



INTRODUCTION

As June rolls around we move into what has traditionally been an accountant's quiet period.

We say traditionally because unlike the past there is an ever increasing amount of tax changes coupled with the economy not going as well as we would all like. This means that now is the perfect time for businesses to seek more advanced advice – and it appears that more and more people are – taking advantage of our quieter periods.

If you are looking for some business, investment, superannuation, or tax advice – give us a call.



WE'VE MOVED!!

Just a reminder from our last newsletter, 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.

STAFF UPDATE

It's always sad to see a team member leave. Natalie Moring has departed our employment to take on a greater role with another accounting firm.

We wish Natalie all the best.

We are looking for a replacement at the moment and look forward to introducing them in time.

FEDERAL BUDGET 2017

Our Coalition Treasurer presented what many see as a Labor-esque budget back in early May.

You can view our summary of the budget [here](#).

QUICKBOOKS ONLINE - \$20PM FOR LIFE

For anyone interested in moving their accounting across to one of the cloud based accounting packages – we can assist.

We have obtained a number of discounted licences for Intuit's top level QuickBooks Online and can offer it to you for **\$20 per month for life** (i.e. no price increases ever).

Of course, we can work with you on any software package – you're not limited to the one we get cheaper.

We offer a conversion service for those that want assistance in moving their data from MYOB or Reckon (QuickBooks desktop).



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

RECENT ATO ACTIVITY

ATO Portal Logins

The ATO are looking at improving the link between the Government MyGov account and the ATO Business Portal.



One idea being trialled at the moment is to use your MyGov login to access the Business Portal (i.e. instead of registering, installing, and using an AusKey).

It's a practical measure and we hope that they make it available ASAP.

You can read more on this (called "Manage ABN Connections") [here](#).

Simplified GST Reporting

From 1 July, small businesses are eligible to use the simplified GST reporting measures.

Eligible businesses will only have to report:

- Total Sales
- GST Collected
- GST Paid

We note that obligations for other roles (PAYG Withholding etc) are unchanged.



Super Guarantee Health Check

The ATO have created a Superannuation Guarantee Health Check that outlines the essential questions employers need to answer (i.e. things you need to know) when meeting your superannuation obligations.

For the sceptics in us, you are not asked to provide any information to the ATO (i.e. you're not dobbing yourself in), it is a simple PDF form that you retain for your own records and purposes.



You can access the form [here](#).

SIGNING TAX RETURNS

While we state it on our letters and on our declarations there is occasionally confusion as to what your requirements are before your tax return is lodged.

We are required by Tax Law to get acknowledgement and confirmation directly from you that we are OK to lodge the tax forms we prepare.

This effectively means that you are saying to us "I have seen the tax return, believe it's accurate, and you can now lodge it". We handle this authority with our client declaration that we send with every tax return.

To be clear, we CANNOT lodge your tax return until we receive this declaration back from you.

Lodgment only occurs after we receive this declaration back, regardless of whether we send your return to you in the post or via our client portal.

If you have been sent your returns but still have the declaration on hand – please sign and return it ASAP so we can lodge your return.

While we endeavour to chase up those declarations because we all forget to do things or misplace documents, ultimately the responsibility to sign-off on your tax returns has to be yours.

If we send your returns to you via post, you can return that declaration in electronic form. You are welcome to scan it and email, take a photo and SMS it across (or email), upload via our website, or any other method you can think of.

MORTGAGE BROKING PARTNER #1



Financial Scope Melbourne is a Finance Broking business that thrives on taking the hard work out of the loan process for you by achieving a better deal tailored to your specific lifestyle and

property goals. They research the market, compare rates of various banks, credit unions and other credit providers on your behalf, to offer you a variety of loan options that suit your needs all at no cost to you.

Whilst many businesses offer Finance Broking services, the difference you'll find with Clint is his ability to listen, engage, retain knowledge and accurately match your requirements. Not only that, he's a very friendly and genuine person with a great work ethic – you'll have full confidence that he will deliver in a timely and highly efficient manner, every time.

