RJC EVANS & Co

News

RJC EVANS & Co
Accountants • Tax Agents • Advisors

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"Start by doing what's necessary; then do what's possible; and suddenly you are doing the impossible"
– St Francis of Assisi.

From little things, big things grow

It all started with a pesky mosquito! I was trying to get to sleep but this little insect wasn't going to stop buzzing around. I could hear, but couldn't see, where the source of the annoyance was lurking!

I was now well and truly awake and fully aware that small things do matter!

Wide awake, I began thinking about the small things in life that do make a difference.

Perhaps this should be my outlook for 2019. To only live one day at a time or one moment at a time. Large scale New Year resolutions are difficult to embrace for long periods, and therefore nearly impossible to achieve. There seems little point in aiming for something you have no hope of achieving.

Every little bit counts. "If you look after the pennies, the pounds will look after themselves".

This theory applies in business, as much as it does in sport. The Marginal Gain Theory is about understanding every element of a system and making small improvements at every step to generate an overall gain.

British cycling legend, Sir David Brailsford, applied this theory when coaching Olympic champions and British Tour de France winner, Chris Froome.

By breaking down everything that goes into riding a bike, improving every element by a small amount and then putting it back together, Brailsford found that if you make a small improvement (even just 1%) in everything you do, the impact is cumulative and provides a winning edge.

Change one thing, just one thing, and everything else will change.

Improve 1% per day. In seventy days, you will be twice as good as you were.

"It does not matter how slowly you go, as long as you do not stop" – Chinese Philosopher, Confucius.

Pay attention to detail. Cross the T's and dot the I's. Success is the sum of all small efforts repeated day-in and day-out.

These concepts can be applied to our own everyday lives.

Car loans, store cards and credits cards are all examples of bad debt and need to be treated with contempt. Paying off a little extra each week can deliver big savings.

Adopt a savings plan that is based on the, "little and often" principle. By taking action every day, goals can be achieved.

Take action on your goal every single day. Work on it, until it has been achieved.

It is coincidental that this, "mosquito encounter" has reminded me that, "from little things, big things grow!"

New Year resolution sorted.

Andrew Evans

Superannuation

How Can I Boost My Superannuation

Salary Sacrifice

Ask your employer if they would agree to pay some of your pre-tax salary as an extra contribution to superannuation. Even the smallest contribution now, can have a big effect when invested over the course of your working life.

Keep in mind, there are annual limits (caps) on how much you can contribute each year. The cap on Concessional Contributions is $25,000 for the 2018/19 financial year. This includes both employer SG contributions and those salary sacrificed.

After-Tax (Non-Concessional) Contributions

Another option is to make a contribution to your superannuation with your own (after-tax) money. This method of contribution still enjoys the same Concessional tax treatment when invested in superannuation, which may make it a simple and effective way to help boost your superannuation. The annual limit for after-tax contributions is $100,000 for the 2018/19 financial year, subject to the total balance you have in superannuation, being less than $1.6 million.

If you are under 65 years old, you may be able to make after-tax contributions of up to three times the annual limit, in a single year.

Contribute with a Tax Deduction

You may be able to make an after-tax contribution up to the Concessional (before-tax) cap of $25,000 (including any contributions your employer makes on your behalf) and claim a deduction in your personal tax return.

Government Co-Contributions

If you earn a total income of $52,697 or less per year (before tax) for the 2018/19 financial year, and make an after-tax contribution to superannuation, the Government may make an additional contribution to a maximum of $500 on your behalf.

