

PALMER & ASSOCIATES

CERTIFIED PRACTISING ACCOUNTANTS

Newsletter - December, 2015

Please note our office will be closed for
Christmas / New Year from:

Wednesday 23rd December, 2015

We will be returning on:

Wednesday the 6th January, 2016.



We would like to thank you for your continued support and wish you, your family and friends a very happy and safe festive season.



Are you looking for Equipment Finance?

David McPhee from McPhee Mortgage Broking Pty Ltd is offering Equipment Finance at a rate of between 3.5 and 4.00%.

Conditions apply:

1. You need to have held an ABN for a minimum of two years
2. You need to be a property owner
3. You need to provide a copy of your Rates Notice.

Call David on Phone:(03) 9870 1500



Government rejects SMSF borrowing ban recommendation

Direct borrowings by superannuation funds via limited recourse borrowing arrangements (LRBAs) are safe (at least for the next three years), following the Government's decision to reject the Murray Financial System Inquiry recommendation to ban or restrict LRBAs. This is welcome news for trustees of self-managed superannuation Funds (SMSFs) who have faced uncertainty about the future of such borrowing arrangements, which have become popular for investments in direct property and shares.

In releasing its response, the Government said that it did not agree with the recommendation. While the Government noted there are "anecdotal concerns" about LRBAs, it said the data did not justify policy intervention at this time. However, the Government said it will commission a report on leverage and risk in three years' time. According to the Government, this timing will allow recent improvement in ATO data collection to wash through the system. The report will be used to consider whether any changes to the borrowing rules might be appropriate at a future date.

TIP: Despite the Government's "green light" for LRBAs, a decision to establish a SMSF and invest in property using an LRBA is not one to be taken lightly. It would be prudent to obtain professional tailored advice on any possible LRBA issues that should be considered before committing to purchase a property via a SMSF.

ATO starts issuing "certainty" letters

The ATO has commenced contacting more than half a million individual taxpayers to let them know that their recently submitted tax returns "are shipshape and will not be subject to further review". The ATO said people who receive one of its "certainty" letters (also known as "A-OK" letters) can be assured that the ATO is happy with their tax returns, and has closed its books permanently on their returns, providing there is no evidence of fraud or deliberate avoidance.

The letter is being trialled with a sample of people who meet certain criteria. This includes having broadly simple tax affairs, a taxable income of under \$180,000 and a good lodgement and compliance history. Depending on the success of the trial, the ATO said it aims to expand the program to more taxpayers for Tax Time 2016.

TIP: Despite the aim to provide "certainty", it remains to be seen how the letters will operate in practice, particularly if the Commissioner can change his position on the issued letter if taxpayers amend their 2015 tax return or if the Commissioner relies on the concept of fraud or evasion to invalidate the certainty letter.



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Car expenses and FBT concessions on entertainment

There is a bill currently before Parliament that will introduce two important changes. Key details are as follows:

Work-related car expenses

The Bill proposes to repeal the "12% of original value method" and the "one-third of actual expenses method". 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 in their view best captures the actual running costs of their vehicle.

The bill also proposes to provide a streamlined process for calculating the "cents per kilometre method" by providing a single rate of deduction. That is, the current three rates based on vehicle engine capacity will be replaced with a single rate of deduction. In the 2015-2016 income years, the rate will be set at 66 cents/km. The changes are proposed to apply from 1 July 2015.

TIP: So the Government will set 66 cents/km as the rate for using the "cents per kilometre method", irrespective of a car's engine size. Based on 2012-2013 figures, this would see those who drive smaller vehicles getting a slight increase in deductible expenses, and those who drive larger cars having a decrease in their deduction.

FBT concessions on salary packaged entertainment benefits

The Bill proposes amendments to the law governing fringe benefits to introduce a separate grossed-up cap of \$5,000 for salary sacrificed meal entertainment and entertainment facility leasing expenses for certain employees of not-for-profit organisations. All of these salary sacrifice benefits will become reportable. The changes are proposed to apply from 1 April 2016.

TIP: Note that organisations affected include public and not-for-profit hospitals, public ambulance services, public benevolent institutions (except hospitals) and health promotions charities. It may be prudent to discuss with your adviser as to whether the above changes apply to your circumstances.

Have we done your 2015 Income Tax Return yet?

Imagine how happy you will feel when your refund is deposited into your account. Perfect timing with Christmas just around the corner!

Please send in all your details and paperwork so we can get busy processing your return for you.

Our [ITR Checklist](#) will ensure you do not forget anything.



CGT roll-over for small business restructures on the way

The Government has released exposure draft legislation that proposes to provide roll-over relief for small businesses that change their legal structure. The proposed measures were announced in the 2015-2016 Federal Budget, and will apply to the transfers of assets occurring on or after 1 July 2016. Public consultation closes on 4 December 2015.

The proposed measures will provide an optional roll-over where a small business entity transfers a business asset to another small business entity without changing the ultimate economic ownership of the asset. The roll-over can also apply to affiliates or entities connected with the small business entity for assets they hold that are used by the small business entity.

The roll-over will apply to gains and losses arising from the transfer of capital assets, depreciating assets, trading stock or revenue assets between entities as part of a small business restructure. Discretionary trusts may be able to access the roll-over if the assets continue to be held for the benefit of the same family group.

TIP: The proposed new roll-over is in addition to roll-overs currently available where a sole trader or partner in a partnership transfers assets to, or creates assets in, a company in the course of a business restructure. Note also that, with any proposed "tax relief", the devil is in the detail.



Our aim is to provide relevant information to inform and help create opportunities for our clients. Please note: many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation of the information's applicability to their particular circumstances. If you require further information regarding the contents of this newsletter please do not hesitate to contact our office.