Whether you are buying a home for the first time, refinancing or investing in property - Financial Scope Melbourne can help you take the next steps and find the right loan for your needs. Book an appointment online at www.financialscope.com.au or call Clint today on 03 97723275

TAX PLANNING

Coming up to the end of June we get volumes of calls and emails from people asking for some last minutes tips to save some tax dollars.

However, when it comes to creating a strategy to save tax dollars in the long term those same people often fail to consult with their tax advisor. Sometimes it's because the client doesn't believe they need the advice, and other times it's because the client doesn't want to pay for advice.

For Example

You have mortgage free home and a rental property with \$200,000 owing on it, plus around \$300,000 of savings. You are looking to upsize and head to the bank looking for a loan.



The bank turn around and suggest that you pay off the existing mortgage (possibly it's with another bank and they're not earning money off that borrowing) and they'll finance the new property purchase.



What the bank doesn't tell you is that upon implementing this strategy you lose the tax deductibility of the \$200,000 mortgage on the rental property...

Assuming a 5% rate, that's \$10,000 of tax deductions lost per year, every year you hold that property.

A quick meeting with your accountant for a minimal fee would have saved you thousands of tax dollars per year.

Advice is ALWAYS Worth It

The above was adapted from actual circumstances of our clients and both regret seeking our advice beforehand.

While we can occasionally fix incorrect setups, it always comes at a cost – one that is easily avoided.

Last Minute Tips

Of course, you can still save dollars at year end regardless. We have a brochure on our website with some of these tips – available [here](#).

CHILDREN'S BANK ACCOUNTS

Who pays tax on the interest earned by children's bank accounts have been a contentious issue for a number of years.



The ATO's position is that if the money is owned by the child (which is different to being spent on the child), then it is taxable to the child.

In this case, control of that bank account must be handed over to the child when they turn 18 (if not sooner).

TFN's

Bank's will require a TFN when setting up a bank account or else they are required to withhold 49% of any interest in tax.

For this reason, most child bank accounts are linked to the TFN of the parent – which causes problems. Banks send data to the ATO, and the ATO therefore expect that interest associated with the parents TFN is reported on the parent's tax return.

While it may seem impractical, a person is entitled to a TFN from birth, so the "easiest" solution is to get your child a TFN.

Tax Rates

Minors pay tax at different rates to adults on "unearned" income (which includes interest on bank accounts).

The first \$416 is tax free, and then pretty much immediately they are hit at the top tax bracket.

For most child bank accounts this isn't a problem, but if they are gifted a large sum of money as part of a deceased grandparent for example, taxes could become a real problem.

In this case it would be worth getting professional advice as to other options.

REVIEW OF EMPLOYER OBLIGATIONS

The Inspector General of Taxation recently reviewed a number of areas of the ATO, and one in particular has gotten our attention.

It has been recommended to the Government that "contractor reporting" should be extended to ALL INDUSTRIES.

At the moment it applies to the building and construction industry only (with cleaning and delivery drivers coming soon).

An increased focus on this area is not only bad news for the contractor, but the businesses that hire them. In addition to extra paperwork, it gives the ATO a view on your workforce which will help them target superannuation (among others) compliance audits.

For example, if you're running a business and only use contractors, the ATO will be able to see this very quickly. The first question to be asked will be "are you paying superannuation?"

In addition to super, these contractors possibly should be employees which also means PAYG Withholding Tax, leave entitlements, workcover, etc.

Big brother is watching you.



CLIENT PORTAL UPDATES

ATO letters and similar correspondence are now being sent out to clients via the client portal.

No more waiting 3 days for AusPost to deliver that payment demand that's due in 7 days. No more having



that letter get lost in amongst all of the other paperwork you have on your desk.

If you want your ATO letters and correspondence sent to you electronically, let us know.

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.

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 is available on our website [here](#) (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 **2018** 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 and all rebates and other adjustments.

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.

Medicare & Deficit Levy

The Medicare Levy is currently 2% and is budgeted to rise to 2.5% on 1 July 2019. The Deficit Levy (currently 2% for those earning \$180k) will be scrapped on 1 July 2017..

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 current Medicare Levy (2%) & 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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