

INTRODUCTION

With the Christmas break now a distant memory, we are back at the grindstone working to ensure everyone meets the upcoming ATO deadlines.

If you are yet to get your information to us, just a reminder of our standard processing times and how they fit in with the general due date of May 15:

- **SMSF's:** We need 8 weeks to process (incl. audit)
- **Business:** We need 6 weeks to process
- **Individuals (non-business):** We need 1-2 weeks to process

Please also note that these are standard processing times and in peak periods it can stretch out a bit longer.



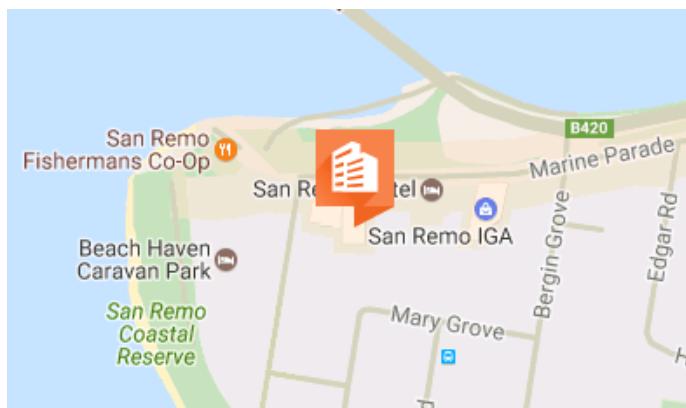
Given the above time frames, we need your information in ASAP to give us time to meet the general May 15 deadline.

WE'RE MOVING!!

In case our email and postal notifications didn't reach you, our South Gippsland office has relocated from Wonthaggi to:

**SHOP 2B
157 – 159 MARINE PARADE
SAN REMO VIC 3925**

This is located in the Bridgeview arcade opposite the beautiful grassy picnic area on the shore.



Phone numbers & email addresses are unchanged. As always we are more than happy to come to you for meetings, so rest assured we won't let our move inconvenience you.

SUPERANNUATION PENSION PAYMENTS

With all the changes occurring to superannuation, having payments of superannuation pensions recorded correctly will become more important.

It is the ATO's view that creating documentation around the classification of payments needs to be done at the time the payment is made, not at year end.

When a superannuation fund makes a payment to a member it could be classified as:

- A pension payment;
- A lump-sum withdrawal;
- A loan; or
- A reimbursement.

Each one has different tax and compliance outcomes. The ATO's view is that you can't manipulate at year end what a payment was just to suit the circumstances.

The good news is that we can help ... as long as you keep us in the loop.

Upon review, lack of documentation around payments is the easiest thing for the ATO to find. With ATO fines ranging from \$1,500 to \$20,000 for fairly simple errors like this – it's just not worth the risk.

Under our SMSF fixed fee solution, we process your fund constantly during the year so things like this can be picked up on and rectified before they become a problem. For more information, contact us.

RECENT ATO ACTIVITY

Overtime Meal Allowance Deductions Disallowed

A construction worker's salary package included an annual amount as extra to cover overtime work, out of pocket expenses, and for work performed at home – all of which was a fixed amount paid weekly.

When preparing his tax return, he claimed a deduction for meals consumed while working overtime.

It is worth noting here that you can only claim overtime meal deductions if an allowance is paid under an award or industrial agreement.

The ATO (and the Courts) disallowed the deduction essentially because the overtime meal allowance was not calculated as per the award.



The ATO's arguments were:

- The award rate was only used as a starting point, with extras added to it that were not calculated as per the award;
- A fixed rate was paid per week, regardless of the overtime worked;
- Overtime was not paid at penalty rates (or at least it couldn't be ascertained because it was a fixed amount); and
- If the employer did calculate the overtime meal allowance as per the award, it wouldn't have actually been payable.

The courts found that the "allowances" paid (that extra amount) was essentially a notional apportionment of his total gross salary and because the amount paid bore no relation to the actual overtime worked, it couldn't be an overtime meal allowance.

