



PINNACLE Newsletter



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VIEW FROM THE PEAK

with Damian Knoblanche

Earlier this year, I gained my Business Valuation Specialist accreditation through the Chartered Accountants. It's a topic I'm very interested in and the qualification process was quite demanding, and it remains with a select group.

Something that has become apparent to me through this journey is that many business owners don't fully understand what is required to maximise the value of their business – especially when they approach the time (for whatever reason) to exit their business. Many SME owners are understandably distressed when what is essentially their retirement fund doesn't value up to their expectations.

My advise to anyone considering the sale of their business is to start positioning it for sale at least 3 years in advance. I'm happy to share how you can add real value to your business before selling.

The gift of financial knowledge.

As we head towards Christmas, the perennial problem of what to get the "kids" will surely come up. Whether they're younger children or self-sufficient adults – even grandchildren – you want to make sure your gift is worthwhile, appreciated and long-lasting.

So what about the gift of financial aptitude – helping to get your kids off to a head-start or on the right track towards real financial understanding, satisfaction and security?

Like anything worth doing, an early start on the financial planning journey can bring life-changing habits and results.

You might even want to safely transfer some of your accumulated wealth to the next generation. After all, it's natural to want to see your offspring benefit from the fruits of your labour while you're still around.

This raises the conversation of estate planning and succession – giving with purpose, to make a real impact with an ongoing benefit to the recipient. This is where your trusted advisor can act as a great sounding board to help you achieve a meaningful outcome when it comes to assisting the next generation in their financial lives.

No matter how small the steps are, starting now – developing the kids' financial knowledge, transferring some of your assets, or both – can have a positive and lasting effect. Consider this approach:

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Giving the gift of financial knowledge.

START WITH ADVICE

Encouraging engagement with your own professional advisors can make for a great introduction to, and foundation for, your kids' financial management into the future.

While those in their 30s and 40s may benefit from comprehensive planning, there's no reason not to start earlier with younger children or grandchildren wanting to make better use of their savings and get a grasp of the investment fundamentals.

We know younger people don't often think long-term, so this first step is often the hardest. But getting a connection going between your children (depending on their age) and your advisor is well worth the effort – and we'll be supportive of getting them involved in the process.

SUPER SAVVY

Superannuation can be complex, so many people put it in the too-hard basket. Having an understanding of super – and transferring that knowledge to your kids – is an important part of life education.

Changes in superannuation rules mean that the ability to contribute to superannuation has diminished significantly over several years. Under new proposals, from 1 July 2017 the concessional contribution limit will reduce to \$25,000 for everyone.

That means any opportunity to make larger (tax-concessional) contributions in your 50s will be far less.

In reality, it will be difficult for most people to accumulate enough wealth

for retirement within the new-look superannuation environment, let alone arrive at the \$1.6 million tax-free pension cap – unless you start your kids early. With the effect of compounding investment returns, small but consistent contributions early on can have a marked impact on final balances over time.

Sure there will be the inevitable mortgage, childcare and school expenses as your children take their own life journey. All this can make it near impossible for a young family to justify extra contributions into superannuation regardless of the evidence presented as to its merits.

Early contributions to superannuation can have an expanding effect that will pay dividends well into the future. The preserved or restricted nature of superannuation also maximises the likelihood that the funds will be utilised for the purpose they were intended later in life.

WHAT ABOUT INSURANCE

Whether it's the cost, a basic lack of understanding or the quintessentially Australian 'she'll be right' attitude, the country's underinsurance problem has been well documented. We all have home and car insurance but we fail to protect our biggest asset – ourselves and our ability to earn a lifetime of income.

The devastating effect that unforeseen illness or injury has on an individual or a family can be financially-crippling. Experience has shown that these tragedies can be far-reaching as parents and grandparents step forward to offer

support in any way possible. Most often, and naturally, this assistance will be financial – and may restrict your own ability to future plan and travel.

More often than not, cost is cited as the reason for inadequate or no personal insurance cover – particularly in younger people. Funding personal insurance premiums on behalf of your children can give you peace-of-mind, knowing that the family is protected and your own well-laid financial plan won't be suddenly and unexpectedly thrown into turmoil.

