



## Newsletter October 2016

The new financial year has started with a bang and there are a number of changes on the horizon regarding Superannuation. Although there has been some bad press about these changes, the chances are that if you are severely hampered by these recommendations, you're in the category of wealthy Australians using super as a tax planning and estate-planning tool. If you can put \$180,000 a year into super as a non-concessional contribution, you have many options outside super. Personally I still consider Super as an excellent vehicle for long term retirement savings. Although some recommendations are yet to be adopted by Parliament, they removed the \$500,000 lifetime limit proposed on non-concessional contributions (made with after-tax earnings). The limit on concessional contributions (tax deductible) will be capped at \$25,000 from July 2017 down from the current limited of \$30,000 or if you are over 50 years it would be \$35,000. Since it is largely a Tax System for the benefit of revenue raising, you can be confident that Governments will continue to tinker with policy. The easiest method of educating clients on what those changes are and how they will affect you will be rolled out in the form of an updated seminar once those suggestions become law in the New Year. Until then we do not suggest making any structural alterations. This will be advertised within our client group through our Newsletter. We will directly approach those that already have Self Managed Superannuation Funds and who have previously attended our information evenings on this topic.

The Biggest Morning tea was a resounding Success in late May and over \$1,000 was raised for a very worthy cause. Our team of domestic goddesses put on a wonderful spread for the more than 50 participants and those of you who were able to attend were privy to our Client Services Manager Joedy Brown sharing her brush with this insidious disease.

### ***Changes to the accounting profession Australian Financial Services License (AFSL)***

Despite accountants having had almost three years to obtain a license, as at 2 July only 317 Limited AFS Licenses had been granted by ASIC (& another 582 under review) before the Accountants exemption period was over on 30 June 2016. Most accountants who administer Self Managed Superannuation Funds (SMSFs) are going down the authorized representative route which means they have to provide advice supervised by a larger institution, often owned by a bank. We do not think that path is in the best interests of our clients and at the end of March 2016, David J Gibney Pty Ltd submitted an application to the Corporate Regulator ASIC for an independent license which was granted on 24 August 2016. This accreditation will ensure we maintain our independence and will enable us to provide a full-service to answer questions regarding superannuation, contributions, pension planning, asset classes for super funds, SMSF establishment and financial planning issues. If you haven't ascertained exactly what your current accountant's plans are, you may need to put in place alternative arrangements to ensure a smooth transition. This change significantly alters the previous method of how Accountants could give advice to clients under the accountant's exemption. The new rules require advisers to have obtained RG146 accreditation including a Diploma of Financial Planning in addition to their existing degree qualification in a relevant discipline such as Finance, Economics or Accounting. In future after some formal data collection from the client, a detailed written Statement of Advice (SOA) involving more in-depth and time consuming analysis of the proposal and options will result in increased documentation along with related charges. All Accountants providing advice on Superannuation should provide a Financial Services Guide (FSG) to clients at the outset which will clarify the services offered, charge methods (including additional payments or benefits), identify the owner of the company including the License Number (in our case it is 486720) and state whether they have links to banks, fund managers or a life insurance company. When doing research about obtaining advice, you should find out what the advisors qualifications are (a degree in a relevant discipline such as finance, economics, accounting or financial planning), experience (typical clients will help you judge whether they can deal with people with similar issues and goals to you), and employment history of the advisor. It is worth questioning what professional bodies or industry associations they belong to

and whether they have been subject to disciplinary action by ASIC as well as the name of the license holder who employs or authorizes the adviser to provide advice. Use ASIC's [financial advisers register](#) to see what product areas an adviser can provide advice about. If they are not operating under a license, do not deal with them. This new system has been set up to protect the consumer so no license means, they are breaking the law and you will have little protection if things go wrong. Here at David J Gibney Pty Ltd, David is licensed to provide advice on Basic Deposit Products, General Insurance Products, Life Risk Insurance Product, Simple Managed Investment Schemes, Securities and Superannuation but not advice on specific products such as the purchase of BHP shares or AIA life insurance policy. A good example of how this will impact on future advice is as follows: - A person wants to purchase an investment property using Superannuation. Prior to setting up a Self Managed Super Fund for this purpose, a Statement of Advice needs to be prepared to demonstrate the issues relating to this proposal if the client has asked for advice on the fund establishment. Minimal changes to the future plan would need to be recorded in a much smaller Record of Advice (ROA).