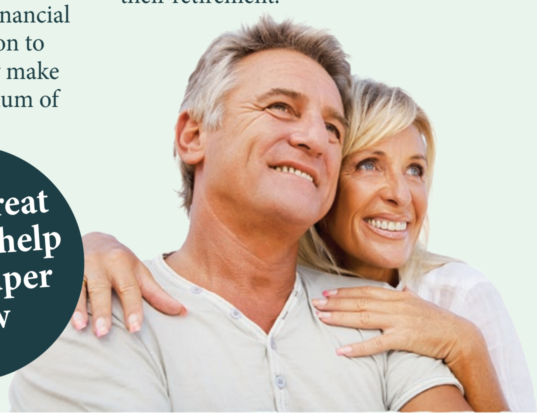
Some great ideas to help your Super grow

Spouse Contributions

If you earn low or no income, your spouse may be able to claim a tax offset of up to $540 under certain conditions, if they make a Non-Concessional Contribution to your superannuation fund. Alternatively, your spouse may be able to split the Concessional Contributions made during the financial year with you, into your superannuation fund.

Self-Employed Contributions

If you are self-employed, you don't have to make contributions to superannuation. A self-employed person should give consideration to the tax benefits obtained by contributing to superannuation and in doing so, saving for their retirement.

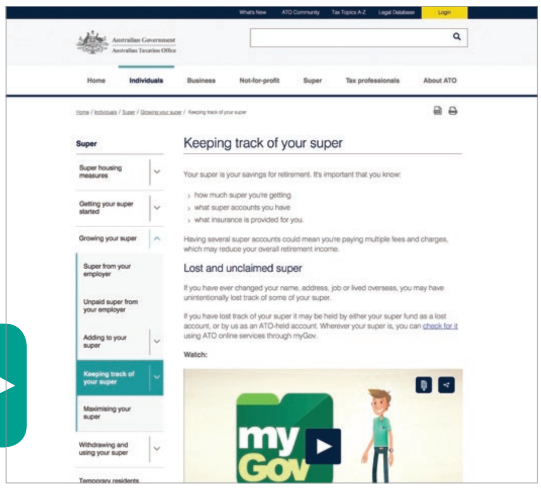


Lost Superannuation

New data by the ATO reveals the total amount of lost and unclaimed superannuation, was reduced by over $420 million in 2017/18, but there is still $17.5 billion waiting to be found!

For information on how to manage your superannuation and view all your superannuation accounts, including lost and unclaimed money at the following website:

Visit https://www.ato.gov.au/individuals/super/growing-your-super/keeping-track-of-your-super/



What is a Transfer Balance Cap and How Does it Operate?

The $1.6 million cap is applied on a taxpayer by taxpayer basis

The general Pension Transfer Balance Cap limits to an amount of $1.6 million in superannuation, which is then converted to Pension Phase, and thereby enjoy the Earning Tax Exemption which currently applies in Pension Phase.

The $1.6 million cap is applied on a taxpayer by taxpayer basis and applies to all superannuation accounts which have moved into Pension Phase.

The ATO has created a Transfer Balance account for each taxpayer who has super benefits in Pension Phase.

As and when a pension is commenced, the ATO credits the account with the initial balance of the pension. If a taxpayer commences a pension which causes their Transfer Balance account to exceed the cap, the ATO notifies the member of the excess amount.

The trustee must then commute the excess pension (or excess portion of the pension) either back to Accumulation Phase or be paid as a lump sum superannuation payment.

Additionally, to commuting the pension, special tax is imposed to essentially clawback the benefit of the Earning Tax Exemption on the portion of the pension which is excessive.

This tax is called Excess Transfer Balance Tax and is charged at a rate of 15% on the notional earnings of the excess portion of the pension. This tax is levied on the taxpayer, with the taxpayer having the choice to either pay the tax themselves or arrange for the superannuation fund to pay the tax and to debit their pension balance.

From 1 July 2018, if you have paid excess transfer balance tax once before, and are taxed again, it will be taxed at 30%!

Importantly, once the pension commences, any increase in the pension account balance due to earnings, does not affect the Transfer Balance account. Equally, any decrease in the pension account balance due to negative earnings, does not affect the Transfer Balance account.

Once a taxpayer has exhausted their Pension Transfer Balance Cap, no new superannuation capital can be transferred to Pension Phase.

