. The characteristics that one would look for include the following:

- Travel is a fundamental part of your work;
- You have a web of places in your regular work;
- You have continual travel from one location to another;
- You are confronted with the uncertainty of your daily location;
- Your home is your base of operations;
- You have a requirement to carry bulky equipment; and
- You are paid an allowance in recognition of your need to travel to different places of work.

You carry bulky equipment to and from work:

The cost of travel between home and work where you carry bulky, heavy equipment will be allowed; provided that **all** of the following conditions are met:

- The equipment is required by you on that particular day;
- It must be essential that you transport the equipment (i.e. and not just a matter of personal choice or convenience);
- The equipment is so bulky/heavy you need to use your vehicle (i.e. not practical to put on the bus); and
- There is not a secure place to lock it away at your place of work.

Conclusions on Tax Law and Deductions

You can see why care needs to be taken and questions are asked when we prepare tax returns. The devil truly is in the detail.

Looking at the Future

The 2017/2018 Federal Budget (8th May 2018) has been delivered. The Turnbull Government's goal is to build the economy, create jobs, and get elected early next calendar year. You would have been inundated by the Press, so we have highlighted just the main Tax related matters:

- Small business with a turnover less than \$50m in the 2019 year (note that it is \$25m in the 2018 year) will continue to be able to write off appropriate asset acquisition expenditure of up to \$20,000 for another year (to the 30th June 2019).
- A low and middle-income tax offset (LMITO) will be introduced from the 2019 year to the 2022 year. It provides a non-refundable tax offset of up to \$530 per annum. Taxpayers with taxable incomes up to \$90,000 will receive the maximum benefit of \$530. In other words, you will be paying \$530 less in tax. This benefit ceases when your taxable income reaches \$125,333. The LMITO is on top of the existing low-income tax offset (LITO).
- There will also be major change in your income tax rates.

Rate	2017-18	2018-19 to 2021-22 (4 year)	2022-23 to 2023-24 (2 years)	2024-25 onwards
Nil	Up to \$18,200	Up to \$18,200	Up to \$18,200	Up to \$18,200
19%	\$18,201 - \$37,000	\$18,201 - \$37,000	\$18,201 - \$41,000	\$18,201 - \$41,000
32.5%	\$37,001 - \$87,000	\$37,001 - \$90,000	\$41,001 - \$120,000	\$41,001 - \$200,000
37%	\$87,001 - \$180,000	\$90,001 - \$180,000	\$120,001 - \$180,000	Removed
45%	Above \$180,000	Above \$180,000	Above \$180,000	Above \$200,000

- An example with numbers; you will be saving \$135 if your taxable income is up to \$90,000 in the 2019 year.
- The previously proposed increase in the Medicare levy rate to 2.5% (to help fund the NDIS) from 1 July 2019 has now been suspended.
- From 1 July 2019, the annual audit requirement for SMSFs will be changed to a three-yearly

requirement rather than each year. (but only for SMSFs with a history of good record keeping and compliance; i.e., a history of three consecutive years of clear audit reports and timely lodgements of the fund's Annual Returns.)

- Exit fees on all superannuation accounts will be banned from 1 July 2019.
- Another shot at the Cash economy will see the Taxable Payments Reporting System (TPRS) expanded to the additional following industries from 1st July 2019 where those businesses hire contractors.
 - Security providers and investigation services;
 - Road freight transport; and
 - Computer system design and related services.

The first annual report will be required in August 2020:

- Business cash transactions over \$10,000 will need special treatment from the 1st July 2019. It means if your business is to receive more than \$10,000 in payments in one transaction, you will need to inform your customers that amount cannot be in cash, rather they must transfer the money electronically or write a cheque to complete the payment.

Matter of Death and Wills

(This article is carried forward the 2017 year as it is really important to us).

Estate Planning

Part of your life planning should include death planning. Death planning is more comfortably defined as Estate Planning. A standard stock tool of Estate Planning is the Will. To capture your interest in this topic, we have included some contemplations:

- For something as certain as death we plan for it so badly.
- Live your life as you will never die, but plan as though you will pass in the night.
- Part of your role as a parent is to leave a united family; to die without a Will is to invite family conflict and disintegration.
- Dying is something you need to do right the first time.
- Your Will allows you to communicate from the grave, why miss the opportunity?

As you would guess, having had close to 40 years in this profession, I have witnessed some unpleasant family outcomes in estate administration simply for want of a valid Will.

I thought I would share some tips with you to help ensure your final message from the grave is both valid and clear.

