

PALMER & ASSOCIATES

CERTIFIED PRACTISING ACCOUNTANTS

October, 2015

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Hello,

Our philosophy at Palmer & Associates is to provide you with forward thinking accounting to assist you in achieving your personal, business and retirement goals. Our team will help you to be proactive rather than reactive in relation to all your taxation matters.

In the following pages we have compiled some general information for you that you may find of interest or be relevant to you. Please do not hesitate to contact us if you require further information regarding the content of this newsletter and how it may impact you.

Regards

Lloyd & the Team



WELCOME

Exciting News

We are very excited to have Natasha back from maternity leave. Natasha has resumed working part-time and will be in the office a couple of days a week.



Have you met our new team member?

We would like to welcome Enrica Capretta to Palmer & Associates.

Enrica is our new receptionist and is the first point of contact with our clients. We are very happy to have her on board.



Newsletter

2015 Income Tax Return

The 2015 tax season is in full swing. If you haven't done so already please contact us by either making an appointment or just send in your information. The sooner we can complete your Income Tax Return the sooner the ATO can send you your refund. 😊

SMSFs in Pension Phase Need to Exercise Care

The ATO has identified a number of issues concerning SMSFs in pension phase, noting the growing number of people expected to receive a pension in the next 10 years. Some of the key issues are as follows:

- **Setting up and starting a pension:** In the pension establishment phase, a fundamental and critical question that should not be overlooked is whether the member has reached preservation age. The ATO has reminded trustees that the legislated rise in the preservation age came into effect from 1 July 2015, so those born after 30 June 1960 will be effected.
- **Paying a pension:** One of the most common reasons for an SMSF in the pension phase not being entitled to applicable income tax exemptions under the exempt current pension income (ECPI) provisions is that the trustee has failed to pay the required annual minimum pension amount to a member.
- **Ceasing a pension:** The ATO is starting to see a range of issues related to what happens in the unexpected event of a pensioner's death. For example, is the nominated reversionary beneficiary entitled to receive a death benefit pension under the terms of the SMSF's deed and the law?

Small Business Tax Discount

In the 2015 Federal Budget, the Government announced a small business tax discount. From 1 July 2015, individual taxpayers with business income from an unincorporated business that has an aggregated annual turnover of less than \$2 million will be eligible for a small business tax discount.

The discount will be 5% of the income tax payable on the business income received from an unincorporated small business entity. The discount will be capped at \$1,000 per individual for each income year, and it will be delivered as a tax offset through the individual's end-of-year tax return. Legislation to implement the small business tax discount is currently awaiting formal enactment.

Telstra 2014 Share Buy Back

The ATO has issued a fact sheet in relation to the off-market share buy back on 6 October 2014. There are two tax consequences of the buy back:

- Tax payers must include the dividend and franking credit in their returns
- The sale of the shares to Telstra is a CGT event that may have resulted in a capital gain or loss

Newsletter

ATO Focus on Rental Properties

The ATO has recently advised that it will be focusing on rental property deductions in the 2015 returns.

In particular, the ATO is focusing on:

- Excessive deductions claimed for holiday homes
- Husband & wives deliberately and incorrectly splitting income & deductions for jointly owned properties to achieve the best tax outcome
- Claims for repairs & maintenance shortly after the property was purchased and interest deductions claimed for the private proportion of the loans

Franked Distributions Funded by Capital Raising Under Scrutiny

The ATO is reviewing arrangements where companies raise new capital to fund franked distributions and release accumulated franking credits to shareholders. The ATO is seeing companies issue rights to shareholders and use funds raised to make franked distributions via special dividends or an off-market share buy-back. The ATO said these arrangements are distinct from ordinary dividend reinvestment plans involving regular dividends.

ATO Deputy Commissioner Tim Dyce said that the distributions are unusually large compared to ordinary dividends and occur at a similar time, and in a similar amount, to the capital raised. "So, a potentially large amount of franking credits is released with minimal net changes to the company's economic position. There is also minimal impact on the shareholders, except in some cases they may receive refunds or franking credits and in the case of buy-backs they may also get improved capital gains tax outcomes," he added.

The ATO considers that the arrangements may not be compliant with the tax law. In particular, the ATO has warned of the potential application of the general anti-avoidance rules. It has also warned that penalties may apply to participants.



Footy Tipping Competition

Here at Palmer & Associates we take every competition seriously and our Footy Tipping is no exception.

We felt we should acknowledge Ashlee Moschetti's achievement in coming 1st.

Ashlee is a keen Richmond supporter (we won't hold that against her 😊) and spent the whole season on top of the Leader Board, much to Matthews disbelief and slight annoyance. Don't worry Matt, there is always next year!

Great job Ashlee, enjoy your winnings!

Second and third place went to Natasha & her husband Stafford, super effort to you both.

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.