General

Regional Investment Corporation

The Regional Investment Corporation (RIC) opened for business on the 1 July 2018.

The Australian Government established the RIC to deliver Commonwealth Farm Business Concessional Loans and the National Water Infrastructure Loan Facility. The RIC is a corporate Commonwealth entity.

The RIC has loan facilities for farmers. These include:

- **Farm investment loans**
- **Drought loans**

As with all loans, there are lending criteria. The maximum of each loan is up to $2 million.

Further details about these loans can be found on the Regional Investment Corporation website, or contact our office.

The maximum for each loan is up to $2 Million

ATO Focus on Claims for Laundry Expenses

The Australian Taxation Office (ATO) will more closely examine taxpayers claiming work-related clothing and laundry expenses, this tax time.

The ATO states that with clothing claims up nearly 20% over the last five years, they believe a lot of taxpayers are either making mistakes or deliberately over-claiming.

According to the ATO, common mistakes include people claiming ineligible clothing, claiming for something without having spent the money, and not being able to provide evidence for how the claim was calculated.

Vendor Beware

Recent changes to the Foreign Resident Capital Gains Withholding (FRCGW) regime, means that more Australian residents are likely to be affected by the tax on transactions as common as the sale of the family home.

The FRCGW rules require the purchaser to withhold a portion of the purchase price from the disposal of taxable property. This is to address concerns regarding foreign residents not meeting their tax obligations.

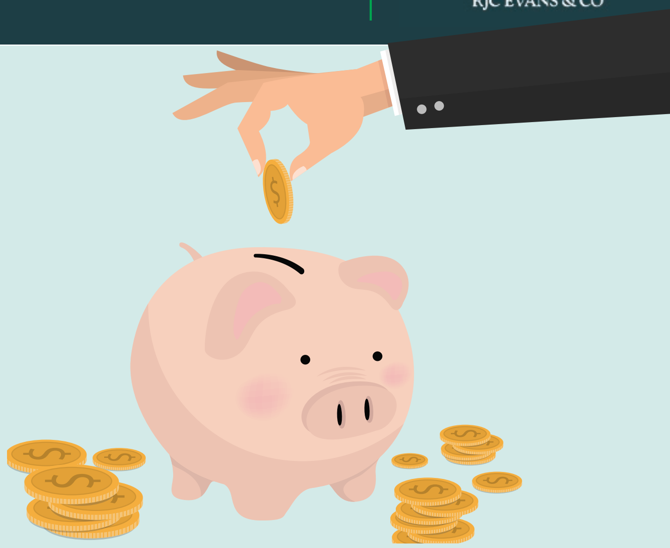
This applies to all vendors where home and property sales are above $750,0000.

Withholding tax can be avoided for Australian tax residents by applying for a Clearance Certificate. Otherwise at settlement, 12.5% of the contract price will need to be withheld on properties with a sale price greater than $750,000.

The tax is paid to the ATO after completing a Purchaser Payment Notification, which must be done before settlement.

Contact our office for assistance, should you be selling a property with a value of greater than $750,000, and require a Clearance Certificate.

Tax Treatment of Compensation by Financial Institutions?



With the final outcome of the Financial Services Royal Commission now released, it is timely to consider the rules (as they stand) regarding the taxation of compensation paid to individuals, for advice from financial institutions.

The tax treatment of the compensation depends on what the compensation is being paid for, and how an investor holds (or held) the investments.

The compensation payment can include some or all of:

- Compensation for loss on an investment.
- A refund or reimbursement of advisor fees.
- Interest.

The compensation may relate to multiple investments, with different amounts of compensation granted against each one.

An individual will generally be required to consider the taxation consequences of each compensation amount separately.

Compensation for Loss on Investment

An investor may receive compensation for a loss amount if the value of their investments is lower than it would have been if they had received appropriate advice.

There are different tax treatments depending on whether the compensation relates to investments an investor has disposed of, or existing investments.