EDUCATE THE FUTURE

We've heard many stories about contributing to the grandchildren's education costs. While there is increasing propensity for grandparents get involved with education expenses, fully-funding school fees is unviable for most people in or nearing their own retirement. However, there are alternative ways you can contribute.

Co-curricular activities and school extras – like laptops, textbooks, musical instruments, sporting equipment and uniforms, etc – can potentially run into thousands of dollars. And many schools offer optional excursions and overseas trips aimed at complementing and deepening the academic experience (ie. more money).

Making contributions to the 'extras' not only relieves financial pressure on the parents but can be a great way to support and foster a grandchild's particular interest or future educational outcomes – without overcommitting or jeopardising your own financial wellbeing.

**Check out our
Back Page Special Offer.**



Finally... Some bills that pay you.

The Federal Parliament has passed a Bill to amend the third personal income tax tier to \$87,000. As the table below shows, taxpayers earning \$80,001 to \$87,000 p.a. will now have their income tax rate reduced from 37% to 32.5%. These new tax rates are in effect from 1 July 2016.

TAXABLE INCOME	TAX PAYABLE
\$0 – \$18,200	Nil
\$18,201 – \$37,000	Nil + 19% of excess over \$18,200
\$37,001 – \$87,000	\$3,572 + 32.5% of excess over \$37,000
\$87,001 – \$180,000	\$19,822 + 37% of excess over \$87,000
\$180,001 and over	\$54,232 + 45% of excess over \$180,000

The non-resident tax schedule has also be amended as a result of the Bill, increasing the upper limit of the first income tax bracket to \$87,000. A tax rate of 37% applies to taxable income between \$87,001 and \$180,000, and the top marginal tax rate of 45% remains for taxable income over \$180,000.

In line with these changes, the ATO has issued new PAYG withholding tax schedules to reflect the lower personal tax rate outlined in the Bill. From 1 October 2016, employers were required to lower the amount of tax withheld for affected workers to factor in the new lower tax rate. Any tax overpaid beforehand will be refunded by the ATO after the end of the 2016–2017 year as part of the normal tax assessment process.

SMALL BUSINESS GETS A BREAK TOO.

Also in line with the 2016 Budget announcement, a Bill has been introduced in Parliament which proposes to:

- increase the small business entity (SBE) turnover threshold to \$10 million from 1 July 2016;
- progressively increase the unincorporated small business tax discount from 5% to 16% over a 10-year period;
- increase the turnover threshold to qualify for the lower company tax rate; and
- lower the company tax rate over 11 years, reaching a single company tax rate of 25% in the 2026–2027 financial year.

Under the plan, SME with aggregated turnover of less than \$10 million would be able to access a number of small business tax concessions, including immediate deductibility of small business start-up expenses, simpler depreciation rules and simplified trading stock rules.

NOTE: The \$2 million threshold for the purposes of the small business Capital Gains Tax concessions will be retained.

The tax discount for unincorporated small businesses (eg. sole traders) – introduced in the 2015–2016 financial year – entitles these business operators to a tax offset equal to 5% of their basic income tax liability. The discount applies to their total net small business income and is capped at \$1,000. Although the proposed increases in the tax discount would increase the amount an eligible individual may claim, the offset would remain capped at \$1,000.

NewsBytes. What's up at the Peak.

INCOME TAX NOTICES OF ASSESSMENT GO ELECTRONIC.

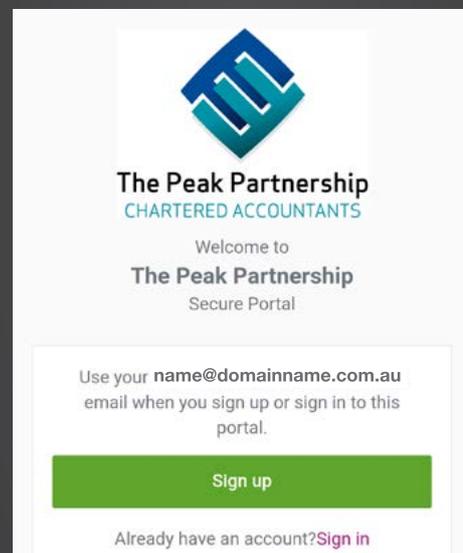
Around this time of year the ATO sends out a lot of Income Tax Notices of Assessment. Where the initial tax return is lodged through a registered tax agent (such as The Peak), the Notice of Assessment generally comes back to that agent to onforward to the client.

