

APRIL, 2019

NEWSLETTER



What to Look Out for in 2019

As we look towards the next Federal election and beyond, it's important to understand both the existing Government and the opposition party's proposed policies relating to superannuation and tax. Both parties agree on some policies, for example:

- Neither party is currently seeking to increase the age pension age to 70. They both agree that it should rise from 65 to 67 in six-monthly intervals by 1 January 2023.
- They both agree that the Superannuation Guarantee (SG) should increase from 9.5% to 12%, however Labor wants to fast-track this while the current Government has a freeze on the increase.



What policies could change?

Non-concessional Contribution Cap

The current cap for making non-concessional contributions (using after tax money to contribute to your super) is \$100,000 pa. You can also 'bring forward' three years-worth of contributions into a single year and pay up to \$300,000. Labor proposes to reduce the annual cap to \$75,000 per year.

Concessional Contributions

Another way to contribute to super is by making concessional contributions (before tax or deductible contributions) to super — up to a cap of \$25,000 per year. The benefit of this is that concessional contributions are generally subject to contribution tax of only 15% rather than your marginal tax rate. The current Government allows people, who can't maximise the \$25,000 cap in a particular year, to contribute any unused cap amounts in a later year — as long as it is made within the next five years (conditions apply). Labor proposes to abolish the ability to make catch-up concessional contributions.

Change to Tax Concessions for High-income Earners Making Concessional Contributions

Currently, concessional contributions are generally subject to contribution tax of 15% but high-income earners may be subject to an extra 15%.

High-income earners currently pay this higher contribution tax if their income is greater than \$250,000 pa. Labor plans to reduce this income limit down to \$200,000 pa.

Government Paid Parental Leave

The current Government's paid parental leave scheme is equal to \$719.35 per week for 18 weeks to eligible parents. However, no super contributions are currently paid. Labor wants parents to have access to 26 weeks of paid parental leave at full pay plus super through a combination of Government and employer super contributions.

Limited Recourse Borrowing

Limited recourse borrowing by self-managed superannuation funds (SMSFs) to acquire property investment has grown significantly since 2007. Labor proposes to prohibit direct borrowing by superannuation funds for housing investments. Their view is that this type of borrowing by SMSFs crowds-out first homebuyers.

Franking Credits

Labor proposes to remove the ability to claim excess imputation/franking credits in cash from the ATO. If you receive income support from the Government, such as the Age Pension or Disability Support Pension, you will not be impacted. Nor will SMSFs that had at least one pensioner recipient before 28 March 2018.

Negative Gearing

Negative gearing refers to the situation where you make an investment that loses you money in the short term. For example when the interest you paid on the loan and any related costs are greater than the income you receive such as rent from an investment property. Currently, you can deduct any losses associated with the investment from your personal income. Labor plans to restrict negative gearing to investors of all asset classes acquired after a certain date. If you invest in new housing or you have an existing investment, this change is not likely to affect you.

Capital Gains Tax

Currently, individuals and trusts are entitled to a 50% discount on the capital gain amount when they dispose of an investment asset, providing they have held the asset for more than one year. Labor plans to limit the capital gains tax discount on assets that are purchased after a certain date by halving the capital gains tax discount from 50% down to 25%. If you invest in a new investment such as housing or you have an existing investment, this change is not likely to affect you.

Source: EWM Portfolio Watch

Errors in 9 out of 10 Rental Claims Prompt ATO Blitz

The Australian Tax Office Commissioner has signalled the ATO's intent to crackdown on rental property deductions, citing the ATO's audits of over 300 rental property claims found errors in almost nine out of 10 returns reviewed.



"We're seeing incorrect interest claims for the entire investment loan where it has been refinanced for private purposes, incorrect classification of capital works as repairs and maintenance, and taxpayers not apportioning deductions for holiday homes when they are not genuinely available for rent." said the ATO.

"And when you consider that rentals include over 2.1 million taxpayers claiming \$47.4 billion in deductions, against \$44.1 billion in reported income, you can get a sense of the potential revenue at risk."

The area of focus comes in the wake of the ATO's focus on work-related expenses, which has seen the average claim fall by \$130 over the past two years – the first time it has fallen in the last 25 years. The ATO expects the estimated revenue gain for that same period to be around \$600 million.

Last year, the ATO released its individuals tax gap report that found an \$8.76 billion tax gap, with omitted income and work-related expenses forming two of the main components driving the tax gap.

In a bid to identify taxpayers who have left out rental income and over-claimed deductions for short-term rentals, the ATO has been examining data provided by online rental platforms.

In line with its property focus, the ATO also issued a reminder late last year that clients are no longer able to claim any deductions for the cost of travel they incur relating to inspecting, maintaining, or collecting rent for a residential rental property unless they are carrying on a business of property investing or are an excluded entity.

Source: Accountants Daily

Where Can I Get Finance for a Small Business?

Many people in Australia dream of running their own small business but four out of five never do it. If you've got a good idea, develop a business plan, then talk to specialists such as an accountant and commercial finance broker to discover your options which may include:

- Business loans
- Commercial loans
- Lines of credit
- Franchise funding
- Venture capital

A lot of small businesses fail not because they're offering a poor product but because they run out of cash. How much money do you need for your business? Not just to pay for set-up costs but to cover your living expenses while you get established? Don't even think about going into business until you've done a detailed business plan and cash flow projection. Otherwise you're planning to fail.



Business Loans

Business loans are where the finance is for business purposes and the interest cost associated with the loan is tax deductible against the profits of the business. Small business operators usually provide security by way of residential or commercial property.

Commercial Loans

A commercial loan is where the finance is for the purchasing of a commercial property, commercial property development or business purchase.

Similar lending requirements apply to both business and commercial loans. Commercial loans are secured either by commercial or residential property. With larger corporate borrowers, lenders might rely purely on the assets of the company as loan security e.g. trade debtors.

Lines of Credit or Overdraft

With a line of credit, you're given a borrowing limit by the lender and you draw down money - up to that limit - as you need it. The advantage of a line of credit is that you only pay interest as you draw down money. The disadvantage is that the rate of interest may be higher.

A line of credit should be "fully fluctuating". ie It should only be used as a short term financing option rather than for the purchase of major commercial plant or equipment.

Start-ups vs Existing Businesses

If you're thinking of running your own business, you should be aware that it's generally easier to get business finance for an existing business rather than a start-up. Lenders tend to view start-up businesses as inherently risky whereas an existing business has a track record they can review. There are however business finance options for start-ups.

Franchise Finance

To meet an emerging need, new business finance products have come onto the market to help people buy franchises. Lenders can be more inclined to provide franchise finance because, while your business might be new, it could be based on a proven formula.

Venture Capital

Venture capital (VC) describes where a lender gives you funds in return for a stake in your business. The further your idea is from fruition, the less likely the venture capital or VC firm will be to give you the money, and the more equity they'll want in return.

Still unsure? Start your small business journey with the right advice and speak to the team at Accountplan by calling 07 3883 8999

Team Milestones

We have 2 of our team celebrating service milestones with Accountplan.



Jennifer Leathart

Jennifer is our receptionist and celebrates 2yrs with Accountplan on Wednesday 3rd of April.

Ciara Hoines

Ciara is the Customer Service Officer in our Financial Planning arm and celebrates 3yrs with Accountplan on Thursday 4th of April

Congratulations ladies!

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