- It is best that your Will be drafted by a suitably qualified Solicitor, but it need not be.
- The Will must appoint an Executor
- The Will must dispose of your property
- You must have the capacity to make a Will which includes being at least 18 years of age and have the mental capacity to make a Will (there is no point in making a Will once you been diagnosed with Dementia).
- You must demonstrate your intention to make the Will, and this intention needs to be evidenced by your compliance with the formalities in the Wills Act (1970).
- The Will must be in writing and have been witnessed in your presence by two witnesses who in turn sign the Will in your presence.
- Remember the making of a new Will revokes any earlier Will.
- Getting married or divorced after making your Will automatically revokes a Will.
- You can use your Will to establish a Testamentary Trust, where an entitlement can be held by a Trustee until a beneficiary of your Estate becomes entitled (say reaches the age of 18).

To conclude on this, make it your new financial year resolution to make a Will. If you already have a Will revisit it to make sure it reflects your current intentions.

Additional Estate Planning Documents

Your Will “kicks in” on your death. Often there is a period in one's life between being mentally and physically fully functional and our demise. During this period, some useful documents can make life much

easier for not only yourself but also those who will care for you.

The Enduring Power of Attorney: this document allows your Attorney the authority to make legal and financial decisions on your behalf even after you have lost the capacity to make these decisions regarding your own affairs.

Enduring Power of Guardianship: this document grants the Guardian the authority to make personal, lifestyle and treatment decisions on your behalf for any period in which you are incapacitated.

Advance Health Directive: this document contains treatment decisions in respect of your future treatment. This document can be very specific regarding the types of medical treatment and care to which a person does or does not consent. It is interesting to note that when it comes into play, it overrides the Enduring Power of Attorney and Guardianship.

Mutual Wills Agreement: this agreement is a contract where a couple have agreed not to revoke their Wills or not to substantially alter the way in which they distribute their joint assets. This agreement is useful in the case of blended families and stipulates that the survivor has use and enjoyment of the joint assets during their life but on their death, must deal with the joint assets as agreed. As a safeguard, once the first party dies the mutual Wills agreement becomes irrevocable.

Binding Death Benefit Nomination: the money you have in superannuation is an asset which is outside of your estate. A Binding Death Benefit Nomination directs that your death benefits be paid to a person of your choice or to your estate to be dealt with in accordance with your Will.

Companies: Division 7A Loans and Deemed Dividends (this one is important and is included every year lest you forget!)

Where you carry on your business in a company structure, you enjoy a 30% company tax rate (from 1st July 2017 to be 27.5% for a Small Business Entity). As long as you leave the net after-tax profits in the company, there is no further tax to pay. If you draw the money out as a Franked Dividend, then it comes with a 27.5% tax credit and you pay the difference between the 27.5% and whatever your tax rate is. If your tax rate is less than 27.5%, then you get a refund of some of the tax the company has paid. All good. But if you just reach in and take those company profits without recognising the amount as a dividend, then you are in effect borrowing company funds without having paid any extra tax.

Thus before you take this money, you need to ensure that you have in place a complying loan agreement where you agree to pay the money back to the company. In the absence of that complying loan agreement, you are deemed to have taken an unfranked dividend, and you have lost your 27.5% Franking Credit (i.e., the 27.5% tax the company has paid). The moral of the story is company profits are not your profits and should only ever be taken as a Dividend (preferably franked), as wages or as borrowings under a properly structured loan agreement. If you have broken the rules, contact us, and we will assist to make it right.

CHECKLIST & HOW CAN WE HELP YOU

There was so much to tell and so little space to tell it. So by popular demand, we include an extra page for the checklist. We also set out a new page on the reverse of the checklist, headed "HOW CAN WE HELP YOU".

If you wake up in the middle of the night in cold sweat and say to yourself "I wish I could talk to someone about this commercial problem", jot it down on the form and share it with us.

FINANCIAL PLANNING

There are items in this Newsletter that are of the nature of Financial Planning but none of which should be seen other than as General Advice. Just for completion and compliance the following should be noted;

Lane Taylor is a Director of L.P.R. Taylor Financial Services Pty Ltd of 5 Sayer Street, Midland WA 6056 and is an Individual Authorised Representative (No. 346050) of Dover Financial Advisers Pty Ltd (AFSL No. 307248) of 71 Tulip St, Cheltenham VIC 3192

CONCLUSION

This Newsletter as with the operation of the office itself is made possible by the combined efforts the whole Team. For those of you who either by reading or skimming this newsletter have got to the end, well done. Thank you for sharing it with us. If there is anything on which you would like further information, then please contact us either by email: info@lprtaylor.com.au or by telephone: (08) 9274 6944. Finally, copies of earlier Newsletters are on our Website at www.lprtaylor.com.au.

