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Business, Super &amp; Taxation

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## HI EVERYONE,

The "Jobs and Growth!" Federal budget last week appears to have been made with one eye firmly on the Federal Election and the other eye on how to plug up the increasing hole that is the federal deficit. A tightrope walk if ever there was!

The budget is based on the expectation of solid and higher than expected growth (particularly as a result of strong Asian trade), lower than expected inflation, continued lower interest rates and unemployment. All of this happening in the context of a

declined resources sector, but a dramatic increase nationally in major infrastructure projects.

The biggest changes announced in the budget relate to superannuation which went through a massive overhaul. Wealthier Australians will be contributing more from their super funds into the Treasury.

Important changes to business including a long-term plan to reduce the company tax rate, are outlined below.

Here at Novabp, we have had another really successful year. Our team, (Ashleigh, Amber & Scott) are here to assist in all areas

of book-keeping, (we are now silver partners to XERO), superannuation and taxation. Ashleigh Cook is back on deck, after three months maternity leave. (baby Darcy is doing well!)

Thanks again for your referrals throughout last year which has enabled our practice to continue to grow. As usual, if we can improve our service to you please let us know. If there are any questions relating to these recent budget proposals please don't hesitate to contact one of our team. Now, into budget and monetary matters .....

# INDIVIDUALS

## WHAT ARE THE NEW ATO TAX RATES FOR 2016-17?

The government has announced a small change in the middle tier . . . from \$80,000 up to \$87,000, so that the new personal tax rates will stand at:

Tax Rates 2016-2017		
Taxable income	Tax on this income	Rates
\$0-\$18,200	Nil	0%
\$18,201 – \$37,000	19c for each \$1 over \$18,200	19%
\$37,001 – \$87 000	\$3,572 plus 32.5c for each \$1 over \$37,000	32.5%
\$87,001 – \$180,000	\$17,547 plus 37c for each \$1 over \$87,000	37%
Over \$180,000	\$57,547 plus 45c for each \$1 over \$180,000	45%

**Compulsory superannuation rate remains at 9.5%**

## WHAT IS THE NEW MEDICARE LEVY?

The Government is proposing to increase the Medicare levy low-income thresholds for families, seniors and pensioners, from July 1st. The increases take into account movements in the Consumer Price Index so that low income taxpayers generally continue to be exempted from paying the Medicare levy.

The threshold for singles will be increased to \$21,335. For couples with no children, the threshold will be increased to \$36,001 and the additional amount of threshold for each dependent child or student will be increased to \$3,306. For single seniors and pensioners, the threshold will be increased to \$33,738.

(For senior and pensioner couples with no children, the threshold will be increased to \$46,966 and the additional amount of threshold for each dependent child or student will be increased to \$3,306).

## EMPLOYMENT

It was announced that there will be an \$840 million Youth Employment Package to get vulnerable young people into jobs. From April next year, young job seekers will participate in intensive pre-employment skills training within five months of registering with JobActive.

Internships will be more readily available that offer financial support for employers and a \$100 per week increase in the Newstart allowance for interns and \$1,000 for the host business.

An extra \$88.6 million in supporting those job seekers, including young people, who wish to start their own business via the New Enterprise Incentive Scheme (NEIS).

The biggest individual loser in 2016? . . . the smoker.  
(A packet of cigarettes will cost \$40 by the year 2020!)





# BUSINESS

## NEW COMPANY TAX RATES?

Small businesses have been given a nice shot in the arm this Federal Budget, with a schedule of company tax cuts announced that will eventually bring the corporate tax rate down to 25 percent.

The benefits even extend to unincorporated businesses (which includes sole traders and partnerships). Their tax discount will rise from 5 percent to 8 percent in the next financial year – and continue to rise after that to a max of 16 percent.

All of this is part of the government's "10 Year Enterprise Tax Plan", which reduces company tax rates and introduces a suite of improvements such as simplified compliance laws.

In a big move, it also raises the revenue threshold for small businesses from \$2 million to \$10 million (which means up to 90,000 more businesses can now access the \$20,000 instant asset write-off).

Let's break it down. Last year the Government announced the company tax rate would fall to 28.5 percent for small businesses. Now that tax cut will go even further. Small businesses (which now includes businesses up to \$10 million in revenue) will have their tax rate cut to 27.5 percent from 1 July 2018. (And over the next 10 years, the plan is for company tax rates to fall to 25 percent for all businesses). Yes ...it's a long term plan, but at least its heading in the right direction to help make our company tax rates competitive.

