Welcome

Welcome to the January 2017 Practice Newsletter.

We plan to make newsletter communication to our clients and potential clients more regularly.

We hope that you find the enclosed newsletter easy to read, topical and helpful.


Legislation passed on 23rd November 2016 to give effect to a number of reforms from 1st July 2017. The legislation confirms “that the primary objective of the superannuation system is to provide income in retirement to substitute or supplement the Age Pension”.

In no particular order the reforms are as follows:

A) Contributions

i) Tax Deductible (Concessional) Superannuation Contributions shall be capped at $25,000 per year (currently $30,000 for those aged under 49 at the end of the previous financial year and $35,000 otherwise).

ii) Non-tax deductible (Non-Concessional) Superannuation Contributions shall be capped to $100,000 per year. Individuals with a superannuation balance of $1.6 million or more are unable to make non-concessional contributions. Individuals under age 65 were able to bring forward up to 3 years of non-concessional contributions. The annual cap was $180,000/per year.

iii) Personal Contributions Personal Contributions to eligible superannuation funds up to the concessional contributions cap will be tax deductible for all individuals under the age of 65. For those aged 65 to 74 deductibility is determined on meeting a work test. This will benefit partially self-employed persons and salary and wage earners.
iv) **Catch up Concessional Contributions**  From 1\textsuperscript{st} July 2018 the Government will allow individuals with a superannuation balance less than $500,000 just before the beginning of a financial year to carry forward “unused concessional cap space” for up to 5 years if they have the capacity and choose to do so.

B) **Pensions**

i) **Transfer Balance Cap** – From 1\textsuperscript{st} July 2017 there is a $1.6 million transfer balance cap on the total amount of accumulated superannuation an individual can transfer into the (tax free) retirement phase. Savings beyond the cap remain in the accumulation account (where earnings are taxed at 15%) or outside the superannuation system.

This cap figure shall be indexed.

Transitional arrangements apply.

ii) **Transition to Retirement Income Streams** (TRIS). The tax exempt status of income from assets supporting TRIS will be removed. These earnings shall now be concessionally taxed at 15%.

C) **Other**

i) **Division 293**  Threshold changes. This Division applies if you are a higher income earner. The income threshold for Division 293 is lowered from $300,000 to $250,000.

ii) **Low Income Superannuation Tax Offset** (LISTO)  The tax concession for lower income earners has been broadened. The LISTO effectively refunds the tax paid on concessional contributions by individuals with a taxable income of up to $37,000 – up to a cap of $500.

iii) **Extending the Spouse Tax Offset** Currently an offset of up to $540 applies for individuals who make superannuation contributions to their spouses with incomes up to $10,800. The Government will allow more people to access the offset by increasing the allowable spouse earnings to up to $40,000.

Please contact us if you require explanation or clarification of the rules.

**Second Article – 1\textsuperscript{st} January 2017 Age Pension Changes**

Changes dated 1\textsuperscript{st} January 2017 will affect current (and planned future) Aged Pension recipients.

It is expected that approximately 50,000 additional Australians will receive the Age Pension; approximately 300,000 retirees on the part pension will have their entitlements reduced and about 100,000 will be losing all entitlements.

**Why?**  Previously pension payments reduced by $1.50/$1,000 over the lower asset threshold. That “taper rate” has changed to $3/$1,000.

Please note that exempt assets for Centrelink purposes such as the family home continue their asset test exempt status.
The thresholds are as follows:

<table>
<thead>
<tr>
<th>A) Full Pension</th>
<th>January 2017</th>
<th>Former</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Homeowner (single)</td>
<td>450,000</td>
<td>360,500</td>
</tr>
<tr>
<td>Non-Homeowner (couple)</td>
<td>575,000</td>
<td>448,000</td>
</tr>
<tr>
<td>Homeowner (single)</td>
<td>250,000</td>
<td>209,000</td>
</tr>
<tr>
<td>Homeowner (couple)</td>
<td>375,000</td>
<td>296,500</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>B) Part Pension</th>
<th>January 2017</th>
<th>Former</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Homeowner (single)</td>
<td>742,500</td>
<td>945,250</td>
</tr>
<tr>
<td>Non-Homeowner (couple)</td>
<td>1,016,000</td>
<td>1,330,000</td>
</tr>
<tr>
<td>Homeowner (single)</td>
<td>542,500</td>
<td>793,750</td>
</tr>
<tr>
<td>Homeowner (couple)</td>
<td>816,000</td>
<td>1,178,500</td>
</tr>
</tbody>
</table>

Please contact us if you need help understanding these changes.

**Tax Reduction Strategy - Depreciation on Rental Properties**

We are always looking to get the best tax result for our clients. One often overlooked area where clients can really save money is with depreciation reports on rental properties. Such reports need to be prepared and produced by a Quantity Surveyor (QS).

The report is recommended for any investment property held which was constructed after 1985.

We have helped our clients get significant tax refunds with QS depreciation claims covering the current (and prior) years.

i) Client “F” received a tax refund of over $200,000 arising from QS claims on a commercial and residential investment property owned. The claims required amendments to tax returns previously lodged by another accountant between 2001 and 2008.

ii) Client “M” was advised to get a QS report for a service station property owned by him. We are currently working on 2013/14 and 2014/15 tax returns to incorporate these claims. Large tax credits are expected.

Contact us if you need further information about QS reports and if they may be of benefit.

**Other News**

**Staffing** - Fiona Corkill has joined the practice as an employee. Fiona is a Chartered Accountant who will work on a part-time basis to help with our growing business. Fiona is in addition to the current team of Chris, Merle, Suzi, Julie, Donna, Hannah and Jo.
Website - Please look at our website – www.mccarthy.com.au. Tell us what you like and tell us what you think we can do better.

Facebook - Please look up McCarthy and Co Accountants on Facebook. Grant aims to post regularly and to make those posts a bit more informal. A few recent posts were about the Big Bash League (cricket) and YouTube Gamer Entrepreneurs for instance. If you like what you see then “like” us.

What We’re Reading

- “The First Billion is the Hardest” T Boone Pickens. (Autobiography)
- From a $2,500 investment at age 68 Pickens faced divorce, depression and loss of 90% of his capital. He then made a comeback with net wealth of $8 Billion as an oilman and hedge fund manager by age 77.
- The book discusses the benefits of persistence, belief and how he saw trends that others could not.

Q & A

i) Are McCarthy & Co looking to get new clients? Yes. Please refer your colleagues or associates or friends to us. We will look after them. We are going for growth.

ii) Are there people that McCarthy & Co can suggest to help me and my business? Yes.
   Financial advice, mortgage and finance broking, recruitment, HR, overseas operations, insurance, websites, audit, legal matters, business coaching are some of the areas we can refer you to people we like and trust


Business of the Month – Claire Wilson (The Alternative Board) TAB - Qld Franchisee of TAB

TAB provides business coaching services for small business. It does this in two ways:

i) Engaging TAB members in a monthly Board meeting. The meeting which is Chaired by Claire provides a forum for each attendee to raise and then have discussed a current business matter or problem.

ii) One on one coaching sessions with Claire including reviews of strategic plans and operational matters.

Grant has been a member of TAB since October 2015. If you would like to learn more then please contact Claire on 3162 2660/0417 627504 or look up www.thealternativeboard.com.au.

Let us know if you would like to be Business of the Month next month.

We look forward to serving you

MCCARTHY & CO