



## Newsletter May 2017

This year's budget seem to have been made with an eye to what might get through the senate and the next election and there some changes to legislation which we think you should be aware of. The most general of the changes relate to the increase in the Medicare levy, better depreciation for small business and using superannuation as a tax effective means to save for a deposit on your first home.

Firstly a refresher on the changes to superannuation from last year's budget that are effective from 1<sup>st</sup> July 2017.

- Before-tax super contributions reduce to \$25,000 (this is very short sighted and a reduction from current (low) levels of \$30,000 or \$35,000 if you are over 50). This will make it very difficult for people to catch up on their retirement savings plans as they approach retirement.
- Individual can now claim a personal tax deduction up to the \$25,000 limit. Be careful to take into account contributions by your employer including the compulsory 9.5% superannuation contribution. This is a huge and long overdue break through.
- Commencement of the \$1.6 million pension cap; and
- Transition-to-retirement pensions lose tax-free status in the super fund but can still be used to get funds out of super before full retirement.

Contact David if you have any queries about the planning benefits from these changes.

Many of you will be familiar with our highly competent office staff. Later this year, Joedy Brown who is our Client Services Manager achieves her nine year milestone with our firm. To celebrate, she is taking some well-deserved long service leave and going overseas by herself for the month of September.

### ***Macedon Ranges Shire Small Business Excellence Award***

Recently we have been nominated for the Macedon Ranges Shire Council Business Excellence Awards 2017 in the Professional Services category. Nominations are received from the public and we have been invited to make a submission for the next round. Regardless of whether we continue to the final round in August, this is a wonderful recognition of the high level service our team provide our clients.

## ***BUDGET***

### ***Superannuation***

From 1 July 2018 and in order to prompt people in retirement from staying in larger properties effectively contributing to the high cost of housing, the government has announced that those aged over 65 years will be permitted to make a non-concessional (non tax deductible) contribution to super of up to \$300,000 for each member of a couple from the proceeds of selling a principal residence previously owned for over 10 years. Specific detail to be clarified include what the definition of downsizing is and whether you are required to make the contributions from the actual proceeds from the property sale etc.

### ***Personal Income Tax & Medicare changes***

Due to the removal of the Temporary Budget repair level from 1 July 2017, the effective top marginal tax rate for financial year 2018 will drop by 2% to be 47% (including the 2% Medicare Levy). However from 1 July 2019 the Medicare levy will increase from 2% to 2.5% for everyone (providing it gets through the Senate).

### ***Instant asset write-off for small business entities***

The Government has extended the immediate deductibility for eligible assets costing less than \$20,000 for a further 12 months to 30 June 2018. This applies to small business entities with a combined turnover to less than \$10 million. The threshold increased from \$2 million to \$10 million in July 2016. To obtain the deduction, the asset must be first used or installed ready for use by 30 June 2018 and has been designed to provide an immediate cash benefit to small business. After that date, the threshold reverts to the original \$1,000 limit.

### ***First Home Super Saver Scheme***

In order to assist First home owners entering the market, the government has come up with a scheme designed to speed up their ability to save a deposit, using superannuation. From 1 July 2017, voluntary contributions to superannuation will be able to be withdrawn from 1 July 2018 for a first home deposit along with associated deemed earnings. The funds withdrawn for this purpose will be taxed at marginal rates less a 30% offset.

Generally the net tax paid on contributions and earnings under the scheme would be 15% which is a better result compared to marginal tax rates that would apply if savings were made outside a fund. Up to \$15,000 per annum and \$30,000 in total can be contributed within existing limits of \$25,000. While previous schemes have failed due to complexity and marginal benefits achievable, I believe this scheme will have a high take up rate amongst middle income first home savers. It will be suited to people earning between \$37,000 - \$180,000. If people do not purchase a home they will get boosted retirement savings. Make an appointment to come and see David in the office to make your dream of purchasing your first home a reality.