Please note this Newsletter should be taken as a guide only, and none of the comments contained in this letter are intended to be taken as advice, and this Newsletter is for the exclusive use of the clients of L.P.R Taylor & Associates Pty Ltd.

Kind regards,

Lane Taylor and the team

HOW CAN WE HELP YOU

Complete this form and fax / email it back to us. Our fax number is (08) 9274 3011 and email address is info@lprtaylor.com.au

Name: _____ Company: _____

Telephone: _____ Email: _____

ESTABLISH YOUR OWN BUSINESS

Business Structure (i.e. Sole Trader / Partnership / Company / Trust)

- Explain the difference of each business structure.
- Analyse the advantage and disadvantage of each structure.
- Help you to choose the best structure that suits you.
- Provide you guidance with your business plan.

Business Registration

- Company Formation and prepare all required documents that the ASIC needs.
- Business Name Registration.
- Apply for A.B.N. & T.F.N.
- GST Registration.
- Fringe Benefits Tax Registration.
- Payroll Tax Registration.

Buying an Existing Business

- Analyse Seller's Financial Statements.
- Valuation of Goodwill.
- Calculate the amount of Duty.
- Valuation of Inventory.

Other Services

- Preparing an effective business plan.
- Prepare financial reports for bank.
- Prepare budget for cash flow statement.
- Provide support on accounting systems.
- Explain what your tax and legal obligations are (including Workers Compensation Insurance, Wages, Superannuation, PAYG Withholding etc.)

I would like further information and advice on the following: (please tick)

- How I can improve my business performance and profitability.
 - Better strategic planning for the future of my business.
 - How your Company Secretarial services can offer me peace of mind.
 - Making my estate tax-efficient for my heirs.
 - Tax-efficient investments and savings.
 - How will the Government Budget affect me / my business?
 - Minimising capital gains tax legally.
 - Retirement planning.
 - I would like to know more about the following areas:
-
-

PRE-APPOINTMENT CHECKLIST 2017/2018

INDIVIDUAL DETAILS:

- PAYG Payment Summaries
- PAYG Payment Summary - Employment Termination Payment
- PAYG Payment Summary – Superannuation Income Stream / Lump Sum
- Pensions & Other Social Security Certificates / Documentation
- Bank Statements / Passbooks (*Detailing Interest Earned*)
- Dividend and Re-investment Statements
- Partnership & Trusts Taxable Distribution Statements
- Share Trading Statements (*i.e. Buy & Sell Contracts*)
- Rental Property Income & Expenses
- Rental Property Depreciation Report
- Buying or Selling Contract / Final Settlement Statements/ Offer & Acceptance Forms Re; Purchase / Sale of Property
- Details of Personal Property Sold (if acquired for \$10,000 or more)
E.g. Antiques Jewelry Art etc.
- Receipts for Work-Related Expenses
- Motor Vehicle Logbook
- Travel Diary / Business / Private Use Diary
- Telephone/ Internet Logbook (12 weeks every year)
- Receipts for Donations
- Private Health Insurance Statement
- Superannuation Contribution Documentations
- Zone & Overseas Forces Rebate
Location: _____

No. of Days: _____
- Medicare Exemption / Reduction Certificate
- Family Information (Spouse's & Child's - Name, TFN, DOB & Taxable Income)

BUSINESS DETAILS:

- Cashbook / Computer Disks / USB (e.g. MYOB or QuickBooks file)
- Cheque Butts & Deposit Books
- Summary of Cash Income Not Banked
- Summary of Cash Expenses Not Recorded in accounts
- Bank Statements
- Bank Reconciliation Statements
- Loan Statements
- Loan, Lease, Chattel Mortgage & Hire Purchase Agreements
- Details of Income Invoiced, but not received at 30th June (Debtors)
- Details of Expenses Invoiced, but not yet paid at 30th June (Creditors)
- Valuation of Stock at 30th June
- Details of Livestock Numbers:
Sales: _____
Killed (Rations): _____
Deaths: _____
Closing Stock: _____
Purchases: _____
Births: _____
- PAYG Payment Summaries
- PAYG Payment Summary Reconciliation
- Superannuation Summary
- Motor Vehicle Details & Logbook(s)
- Motor Vehicle Odometer Readings at 31st March & 30th June
- Buying or Selling Contract / Final Settlement Statements/ Offer & Acceptance Forms Re: Purchase/Sale of Business
- Personal Services Income (if applicable)
- Annual GST Returns
- Insurance Invoices & Statements