When the investor disposed of the relevant investment, CGT event A1 happened. Capital gains or losses made from a CGT event are reported in the financial year the asset was disposed.

The compensation can be treated as additional capital proceeds relating to the disposal of those investments. If an investor had more than one investment, they will be required by the ATO to apportion the additional capital proceeds to each disposal.

Australian residents for tax purposes, who held their investments for at least 12 months, will be entitled to the 50% CGT Discount. An amendment may need to be requested to an earlier income tax return to reflect these additional capital proceeds, if the compensation relates to CGT events that happened in a previous financial year.

If you have been compensated for investments you still own, you will need to reduce either the cost base or the reduced cost base by the compensation amount received, depending on whether a loss or gain was made when the investments were disposed.

Also, it may be necessary to apportion the compensation amount where it relates to more than one investment.

Refund or Reimbursement of Advisor Fees

The compensation payment may include an amount that is a refund or reimbursement of advisor fees. The tax treatment of this depends on whether a deduction for the advisor fees was claimed in the investor's income tax return.

If a deduction was claimed for the advisor fees, the amount received as a refund or reimbursement will form part of an investor's assessable income in the year it was received.

If there was no deduction claimed for the advisor fees, the refund or reimbursement does not form part of the assessable income.

However, where the advisor fees were included in the cost base or reduced cost base of any investments made, the taxpayer must reduce the cost base and reduced cost base by the amount of the refund or reimbursement.

Interest Component

The interest component is assessible as ordinary income and should be included in the tax return, in the financial year it is received.

Interesting read after the outcome of the Financial Services Royal Commission

General

Trade Support Loans

Trade Support Loans are loans paid in instalments totalling up to $20,808, over the life of an Australian Apprenticeship. These loans are intended to assist apprentices with everyday costs while they complete their Apprenticeship.

Eligible trade Australian apprentices may apply for regular instalments according to their needs.

Loans of up to $20,808 are available, paid to apprentices monthly in arrears, over the lifetime of the Apprenticeship.

1st Year	$8,323	(12 monthly payments of $693.58)
2nd Year	$6,242	(12 monthly payments of $520.17)
3rd Year	$4,162	(12 monthly payments of $346.83)
4th Year and Beyond	$2,081	(12 monthly payments of $173.42)

Payments made to apprentices through the Trade Support Loans are repayable through the Taxation System when the minimum income threshold is reached.

In 2017/18 the minimum repayment occurs at an income threshold of $55,874.

Once an apprentice successfully completes their Apprenticeship, a 20% discount is applied to the loan amount borrowed.

The loan value is indexed in line with increases in the Consumer Price Index (CPI) to maintain real value.

The Trade Support Loans Priority List identifies those occupations and qualifications eligible for Trade Support Loans.

This list includes Certificate III or IV qualifications leading to certain priority trade occupations that currently appear on the National Skills Needs List, as well as a number of Agriculture and Horticulture qualifications at the Certificate II, III & IV levels.

Incorrect Work-Related Expenses

The ATO has published research showing that the estimated gap between the tax the ATO collects from individuals not in business, and what the ATO believes it would have collected if every taxpayer was fully compliant with the law, is significant at $8.7 billion.

According to the ATO, this gap is primarily driven by incorrectly claimed work-related expenses.

Common mistakes include claiming deductions where there is no connection to income or earnings, claims for private expenses, or there is no substantiation/receipt to show that an expense was incurred.

Other areas of concern include high rates of incorrect claims for rental property expenses and non-reporting of cash wages.

Sacrificing Leave on Termination

Over the years, there have been a number of questions about whether annual leave or long service leave owing on termination of employment (whether by resignation or being fired), can be salary sacrificed into superannuation.

With salary sacrificing annual leave or long service leave during employment, you can only salary sacrifice future leave entitlements. That is, a Salary Sacrifice Agreement must be in place before the leave that you are sacrificing, has been accrued. You cannot salary sacrifice leave that has already accrued.