## **Xero**

This year we have been transitioning to new software as it has major benefits for Small business over our previously recommended BankLink - particularly for those with a number of employees thanks to its great payroll system. Currently Xero services 262,000 subscribers including 9,000 accounting and Bookkeeping Partners in Australia and has partnered with over 50 financial institutions who provide direct bank feeds covering 83% of banking transactions within this country. Being cloud based, information is immediately updated and assessable by the client and the Accountant simultaneously which means information in the system is updated overnight instead of monthly, allowing the clients to have better visibility over their cash flow and day to day operations. Additional features include debtors, creditors, invoicing (as well as automatic email reminders) and inventory. "Add Ons" integrate tailoring software to suit specialized industries and provide POS (point of sale) workflow management, Client Relationship Management, Data Capture and much more. Clients are able to scale up or down as flexible pricing structure allows for this depending on the features required. Every 4-6 weeks updates are done automatically overnight which means you always have the latest version removing the need to download, update or install anything else. Several of our clients have already transitioned and we are in the process of registering more. If you are interested in finding out more about this product and how it can help streamline your business, please contact our office. We have already identified those of you in our client portfolio who will benefit from transferring software but if anyone else is interested, please contact us. Originally we were of the bronze partner status but with so many of our clients taking up the Software to operate their business, we have transitioned to silver partner status.



## ***Things every Property investor needs to do at tax time*** *(with thanks to Nelson Alexander newsletter)*

This is the time of year that you must account for all of your hard work and investment capital, giving you the opportunity to both pay and claim back some tax. If you are new to investing, it can be a confusing period but follow these four tips and you'll find that tax time is less of a stress and more of a breeze.

### **Appreciate depreciation**

Many investors forget that the falls in value incurred to many permanent fixtures of your investment property can be claimed as a deduction, and the differences can be significant. BMT, for example, describes how a \$400,000 townhouse can depreciate by \$8,500 in the first year. By the end of the fifth year, this reaches \$35,000 in total. Before claiming, you will need to get a Quantity Surveyors Report from a group such as BMT to claim a building write off.

All of that is capital that you can claim at the end of the financial year, and if you want to ensure your claims are accurate, you'll have to make sure you are depreciating at the right rate.

This time of year is a flurry of activity, but with the right assistance, it doesn't have to be a stressful one. Get in touch with your managing agent for everything you need to know about buying, selling or managing your investment property.

## **Invest in a Good Accountant**

While it may be tempting to cut out the middle man and try to file your tax return yourself, the fact is that accountants go through specialist training for a reason. Even regular income tax can be complicated enough, but couple that with the additional rules that are included with residential property, and it becomes positively devilish. Insurance payouts, money received from the tenant for the purpose of repairs, and so on – these are just a few of the features that you might not know how to declare. However, it isn't just about ensuring you are tax compliant. A good property accountant can make sure you are claiming all the benefits you are entitled to as well. It's more than just number-crunching with the right professional.

## **Find a good Property Manager**

Rather than having a series of receipts and invoices from a number of different individuals and companies, property managers can provide you with all the necessary documentation to fill out your return accurately, as well as claim your benefits to their fullest extent. This makes tax easier, but also gives you the chance to get a completely look at how well your current property investment strategy is working – and if any changes are in order.

## **Don't delay your submission**

It is far better to get your taxes sorted sooner rather than later. Unexpected issues could crop up, making it difficult to meet deadlines, and should you miss them date, you can be fined \$180 for every 28 days past the date. Don't put off filing your return, ensure that you are on top of your property investment finances and submit your return in a timely manner.

## ***Check for Unclaimed money with the SRO***

Victoria's State Revenue Office holds records of money that has not been claimed for 12 months. This includes share dividends, salaries & wages, proceeds from a sale or rents and bonds and is often lost when people change address or simply forget. In February this year, Treasurer Tim Pallas encouraged all Victorians to visit the [State Revenue Office online database](#) to search for any amount recorded under their name. Should the SRO be holding unclaimed money for you, you know within seconds. All you have to do is follow the prompts to start the recovery process. Earlier this year unclaimed money in amounts ranging from \$20 - \$600,000 belonging to more than 1.5 million Victorians was identified. More than \$100 million is waiting to be collected by Victorians with approximately \$100,000 of that owed to an unidentified man from Trentham. David just did a search for his family and found over \$1,100 owed to a brother who has lived overseas for a number of years.