To reduce paperwork and improve delivery time, we've started to send these Notices of Assessment to clients electronically. In order to maintain security though, we're sending this information through our free Client Secure Portal, which is available to all our clients at no cost.

HOW IT WORKS FOR YOU

When we receive your Income Tax Notice of Assessment, we'll set up your own MYOB Client Secure Portal using your email address we have on our records.

You'll receive an email from The Peak Partnership, inviting you to join our Portal. Here's what the welcome screen looks like after you click the link in your email.



When you go into your Portal for the first time, you'll notice that we've already uploaded a document for you to view and download - that's your Notice of Assessment.

To download your Notice of Assessment, make sure you're in the Documents tab (it's on the left menu) and then click on the Action button to the right of the document. Then you can select Download and you're good to go, saving the Notice of Assessment to your computer if you like.

Hopefully, it's a pleasant refund surprise!

Super confused about budget changes.

The 2016 Federal Budget was presented six months ago with a lot of focus on superannuation. Since then there have been some changes to the more controversial super reforms, and then some more changes – as if superannuation isn't confusing enough for most people. To put it in simple terms, the superannuation changes that were passed by both Houses of Parliament and then received Royal Assent on 30 November 2016 look like this:



ENSHRINE THE CONCEPT OF SUPER AS A MEANS TO FUND RETIREMENT.

The Government has clarified the intended purpose of superannuation is to “provide income in retirement to substitute or supplement the Age Pension”. This concept will now underpin the superannuation laws.

REMOVE THE \$500,000 LIFETIME NON-CONCESSIONAL CAP ANNOUNCED IN THE BUDGET.

The Government wanted to put a lifetime limit of \$500,000 on after-tax super contributions (back-dated to 1 July 2007), but subsequently dropped the idea. Instead, the annual non-concessional cap will reduce for people with super balances below \$1.6 million (see next point).

REDUCE THE NON-CONCESSIONAL CAP TO \$100,000.

From 1 July 2017, non-concessional contributions will be subject to the new \$100,000 annual cap. This means you'll have until 30 June 2017 to utilise the current \$540,000 cap (\$180,000 per year) across three years by triggering the bring forward rule. If an individual triggers the bring forward rule but doesn't use the full \$540,000 cap by 30 June 2017, future contributions are subject to the new cap (ie. instead of the cap being \$540,000 across three years, it might be \$460,000 or \$380,000 depending on when contributions are made).

CAP NON-CONCESSIONAL CONTRIBUTIONS AT \$1.6M.

Once an individual's super balance reaches \$1.6 million, from 1 July 2017 they will no longer be able to make non-concessional contributions to super.

REDUCE CONCESSIONAL CONTRIBUTIONS TO \$25,000.

This measure applies to everyone, regardless of age, from 1 July 2017. Currently, concessional contributions limits are \$30,000 for people aged under 49 (at 30 June 2016) and \$35,000 for people 49 and older.

LOWER THE THRESHOLD FOR THE DIVISION 293 TAX.

Taxpayers earning \$300,000 or more in taxable income pay 30% tax on concessional contributions (instead of 15%). From 1 July 2017, that income threshold will reduce to \$250,000.

LIMIT PENSION BALANCES TO UP TO \$1.6M. The reforms introduce a \$1.6 million ‘transfer balance cap’ on the amount of capital that can be transferred to the retirement phase of superannuation. For individuals in pension phase, the balance of their pension needs to be no more than \$1.6 million. If not, from 1 July 2017 the Tax Commissioner will direct their fund to reduce their retirement phase interests back to \$1.6 million and they will be subject to an excess transfer balance tax. Overall super balances can be more than \$1.6 million, but only \$1.6 million can be transferred into a tax-free pension.