However, on termination, even where a Salary Sacrifice Agreement was in place, annual leave and long service leave that is owing, can never be salary sacrificed into superannuation.

These amounts are assessible to the employee and cannot be sacrificed

Success Tips

1. **Be positive** – surround yourself with positive people.
2. **Choose things you are good at** – focus on your strengths.
3. **Lead a healthy balanced lifestyle** – keep your mind and body active.
4. **Set realistic & achievable goals** – challenge yourself. You may be pleasantly surprised.
5. **Reward yourself and others** – give credit where credit is due & show your appreciation.
6. **Have a point of difference** – share it with others.
7. **Take a few risks** – ensure you learn from your mistakes.
8. **Constantly improve yourself** – study your craft.
9. **Enjoy yourself** – be passionate about what you do

ABN Lookup

The ABN Lookup site in the public view of the Australia Business Register (ABR).

It provides access to publicly available information supplied by businesses when they register for an Australian Business Number (ABN).

By simply searching the name of a business, you can use ABN Lookup to:

- Verify ABNs – this is recommended when you are dealing with a new supplier/customer.
- Check whether a business is GST-registered.
- To check whether an organisation is a Deductible Gift Recipient (DGR) – you can only claim a deduction for a donation if the recipient is a DGR. If you are planning on making a donation to an organisation, you should check its DGR status before you do so.

Introduction of an Economy-Wide Cash Payment Limit

The Government has introduced a limit regarding the maximum cash payment that can be made to businesses.

This limit is $10,000 and will be law from 1 January 2020. Consequently, transactions over this threshold need to be made via an electronic payment system or by cheque. Transactions with financial institutions, or consumer to consumer non-business transactions (that are private transactions) will not be affected.

General

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Procrastination

We are all guilty of procrastinating on particular issues. At the time, they are just too difficult for us to tackle. In the end, procrastinating doesn't do us any favours.

Business Insider Australia, have complied a list of 20 essential tips to maximise productivity and get more done. Mark Holton of Smithink, summarised these into seven ideas that could make the most difference to your productivity:

Prioritise one thing each day – write out the tasks that are causing you the most stress and ask, "If this was the only thing I accomplished today, would I be satisfied with my day?", to decide what should be your number one priority.

Find your peak time of day – figure out at which point of the day you are most productive, and keep it distraction-free.

Start a, "Done List" – at the end of each day, write down what you have accomplished. It will help you realise how efficiently you are working and where you can improve.

Take short breaks – try the "Pomodoro" technique, in which you work for 25 solid minutes, followed by a 3-5 minute break to let your brain relax.

Only check your emails once an hour – instead of jumping on every new email the minute it comes in, give yourself specific times to check your inbox. This will enable you to concentrate on other projects without interruption every time a new message comes in.

Keep yourself accountable – setting deadlines for yourself is great, but telling another person will keep you accountable for meeting those deadlines.

Try the, "Under Ten-Minutes Rule" – if a task can be completed in ten minutes or less, take care of it right away and move on. You will stop pushing off small tasks.

The Power of Positive Thinking

If you fail, never give up because F.A.I.L. means:
"Firsts Attempt In Learning".

The end is not the end. In fact, E.N.D. means:
"Effort Never Dies".

If you get NO as an answer, remember N.O. means:
"Next Opportunity".

IN BRIEF

Some Interesting Statistics

2.68 million
The number of emails sent every second (source: internetlivestats.com)

67%
of those emails are spam (source: internetlivestats.com)

86%
of Australian households have internet access as of 2016/17 (source: ABS)

52
bananas are grown on the planet yearly for every living person (source: BBC)

Instant Asset Write-Off Threshold Up To $25,000

It has recently been announced that the Small Business Instant Asset Write-Off will be increased from $20,000 to $25,000.

The Write-Off will be available for Small Businesses with an annual turnover of less than $10 million.

When the legislation is passed, the provision will apply from 29 January 2019, until 30 June 2020.