elphinstone stevens pty ltd

the bottom line

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Thinking about a self-managed super fund?

Self-managed super funds (SMSF) are great for people who want to control their own superannuation. However, being in control takes considerable time and effort. There are various legal obligations to adhere to and even if you seek help and advice from professionals ultimately you are the one responsible.

The sole purpose of a SMSF is to provide for your retirement. If you intend to create a SMSF to get early access to your super, withdraw your super to pay off debts, buy a holiday property or artwork to decorate your house a SMSF is not for you. All these activities are illegal.

SMSF's are regulated by the Australian Taxation Office. A SMSF can have one to four members and each member is a trustee or alternatively a director of a corporate trustee. The trustees set an investment strategy and ensure that this strategy meets your retirement needs. You are required to keep comprehensive records and arrange for an annual audit to be undertaken by an approved SMSF auditor.

All that being said a SMSF can be extremely effective and achieve goals that may not be achievable otherwise. You have the ability to choose your own shares, invest in property (residential, commercial and farming) as well as hold collectibles such as artwork, jewellery and antiques. We can assist in creating SMSFs and provide suggestions on financial advisers that can assist you in maximising your retirement benefits. We can prepare financial statements and tax returns and provide you with some auditing solutions in relation to fund compliance. If you would like to discuss a SMSF further please speak with David or Alysha at our office.

Please Remember

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Changes to Claiming Car Expenses

Claiming work-related car expenses is a common claim for many taxpayers. There are some important changes coming that apply from 1 July 2015.

Announced in the 2015-16 Federal Budget was that methods used for calculating work-related car expense deductions will change.

Currently, taxpayers have an option to use one of four methods:

1. Cents per kilometre
2. Logbook method
3. The 12% of original value method, and
4. One-third of actual expenses incurred.

Over 80% of people use the cents per kilometre method which is determined by the size of the car's engine. For small cars (up to 1600cc), it is 65 cents, medium cars (1601 - 2600cc) 76 cents and large cars (2601cc and over) 77 cents per kilometre, up to a cap of 5000km each year.

The government has reduced the number of methods by removing the "12% of original value method" and the "one-third of actual expenses method". The "cents per kilometre method" is also changing, by replacing the three current rates noted above with one rate set at 66 cents per kilometre.

However, those drivers who believe their deductible car-related costs are greater than the 66 cents average, or those who drive more than 5000km per year, will still be able to claim their relevant car related deductions based on the percentage determined by a valid logbook.

Taxpayers will continue to be able to choose to apply the cents per kilometre method (for up to 5,000 business kilometres travelled), or the logbook method, depending on which method they feel is more accurate and depending on the type of vehicle they drive. If for example you drive a vehicle that is designed to carry over 1 tonne you are not entitled to claim the cents per kilometre method.

The changes are to apply to the 2015-16 income year and later income years.

The ATO will also be paying particular attention to claims:

- That have already been reimbursed by employers; and
- For private expenses such as travel from home to work.

Our advice is that if you wish to deduct car expense you maintain a valid logbook and keep all relevant receipts.

This edition the Team would like to introduce Tessa Joyce

Tessa joined the team at Elphinstone Stevens in December 2015.

Her role at Elphinstone Stevens includes assisting in the preparation of Financial Statements, Income Tax returns, Business Activity Statements, and assists with the administration of client's Self Managed Superannuation Funds. Many of you will have already seen Tessa at our front desk as she assists with admin and reception duties when Wendy is away.

Tessa is currently studying part time at the University of Tasmania in Burnie, completing a Bachelor of Business degree majoring in Accounting & Finance. In her spare time, Tessa enjoys getting outdoors, cooking and spending time with friends and family.

LJ Hooker boasts new modern look office

LJ Hooker Burnie has hit the ground running this New Year with a new office renovation and a number of impressive listings.

As of January, LJ Hooker Burnie took up its new residence in the heart of the Burnie CBD on Wilmot Street.

The new office not only boasts a prime position but also stunning features including a striking brick wall, a sassafras handmade reception desk and soon to be fitted industrial statement hanging lights.

"The building had incredible trimmings, however, was in need of serious renovations. We have a philosophy that you should love where you work and the office space we have now is exactly that," LJ Hooker Burnie principal, Rebecca Luck said.

"You walk into reception and you are met with a beautiful reception desk that was handmade by Adam's father, so it has great sentimental value, as well as looking stunning."

"On one side of reception is an open plan meeting room with lots of natural light flowing through to our Storage and Kitchen area and to the other side of reception is our office space. We really love the entire space; it is a great motivator to come to work."

The exterior of the building also received a fresh lick of paint in a striking grey accentuating the LJ Hooker colours.

Heading up the office is husband and wife team Adam and Rebecca Luck, who have over 23 years of real estate experience in sales and property management between them and have owned LJ Hooker Burnie since November 2009. The office offers the full suite of real estate services including; residential sales, auctions, commercial, LJ Hooker Home Loans and property investment management.

LJ Hooker Burnie's success was highlighted at last year's LJ Hooker Night of the Stars Gala Awards when Nardi Stevens was awarded the prestigious Rookie of the Year Award.