SMSF Report

The ATO have released a statistical report around Self Managed Superannuation Funds (SMSFs). Key stats include:

- 29% of all superannuation assets are held within SMSFs
- There are around 1.1mil SMSF members
- The median age of new SMSF entrants is 48
- The median taxable income of SMSF members is \$59,000, and the average is \$108,000
- The average member balance is close to \$600,000, and the average size of each SMSF is \$1.1mil
- Listed shares is the most popular investment (by value), followed by cash, commercial property, unlisted trusts, and other managed investments
- Around 6% of assets are held under a borrowing arrangement
- The average admin & operating expense ratio is 0.5% (which if you use a \$1.1mil average balance is approx. \$5,500 – well above what MCA charges ☺)
- Only 23% of SMSFs have a company trustee
- SMSF's have averaged lower investment returns than public funds by around 2% over the past 5 years
- SMSF's with balances under \$200,000 average a negative return on investments
- Around 2% of SMSF's are reported to the ATO each year as breaching the relevant Laws, with an average of around 2.6 breaches per case
- The most common breach is loans or financial assistance to members, followed closely by a failure to separate personal assets from SMSF assets

ATO Visiting Café's and Restaurants

The ATO are continuing their quest to "help" businesses comply with our Tax Laws by visiting businesses in one of the most at risk categories – Café's & Restaurants, along with Hairdressers and other beauty shops.



The current campaign is targeted at Perth and Canberra, and follows previous campaigns in Melbourne, Sydney, Adelaide, and the Gold Coast.

For more information, click [here](#).

SALARY SACRIFICING SUPERANNUATION

One of the changes to superannuation made by the Government recently is to allow tax-effective (i.e. tax deductible) superannuation contributions by all individuals.

This could (and arguably should) spell the end for the need to salary sacrifice to super.

The Current Benefits

Salary sacrificing superannuation is currently beneficial because of what is known as the "10% test" by accountants.

Basically, if more than 10% of your income is from salary and wage income, then you cannot claim a tax deduction for additional superannuation contributions.

This meant that the only way for someone on wages to get extra money into superannuation tax effectively was to salary sacrifice.

The Change

From 1 July 2017, the 10% test is removed. This means that all individuals can claim tax deductions for extra contributions into superannuation.

Why You Should Cancel Your Salary Sacrifice

There are 2 main reasons why you should cancel your salary sacrifice arrangement and manage your extra superannuation contributions yourself:

Superannuation Guarantee Quirk

One little known quirk in our superannuation laws is that employers are legally allowed to use your salary



sacrificed superannuation to satisfy their 9.5% compulsory contribution requirement.

For example, if your gross wage is \$50,000 your employer is obliged to contribute \$4,750 to your superannuation fund. If you salary sacrifice \$3,000, then your employer can use that \$3,000 to offset their obligations and only contribute \$1,750 of superannuation guarantee from their own pocket.

The end result is that you are actually \$3,000 worse off.

Employers Going Broke

If the cash flow of your employer dries up, experience tells us that superannuation is one of the first costs that get pushed back or not paid at all.

You may be salary sacrificing, but it may not actually be getting paid to your superannuation fund.

While the Government has a number of protection mechanisms in place to try and ensure all superannuation is paid, realistically people still miss out.

We will stress that we are not attempting to give businesses a bad name here. No business that we are aware of sets out to rip off their employees by underpaying superannuation (either by taking advantage of the above loophole, or by not paying full stop).

It is just a commercial reality that when money gets tight, superannuation seems to be one of the first expenses that gets cut because it is not "necessary" for the business to operate (not in the same way that items such as stock, rent, electricity, etc are).

Most businesses have all intentions of paying all superannuation that is owed when things get better, but the reality is that it doesn't always get better and employees miss out as a result.

All we are suggesting is that employees now have an option to remove that risk if they cancel the salary sacrifice arrangement and manage those extra contributions themselves.

CLIENT PORTAL UPDATES

On top of the existing feature set which includes high security, digital signature, and great convenience, you now have the ability to update your details (address, phone, etc) from within your portal login.

This is much more convenient than needing to write us a letter asking us to update them – just login when you are free and update.

FACEBOOK



Facebook won't be replacing our website or emails, but will be another method for us to get information across to our clients in a timely manner.

www.facebook.com/mcaaccountants

SMSF PROCESSING

For a similar price to what you are paying now, you can have your SMSF processed regularly by our office with quarterly reports on the performance of your fund.