## ***Aged Pension assets test changes commencing Jan 2017***

As a result of the rules brought in after the 2015 budget, the change to the Age Pension rules has a harsher asset test taking effect from January 2017. Those rules have meant caused people to defer their plans for retirement. More than 300,000 Age Pensioners will experience a cut to their entitlements with just under 100,000 losing all access. Retirees aged 65+ who satisfy income and assets tests and other requirements can currently receive a full or part pension. Thresholds regarding asset values you can own (excluding your home) will be adjusted. In future it will be:-

Full Pension Homeowners	Singles \$250,000	Couples \$375,000
Full Pension Non Homeowners	Singles \$450,000	Couples \$575,000

The good news is approximately 120,000 part pensioners are likely to add around \$30 per fortnight to their wallet and those that do lose their pensions as part of this review will automatically be entitled to receive a Commonwealth Seniors Health card or a low income health card which will provide access to Medicare Bulk billing, lower rates and less expensive pharmaceuticals etc. If however you are one of the 235,000 part pensioners expected to have your entitlements reduced then the following asset thresholds apply:-

Part Pension Homeowners	Singles \$542,500	Couples \$816,000
Part Pension Non Homeowners	Singles \$742,500	Couples \$1,016,000

Bringing forward the payment of large expenses such as a holiday or home repairs to reduce your assets before the change applies might be helpful. Current estimates recommend that for a comfortable retirement annually Singles need \$42,569 and couples \$58,444. Contact us if you need any assistance to apply for a pension before this date.

## ***Avoiding a CGT problem with the sale of Your Home***

Ensure you change your address to avoid Capital Gains Tax (CGT) issues in subsequent tax returns where you want to claim a principal residence exemption on a home. We have a client who had purchased a property several years earlier to escape their demanding job which required staying at work several nights during the week. Although they had very good support staff, they found that they weren't getting a break from their workplace which is why they made the purchase. During this period, they had neglected to redirect their mail and utility bills because they were staying for long weekends and didn't want any mail to go missing. This made it extremely difficult to prove the period of residence was legitimate and a flurry of emails and detective work dating back the five year period to produce invoices for furniture removalists, delivery of white goods, updating of hot water systems and maintenance work to show that the property was indeed a principal place of residence ensued. With the rise in property value CGT bills are getting larger. To avoid this in future, please ensure that your primary place of residence is registered on all your utility bills, tax returns and electoral role so that you can make the legitimate claims necessary when it comes to the sale of a property.

## ***Tax Time Scams Warning***

ATO Data indicates scammers are particularly active during tax time, with a 90% increase in the number of phone and email scams report in 2015 as compared to 2014. This is because the amount of personal information being exchanged is a prime opportunity for fraudsters. The Assistant commissioner reminded people to be vigilant when protecting personal information. If you are called about a debt, threatened with jail or arrest, receive a request for direct credit to a personal bank account, do not give them any information and contact your tax agent or the ATO directly for verification. The elderly are particularly vulnerable to this type of approach. The quality of those scams seems to be increasing.

## ***Australia Post Mail Delivery problems***

Many of you would have noticed the tardy delivery of mail via our nationwide postal service. Unfortunately here in Kyneton, any mail (including to other local Kyneton addresses) currently is sent to Bendigo for sorting before returning here to Kyneton for delivery which can take 3-4 days. Bureaucracy gone mad! For mail addressed to Melbourne locations and beyond, this can take between 5-7 days. In situations where we require documents to be signed, by the time a client has received them, signed and then come back to us we are often looking at between 10-14 days turnaround time for normal mail delivery. Even with priority paid postage, we are still experiencing an 8 day turnaround which is far too long, especially in lead up to BAS lodgment periods with a deadline. In this technology driven world, we are therefore trialing the process of emailing all our correspondence including Tax Returns to be signed, invoices and ATO notices. Please let us know if you wish to continue to receive your documentation in the traditional paper form.

## ***Christmas Holiday Break***

With only 9 working weeks left until Christmas, please note that the office will close for the break from Friday 23 December 2016 and reopen on Monday 16 January 2017. All end of year commitments will be attended to prior, however if you have something coming up that you would like to discuss, please make an appointment well before this. While you are having some down time on your holiday, you might like to consider what financial goals you would like to achieve in the 2017 year and together we can discuss how to make them happen on our return.

***Our energetic, knowledgeable and caring approach gives peace of mind.***

**If you need further information or to discuss your specific circumstances, please call David or Joanne at our office.**

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