Further support will be provided for small businesses to expand and create jobs. Access to a number of tax concessions will be provided by increasing the threshold for these concessions to \$10 million, up from the current \$2 million threshold. These changes will benefit over 90,000 businesses.

From 1 July 2016 all businesses with annual turnover of less than \$10 million will have access to:

Simplified depreciation rules, including immediate tax deductibility for asset purchases costing less than \$20,000 until 30 June 2017. Simplified trading stock rules, giving them the option to avoid end of year stock take if the value of their stock has changed by less than \$5,000.

They will have the option to account for GST on a cash basis and pay GST installments as calculated by the ATO. Other tax concessions currently available to small businesses, such as fringe benefits tax (FBT) exemptions (from 1 April 2017 to align with the FBT year).

These threshold changes will not affect eligibility for the small business capital gains tax concessions, which will remain available for businesses with annual turnover of less than \$2 million or that satisfy the maximum net asset value test.



# SUPERANNUATION



## SUPERSTREAM

SuperStream is a standard for processing superannuation data and payments electronically. The most important thing for you to know is that SuperStream's introduced 1 July 2016 isn't an option or a guideline – it's the law. You must be SuperStream compliant. If you haven't signed up let us know and we will help you do so!

SuperStream is used by employers and self-managed super funds. SuperStream data is in a standard format so it can be transmitted consistently across the super system – between employers, funds, service providers and the A.T.O. The data is linked to the payment by a unique payment reference number.

## SUPERANNUATION AND RETIREES

The thing that I would expect most people would agree on, is that it has never been a harder time to be a "retiree." Tightening rules on pension eligibility, low interest rates on their savings and lower dividends from their investments and now . . . a raft of changes announced in the budget. In fact, almost a complete overhaul of the super landscape.

From July 1st 2017, Australians up to age 75, will have the ability to claim a deduction for personal superannuation contributions regardless of their circumstances (the works test for retirees will be increased from 65 to

74 years). This will negate the need for salary sacrificing arrangements with employers and enable people to claim a deduction to top up their super contributions up to the new concessional caps.

The annual cap on concessional superannuation contributions will be reduced to \$25,000. (gone is the threshold of \$30,000 and \$35,000 for those over 50 years). This will limit the ability of people to grow their savings.

A lifetime non-concessional contributions cap of \$500,000. (replacing the \$180,000 p.a. and three year bring forward rule that enabled a one-off contribution of \$540,000 to be made).

The maximum which can be moved into the pension phase of super is now capped at \$1.6m. The balance cap will be applied to both current retirees and to individuals yet to enter their retirement phase. Balances above this cap will still be deemed to be in accumulation phase attracting the normal 15% tax rate on earnings.

Unused concessional caps will be allowed to be carried forward by individuals with superannuation balances of \$500k or less, to enable 'catch up' superannuation contributions. This measure is intended to allow people with interrupted work patterns (for example new parents or carers) not to be disadvantaged.

## TRANSITION TO RETIREMENT?

Although it is not proposed to abolish Transition to Retirement Income Streams (TRIS), the government has announced that earnings from assets supporting these benefits will no longer be eligible for tax exemptions. It appears these income streams will remain available to those who have reached preservation age (currently 56 years) regardless of any changes to their work circumstances, however the taxation will be the same as if the fund was in accumulation mode.

The higher tax rate of 30%, instead of the concessional 15%, will now apply to the contributions of those earning more than \$250,000, instead of the current \$300,000. (Division 293)

The ability to claim a tax offset of up to \$540 p.a. for spouse contributions has become more accessible with the income threshold for spouse increased from \$10,800 to \$37,000.

Just email or phone us if you have any questions relating to this newsletter, or general questions on superannuation, bookkeeping or taxation. We are keen to keep improving our service to you and look forward to seeing you in the new tax year.

*Scott, Ashleigh & Amber*

**SUBSCRIBE/UNSUBSCRIBE:** If you know anybody who would like to receive this newsletter and updates (no frequently than quarterly) please get them to contact us at [scott@novabp.com](mailto:scott@novabp.com) [ash@novabp.com](mailto:ash@novabp.com) OR [amber@novabp.com](mailto:amber@novabp.com) Also, please advise us when you have changed your email address. To unsubscribe, just press reply and type UNSUBSCRIBE in the subject box and send.

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