### ***Property***

Purchasers of second-hand residential investment units and homes have lost their ability to claim depreciation on plant and equipment which is part of the property at the time of purchase. The policy change will apply to all contracts entered after 7.30pm (AEST) on 9 May 2017. These deductions will now only be available for new properties. This was brought in as the same items (carpet/blinds/light fittings) were being claimed as tax deductions by successive owners. This does not preclude the 2.5% building allowance claim.

### ***Restricting residential investment property deductions***

Travel expenditure for inspecting, maintaining or collecting rent on property will be tightened but the good news is you will still be able to claim real estate agent expenses to manage property on your behalf. Investors will need to consider the above changes when weighting up the pros and cons of whether to invest in pre-existing rental property versus new property (as long as you purchase depreciable assets as part of the purchase). Both of the property changes are integrity measures with investors claiming travel to rental properties without apportioning private (holiday) usage.

### ***Do you have a Power of Attorney?***

In the unfortunate circumstance where you become incapacitated suddenly, it is important that your loved ones can continue to make decisions in your absence either regarding your medical treatment or for the continuation of your business until you are back on your feet. In the circumstance where you are the only signatory able to sign for that tender you have been working on, it may be necessary to have someone sign documentation on your behalf. Unfortunately not only are you out of action but your business is under jeopardy because you are unconscious and therefore unable to execute contracts with no-one able to step in to represent your interests. In this scenario not only are you likely to lose the tender you were working on but your business is savagely underperforming in your absence. Although it's important to have the correct legal documentation in place to protect what is often a significant asset in your family's overall future and wellbeing, this comment is not from a legal perspective but from a practical one. A short visit to a lawyer can draft this paperwork which should be attached to your will and a copy at your bank.

### ***Stamp Duty Abolished for Victorian First Home Buyers***

The Victorian Government has announced that [stamp duty \(land transfer duty\) will be abolished for first-home buyers](#) purchasing a new home with a dutiable value of not more than \$600,000 with a tapered discount between \$600,000 and \$750,000. The First Home owners grant for new homes in regional Victoria will double from \$10,000 to \$20,000.

## ***Financial Services Guide (attached)***

Last year we wrote about the changes surrounding advice that accountants can provide regarding Superannuation and other matters. David studied for this Diploma of Financial Planning accreditation which means that he can continue to provide advice on all your tax and superannuation planning options for wealth creation and retirement planning/savings. However, much of it will need to follow a process. Clients requiring guidance in this area will need to be provided with the attached Financial Services Guide (FSG) and complete a Client questionnaire before David can provide written advice referred to as a Statement of Advice (SOA). In preparation for this process, please take the time to read the attached FSG so that you are aware of what is required.

## ***E signature of BAS & Tax Returns***

Following on from the slow delivery time of items dispatched via the Australia Post system, we have trialed and are now able to offer clients an alternative and safe method of signing tax returns. This is especially valuable in circumstances where we are coming up for a deadline. You receive the information in an email as normal and follow the prompts for signing. This system has been accepted by the ATO is very convenient and has been a saving for time sensitive documentation.

## ***How to avoid over committing your time***

The owner of a SME is always looking for ways to expand their business from agreeing to extra lunches and after work drinks as it may be linked to future business opportunities. This overdrive can lead to work stacking up and exacerbating stress. Essentially speaking we are all in a service industry and like to “please” those around us so we often agree to things that we don’t want to do or logistically can’t fit into our 24 hour day. There has to be a better way to saying no to various activities without leaving us with a feeling of guilt or make you come across as the office wowser. It’s all in the type of language that we use and if we swap the ambiguous word “can’t” to the assertive “don’t” we’ll be able to save face as well as time.

## ***Mid-Year Holiday Break***

Please note that before the start of the new financial year, David and Julie-Anne will be on leave from 25 June – 10 July. The office will be very capably manned by our staff Joedy and Catherine who is a qualified experienced accountant. 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.

***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 Catherine at our office.**

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