PUSH BACK ABILITY TO MAKE ‘CATCH UP’ CONTRIBUTIONS. From 1 July 2018, people with super balances below \$500,000 will be able to rollover their unused concessional caps for up to 5 years. Unused cap amounts can be carried forward from the 2018-2019 financial year; which means the first opportunity to use these new rules will be 2019-2020.

IMPROVE ACCESS TO CONCESSIONAL CONTRIBUTIONS. From 1 July 2017, all individuals under the age of 65, and those aged 65 to 74 who meet the work test, will be able to claim a tax deduction for personal contributions to eligible superannuation funds up to the concessional contributions cap. This measure is particularly useful for contractors and those who are part self-employed and part salary and wage earners.

KEEP THE WORK TEST. The 2016 Budget originally announced the removal of the work test and a level of harmonisation for 65 to 74 year olds. These measures have been removed.

There are a number of other superannuation reforms included in the legislation, but these are the changes that have had the most attention. We'll keep you posted on any other super developments, but if you have questions about the future of your super, feel free to contact us at The Peak Partnership.



Travel and transport of tools claim denied.

A sheet metal worker has been unsuccessful before the Administrative Appeals Tribunal (AAT) in an appeal concerning certain deduction claims for work-related travel expenses.

To set the scene, his home was located some 60km from his employer's main work site. He made a number of work-related deduction claims, however, after various concessions made by both the worker and the Commissioner of Taxation, the remaining issue between the parties was whether he was entitled to a deduction for work-related travel expenses.

The man argued that his employer required him to supply his own tools and that they were too bulky to be transported to work other than by car. He also questioned whether his employer provided secure storage facilities for his tools.

In refusing the claim, the AAT noted it was the taxpayer's own admission that it was his own personal choice to transport his various hand tools out of security concerns. The AAT also said the taxpayer's security concerns were "not supported by objective evidence".

This is a reminder that it's important to make sure you get your allowable deductions right. In certain circumstances The ATO will contact employers to verify employees' claims. In this case, the ATO contacted the worker's employer to check his claims, including whether the employer supplied safe storage facilities.



Small business benchmarks updated.

The ATO has announced the latest benchmarks for small businesses. Based on the data from 2014 income tax returns and business activity statements, the benchmarks cover more than 1.3 million small businesses.

ATO Assistant Commissioner Matthew Bambrick said one of the great things about the benchmarks was that they gave a lot of small business owners peace of mind.

"If a small business is inside the benchmark range for their industry and the ATO hasn't received any extra information that may cause concern, they can be confident that they probably won't hear from us," Mr Bambrick said.

Mr Bambrick said some small businesses outside the benchmark range may simply be incorrectly registered, or the business intent may have changed since starting up. "These types of small administrative errors can be easily fixed by checking the previous year's tax return to see which business industry code was used and then updating it in the next return and on the Australian Business Register," Mr Bambrick said.

PEAK TIP: Business owners can use the benchmarks to compare their businesses with other similar businesses. They can also be used by the ATO to identify businesses that may not be meeting their tax obligations.



MORE FROM THE ATO ON WORK-RELATED DEDUCTION CLAIMS.

The ATO is reminding people to make sure they get their deductions right this tax time. Assistant Commissioner Graham Whyte said the ATO has seen "claims for car expenses where logbooks have been made up and claims for self-education expenses where invoices were supplied for conferences that are never attended".

Mr Whyte said that in 2014–2015 the ATO conducted around 450,000 reviews and audits of individual taxpayers, leading to revenue adjustments of more than \$1.1 billion in income tax. Mr Whyte said: "Every tax return is scrutinised" and if a red flag is raised and the claims seem unusual, the ATO will check them with the taxpayer's employer. Just as we mentioned in our Spring issue of *The Pinnacle*, Mr Whyte reinforced that this year the ATO has introduced "real-time checks of deductions for tax returns completed online".

SOCIAL WELFARE RECIPIENTS DATA-MATCHING PROGRAM.

The Department of Human Services (DHS) has released details of a data-matching program, enabling it to match income data it collects from social welfare recipients with tax return data reported to the ATO. This will help DHS to identify social welfare recipients who may not have correctly disclosed their income and assets. In addition, any data DHS receives from the ATO will be electronically matched with certain departmental records to identify a taxpayer's non-compliance with income or other reporting obligations.