Tax Traps on Sale of Property

Often there can be significant profits and consequently potential tax on selling property. Whilst there are exemptions and concessions that could apply, sometimes they are thought to apply when they do not. We encourage all clients to call us first if selling a major asset to discuss the potential tax implications before signing any contract. We outline a few tax traps below:

Sale of own home

As a general rule, your principal place of residence is exempt from capital gains tax (CGT). However, this exemption could be reduced or lost if any of the following applies:

- House has been used as a rental property for a period of time either wholly or partly
- House has been used as a business premises
- Land area of home is greater than 2 hectares
- House is owned by a company or trust

Sale of shack/Second home

Generally, the sale of a shack or second home will always be subject to capital gains tax. There is an exemption if it was purchased pre Sep 85 (date CGT came into effect). It is strongly advisable you keep track of any improvements, alterations or extensions to the property as these can help reduce the capital gain. Also, sometimes other costs such as loan interest, rates, and land tax etc. can be used to also reduce the capital gain. It is also important to note that generally spouses can not have separate principal place of residences.

Sale of land or building

Generally, the sale of land or a building will be subject to capital gains tax, regardless of whether it has been used as part of a business or not, unless it was acquired Pre Sep 1985. There can be additional discounting and concessions available if it has been used as a business asset. These can reduce the capital gain, but may require elections or other actions to be taken (such as depositing into superannuation) to gain full access to the concession. It is also very important to note that GST could apply to the sale if the vendor is registered. Whilst it could be sold GST free in circumstances such as it was farm land and will continue to be farmed or it is part of the sale of a going concern, it is vital that these are considered and correctly drafted in the contract. If not drafted correctly you could loose 1/11th of the proceeds as GST if the GST implications haven't been correctly applied to the sale.

Subdivided land

Whilst the sale of a capital asset is generally taxed as a Capital Gain (on which you could receive a 50% discount on the taxable profit if owned for more than 12 months), there are circumstances where it could be taxed on revenue account (taxed at normal rates with no discount). This can occur in situations such as where you have either purchased the property with the intention to subdivide and sell at a profit. This could apply even for a one off subdivision. There are also potential GST implications in this case. We suggest if you are considering this, you certainly contact us to discuss before commencing any project.

Cashflow Manager

Upgrade Required

If you are using an older version of Cashflow Manager (any versions before Cashflow 7), we strongly recommend you contact our office to discuss upgrading your software. This comes as Cashflow Manager announces these versions will no longer be available for download and often cannot be used on newer version of Windows systems. Therefore, if your computer crashes you will be required to upgrade. The current version of Cashflow Manager is version 9. Our office stocks the most recent version; please give us a phone call if you are concerned about your software.

Tips and Tricks

Many of our clients are farmers who would be familiar with the need to account for deductions against their income within Cashflow Manager. This can be tricky, if you would like information on how to successfully enter this please let us know.

Did you know, you can jump to a column by typing the letter it begins with? For example having entered the amount, you want to allocate to the column Purchases type ‘P’ on the keyboard and it will jump to the first column it finds beginning with P. If this is not the correct column press on P again to move to the next one and so on.

Within the newer versions (CFM v8 & v9) you are able to notify particular columns to automatically split private percentages. For example, let’s say you’re a sole trader and you have determined that your mobile phone is 80% business and 20% private. In Cashflow Manager you are able to allocate the full payment to a column ‘telephone – 80% bus’ and have Cashflow Manager automatically allocate the 20% for you to an appropriate private column. To do this you may need to create a new column for the private use and then go to ‘Tools > Options > Private Use Columns’ select the ‘money out tab’, find your telephone column in the list and type in the percentage column the percentage of private use; 20 in this example. Choose your column where the 20% private use is to go. Ensure any private columns in your Cashflow Manager have the tax type of Non GST.

You can also setup automatic allocation for certain Customers/ Suppliers for example an employee whose name is John Smith, you may want to setup Cashflow Manager so that every time you type John Smith into the relevant column and enter the amount it will then automatically jump to the wages column for you to enter this line.

Finally, our biggest tip to all our clients is to ensure the GST is correct in Cashflow Manager as per their invoice and to provide as much detail in the Details column as possible. Chances are the more detail we have the less questions you will get when we complete your BAS or Tax.

Please contact our team if you have questions regarding any of this or wish to have some further training in using your software.

Drought Concessional Loans

Farmers affected by drought can now apply for a Drought Concessional Loan from the Australian Government.

The scheme allows farmers to borrow up to 50 per cent of eligible farm business debt, up to $1 million. Loans are for eligible farm businesses for the purpose of restructuring existing eligible debt (including a Farm Finance Concessional Loan), fund operating expenses necessary to continue to normal operations of the farm, or drought recovery and preparedness activities or a combination of these.

Application Forms and Guidelines for the Drought Concessional Loan Scheme are available by phoning 1800 440 026 or visiting www.stategrowth.tas.gov.au

Do you require any further information from this edition?

Simply tick which of the items interest you and we will be pleased to send you further information

- ☐ **Thinking about a self-managed super fund?**
- ☐ **Changes to Claiming Car Expenses**
- ☐ **Tax Traps on Sale of Property**
- ☐ **Cashflow Manager**
- ☐ **Drought Concessional Loans**

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