At the same time we will monitor your fund's compliance with the relevant rules and help prevent you incurring penalties for breaching these rules.

Something as small as not signing a "Trustee Declaration" upon becoming a member can cost you \$1,700 - so adhering to the rules is vitally important.

If you are interested in getting the above benefits for essentially no extra cost, give our office a call, or click [here](#) for more information and [here](#) for our fixed fee SMSF brochure.

Note: A SMSF Electronic Service Address (ESA) is included with our package at no extra cost.

SUPERANNUATION PLANNING

More on superannuation and more on the Government changes.

Legislation has finally passed and more details have been released on how these new rules will operate in the real world.

For example, what happens to a person with a current pension larger than \$1.6mil when the cap becomes effective? Does it continue under transitional rules? Is it split into tax-free pension and a taxable pension? Is part of it simply cancelled?

We have created a brochure outlining the changes and some of the planning opportunities which will be available on our website shortly (or we can send it to you upon request).

We suggest making an appointment to see us so we can go over your superannuation fund with you and outline how you are affected and what can be done to minimise the impact of the new rules.



MCA STUFF

Sending Large Files

If you have a file that's too big to email, simply go to www.mcaaccountants.com.au/send and your file will be uploaded to us directly.

Payment Options

For details of our payment options, head across to <http://www.mcaaccountants.com.au/payments>.

Included is a direct debit facility for those that need extra time to pay their fees, or for those that wish to spread the cost of their fees over the full year.

Bookkeeping Services

In addition to your tax needs, we also offer bookkeeping services.

We have a brochure outlining how cloud computing and accounting software go together [here](#), and a brochure that outlines our fixed fee packages [here](#). We also do hourly rates if desired.

Terms & Conditions

Our various terms and conditions documents are available on our website, with a few of them below:

- [Standard terms of engagement](#)
- [Invoicing and debtors policy](#)
- [Fixed fee bookkeeping](#)
- [Fixed fee SMSF processing](#)

OUR RECOMMENDATIONS

Below are some of the businesses that we recommend to our clients.

Xero

Beautiful accounting software that is 100% cloud based. Log in and do your accounts from anywhere you have an internet connection, on any device.

Quickbooks Online

One of Xero's main competitors, priced cheaper, and more function rich. 100% cloud based, so you can do your books when it suits you.

EC Credit Control

More than just debt collectors – a debt management solution. It starts with getting your terms of trade right so you can force your debtors into paying, to ensuring

the right securities are in place, contracts, and an efficient debt collection method.

TAX RATES

Current Rates

Individual tax rates for the **2017** income year are:

Taxable Income	Tax	+	Rate on excess
0 - 18,200	0		
18,201 - 37,000	0	+	19%
37,001 - 87,000	3,572	+	32.5%
87,001 - 180,000	19,822	+	37%
180,001 +	54,232	+	45%

All of the above exclude the Medicare Levy (2%), Deficit Levy (2%), and any offsets such as the Low Income Rebate.

For example, a person earning \$50,000 will pay \$3,572 + 32.5% of the excess over \$37,000 (\$4,225), being a total of \$7,797.

Average Rate of Tax

We often get asked by sub-contractors how much of their income they should put aside for tax. Essentially they are asking what their average tax rate is, and it is handy to know for everyone.

Note: These figures include the Medicare Levy & Low Income Rebate.

Income	Avg Tax %	Income	Avg Tax %
\$10,000	0.0%	\$70,000	22.4%
\$20,000	0.0%	\$80,000	23.9%
\$30,000	8.0%	\$100,000	26.6%
\$40,000	12.4%	\$120,000	28.7%
\$50,000	17.1%	\$140,000	30.2%
\$60,000	20.2%	\$180,000	32.1%

For example, a person earning \$80,000 pays tax of \$19147 (\$17,547 + \$1,600 Medicare Levy), which is 23.9% of their income.

ATO Interest Rate

The ATO interest rate is based on the 90 day “bank accepted bill” interest rate.

When you owe the ATO money, the rate used is the BAB rate + 7% (which works out to be around 9%)



When the ATO owes you money, you receive just the BAB rate, but only in limited circumstances.

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