

# PALMER & ASSOCIATES

CERTIFIED PRACTISING ACCOUNTANTS

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## Newsletter - November, 2015

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### **Exciting News...We have expanded!**

Due to the continuing growth of our firm we are pleased to announce the offices of Palmer & Associates have expanded. You will find the entrance to Palmer & Associates at the top of the stairs as we now inhabit Suites 8 and 10, 241 Blackburn Road, Mount Waverley.



### **Have you met our new team members?**

We would like to welcome Graduate Accountants Laura Iannarella and Cameron Preen to our growing team.



## Retiring partner's individual interest in net income of partnership

According to a recent ATO Taxation Determination, where a retiring partner receives an amount representing his or her individual interest in the partnership net income, that amount is assessable under section 92 of the Income Tax Assessment Act 1936. This is the case even if the partner retires before the end of the income year or the payment is received in a subsequent income year. Furthermore, the way the payment is labelled or described will not change the ATO's conclusion that the receipt represents the partner's share of partnership net income and needs to be brought to account under section 92.

The ATO notes that a partner's individual interest in the net income of a partnership is essentially a question of fact in each case, to be determined by reference to the partnership agreement, the partnership's accounting records and any other relevant documents. The ATO notes that its approach in the Determination is a departure from several private rulings, in which it took such receipts into account under the capital gains tax (CGT) rules. The ATO says that an amount representing an individual interest in partnership net income may also represent capital proceeds from a CGT event; however, any capital gain that would otherwise arise is reduced to the extent that it is assessable under other provisions.

**TIP:** The Taxation Determination applies to assessments made after 3 June 2015. The ATO says it will not seek to disturb favorable assessments made before that date.

## Unbundling phone and internet expense claims for work purposes

Individuals can claim deductions for mobile, home phone and internet expenses that have been incurred for work purposes. However, correct distribution for work use is a key issue. According to the ATO, as there are many different types of plans available, taxpayers need to determine their work use using a reasonable basis.

For example, phone and internet services are often bundled. When a taxpayer is claiming deductions for work-related use of one or more services, they need to distribute their costs based on their work use for each service. If other household members also use the services, the taxpayer needs to take into account that use in their calculations.

**TIP:** If the taxpayer has a bundled plan, the ATO says they can identify their work use for each service over a four-week representative period during the income year. This will allow the taxpayer to determine their pattern of work use, which can then be applied to the full year.



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## MyGov



Do you have a MyGov Account?

Due to the introduction of MyGov and its expanding services, the Australian Taxation Office is no longer sending out paper copies of statements or notices of assessment to tax payers with MyGov accounts. If you have a MyGov account you will now receive all correspondence via your MyGov inbox.

For those who are not familiar with MyGov, it is basically a one stop shop for all your government services online. On MyGov you can access such services as Medicare, Centrelink and the Australian Taxation Office.

Previously, as your tax agents, we would receive correspondence directly from the ATO in relation to your taxation matters, review it and then forward it on to you. Now with MyGov, any notices, instalment reminders, statement of accounts, etc. will go directly to your MyGov inbox.

We encourage you to check your MyGov inbox regularly and if you have any queries in relation to correspondence from the ATO please contact us so we can assist you.

Please note, if you do not have a MyGov account the above information does not affect you and as your tax agents we will still receive correspondence on your behalf from the ATO.

### **SMSF trustees warned to plan for cognitive decline**

The ATO has highlighted the issue of cognitive decline, noting that dementia is on the rise and that it is important for trustees of self-managed super funds to have plans ensuring that financial matters will be effectively managed, if and when trustees no longer have the capacity to manage their funds.

"SMSFs are in reality usually managed by one trustee and require a high level of financial decision-making. While many trustees remain perfectly capable of effectively managing their financial affairs well past retirement age, there is a risk that some with diminished capacity to effectively manage their fund may nevertheless continue to do so. Most don't have a plan for what to do if they get to this point," said Kasey Macfarlane, ATO Assistant Commissioner, SMSF Segment, Superannuation.

Ms Macfarlane also said it was essential that trustees "agree in advance about decisions points and exit decisions, to have a will and appointment an enduring guardian and power of attorney."

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

## Staff Achievements & Events

### Around the Bay in a Day

Congratulations to Lissa, one of our team members, who rode 100km's in the Around the Bay in a Day event on the 11<sup>th</sup> October. She raised nearly \$700 for the Smith Family, helping kids in need.



### Melbourne Marathon

It seems Palmer & Associates is overflowing with elite athletes. On the 18<sup>th</sup> October Lloyd and Sam took part in the Melbourne Marathon Festival and successfully completed the half marathon. That is a total distance of 22 kilometres.

### Spring Racing Carnival

In celebration of the Melbourne Cup and the Spring Racing Carnival we declared Wednesday the 4<sup>th</sup> of November a "Day of Style and all things Racing." The dress code was "dress to impress" and we were not disappointed. Who knew the girls in the office were all such experts on racing trivia? No protests required....they were the clear winners! A game of pin the jockey on the horse was quite entertaining with Leigh managing to negotiate a blindfold and locate the saddle successfully. Throw in a few races and a tasty lunch and a fun day was had by all.