DHS expects to match each of the 7 million unique records held in its Centrelink database. Based on non-compliance criteria, the DHS expects to examine approximately 20,000 records in the first phase of the project. The category of people who may be affected by the data matching includes welfare recipients who have lodged a tax return during 2011 to 2014.

Framed. Katrina McDade.

Katrina is about to celebrate her ninth anniversary with The Peak Partnership, having joined us way back in January 2008. Now a qualified Chartered Accountant, Katrina started out in the role of Accountant, but quickly worked her way up to a managerial position on Damian Knoblanche's team.

There was a break of 12 months for the birth of little James (Jimmy) McDade in September 2014, before Katrina returned to her Manager's desk in August 2015. As a way of balancing motherhood and career, Katrina currently works in the office four days each week – she spends every Wednesday on play duty with Jimmy.

With 16 years' accounting experience behind her (having started out with a firm in Northern NSW for seven years), Katrina has expertise across business services, audit and trust structures. Katrina says she enjoys the technical aspects of accounting, and using her skills to turn them into practical solutions for her clients.

Katrina holds a Bachelor of Business degree in Accounting and Marketing.



We're supporting kids again this Christmas.

It has become quite a tradition at The Peak Partnership over the past several years that we send our Christmas wishes to our clients and colleagues via email, and donate the money that we'd otherwise allocate to printing and posting Christmas Cards to the Act for Kids charity.

Act for Kids is a truly wonderful community organisation that champions the cause to prevent and treat all forms of abuse and neglect amongst children, from infants through to teens. It's a problem that won't go away and seems it will get worse before it gets better, so the work of Act for Kids is absolutely vital for the wellbeing of these children, especially at this time of year.

Just look at some of the statistics below and think if you could spare a few dollars as part of your Christmas spending. You can donate at www.actforkids.com.au - we know the kids will appreciate it.

In 2014-2015
42,457
kids were abused
or neglected across
Australia.

A child is abused
EVERY
12 MINS

\$2,000
can provide
treatment for an
abused child for
one full year.

PEAK'S CHRISTMAS CLOSURE

Like a lot of businesses, The Peak Partnership team will take a short break over the Christmas period. Our office will close on Friday, 23 December and we'll be back open for business as usual on Tuesday, 3 January 2017. So for now, we'd like to take this opportunity to wish you and those who are important to you a happy and safe festive season.

See you in 2017.



The information in this newsletter is general commentary only and should not be considered to be advice. You should not act solely on the basis of the material in this newsletter. Also changes in legislation may occur quickly. Therefore, we recommend that our formal advice be sought before acting in any of the areas. This newsletter is issued as a general guide for clients and others. Liability limited by a scheme approved under Professional Standards Legislation. Peak Partnership Pty Ltd ABN 24 064 723 550.

Financial knowledge. Our gift to your family.

Following on from our lead story about handing down some of your wisdom, wealth, and "giving the kids a hand", what might be appropriate for you will depend on your circumstances. The key is any financial plan or transition plan must align with what's most important to you.

Whatever your thoughts might be, having your children involved in the advice process can be valuable in building their own sense of financial literacy and responsibility – the challenge is getting them engaged in the first place! That's why we've developed a special offer for our clients and their families.

SPECIAL CHRISTMAS OFFER - \$500

We've put together a Financial Roadmapping session for the younger generation – that is a minimum of 50% off our normal fee! We also include a one-hour Discovery Meeting – where our experienced Financial Advisors can gather the information to construct a Financial Roadmap for your kids. During the Roadmapping session they will be able to access general advice, get clarity around how their life can evolve financially over time and gain valuable insight into the benefits of making smart financial decisions. We will then produce a tailored Financial Roadmap for them, a template for their future wealth.

Whether it's laying the foundations to save for a first home, identifying how to navigate the formative years of their own family or entering the sharemarket for the first time, this initial step can help them on the way to long-term financial wellness.

To take up our Financial Roadmapping consultation offer, just send an email to proinvest@peakpartnership.com.au and quote the code **WEALTHMAP2016** in the subject. Don't forget to include your contact details and we'll get back to you to explain how the Roadmapping session happens and to get things rolling for you and the kids.

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