



## DFK AUSTRALIA NEW ZEALAND BUSINESS & TAXATION BULLETIN

keeping you informed **summer 2017**

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### DOWNSIZING YOUR HOME & SUPERANNUATION

Legislation has been introduced into parliament which would allow individuals aged 65 years or older to make a superannuation contribution when they sell their primary home.

The proposed start date is 1 July 2018 and would allow contributions of up to \$300,000 which would not count towards any contribution caps nor would any of the age, work or \$1.6million balance tests apply. The residence must have been owned for 10 years or more and be used as the primary residence of the individual making the superannuation contribution. The \$300,000 contribution is available to both individuals in a couple if the residence was held in joint names.

### GREATER ACCESS TO SMALL BUSINESS CLEARING HOUSE

The ATO has been offering the Small Business Superannuation Clearing House (SBSCH) for superannuation contributions for a number of years and has now widened the eligibility criteria to include:

- A business with 19 employees or less OR
- A business with aggregated annual turnover of less than \$10 million

The SBSCH is also being integrated into the ATO Business Portal in early 2018. If you would like to register for the SBSCH go to [www.ato.gov.au](http://www.ato.gov.au)

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## TOP 10 TIPS FOR RENTAL PROPERTY OWNERS

Rental properties are an investment which are held by all types of entities and particularly common among individuals and trusts. The ATO has released a top ten list of tips for property investors.

### 1. Keep the right records

Keep evidence for all income and expenses. Additionally, keep all details relating to the purchase of a property and for five years after the sale.

### 2. Ensure the property is genuinely available for rent

You must show clear intentions to rent a property by advertising and setting the rental price similar to other comparable properties. Avoid any unreasonable rental conditions.

### 3. Get initial repairs and improvements right

Initial repairs are not deductible but are included in the cost base of a property when you sell. Capital improvements are deductible at 2.5% over 40 years.

### 4. Claiming borrowing expenses

Borrowing expenses under \$100 can be claimed in the current year, otherwise the deduction is spread over five years.

### 5. Claiming purchase costs

No purchase costs such as stamp duty, conveyancer fees or building inspections can be claimed as a tax deduction, rather they are included in the cost base of the property when calculating capital gains tax.

### 6. Claiming interest on your loan

Interest on a loan is tax deductible to the extent that it was used to purchase or maintain the rental property. Any portion of the loan used for personal items, such as car purchase, must be excluded from the interest deduction calculation.

### 7. Getting construction costs right

The cost to construct a building, alterations or structural improvements may be deducted at 2.5% over 40 years. If you are unsure of the construction costs, have a suitably qualified professional to assess the property and provide a depreciation report. The cost of land is not included in depreciation.

### 8. Claiming the right portion of your expenses

If you rent your property to family or friends at a below market rate, you can only claim expenses up to the amount of rental income you have received.

### 9. Co-owning a property

If you own a rental property with another person or entity, calculate a percentage of all rental income and expenses according to your legal share in the property.

### 10. Getting your capital gains right when selling

When the property is sold the difference between the cost base and the sale proceeds is a capital gain or loss. A capital gain may be discounted if the property is held for more than 12 months and is held by an entity other than a company. A capital loss can be carried forward and offset against future capital gains.

## PAYG INSTALMENT RATES

Do you use Option 2 for PAYG Income Tax Instalments on your quarterly BAS? If so there are a few things to keep in mind to ensure it is calculated correctly.

- Include all gross income including business income, rent, interest and dividends
- Don't reduce reported income for any deductions or expenses
- Even if your instalment rate is nil, still enter your gross income

Remember, that if you ever make a mistake on your activity statement, it can always be revised prior to the lodgement of the relevant year income tax return.

## IS YOUR BUSINESS BETTER THAN AVERAGE?

A quick and easy way to compare your business to the market is to download the ATO app and use the Business Performance Check tool.

The information that you will need is:

- Gross business income
- Expenses
- Cost of Sales

Just enter your information and the App will compare your results against benchmarks for the relevant industry and size of business.

All data which is entered is not recorded by the App and will only be used for completing the tool.

## GIC & SIC RATES

The ATO has published general interest charge (GIC) and shortfall interest charge (SIC) rates for the second quarter of the 2017-18 income year.

The GIC annual rate for October – December 2017 is 8.70% and the SIC rate is 4.70%.



## FINANCE ARTICLE

### WHEN WAS YOUR LAST FINANCIAL CHECK-UP

Summer is usually the time when we are most motivated to improve our lives, whether it's by losing those extra winter kilos or finishing that weekend renovation you started. So while you are reassessing and changing other areas of your life, why not look in to your financial health with a quick check-up?



Creating budgets and saving money aren't usually things we like to talk about, but checking in on our financial health every once in a while could mean the difference between reaching our financial goals and being unaware of what our financial goals even are.

If it's been a while since you evaluated your financial position, where should you start?

Before you start budgeting, set some financial goals. These could be short-term goals like a weekend vacation, a new pair of shoes or a new car. Also look at the long-term goals, such as owning your home, being debt free, or diving into property investment.

Set a timeframe in which you want to achieve these goals and design your budget accordingly. Having clear, achievable goals will keep you on track to financial freedom and help you live your ideal lifestyle.

A budget is a great way to keep track of all of your expenses and income. Use this on a weekly, fortnightly or monthly basis to monitor your cash flow. It is important to consider all expenses you may incur, remembering to include things like registration, insurance and taxes, which may not be due on a regular basis.

Setting a budget is also a great way to find areas where you might be able to cut back, allowing you to find the extra money to achieve your goals. This may be as simple as skipping your afternoon coffee or reducing your gym membership.

Every little saving helps you get closer to your financial goals.

The next area to consider in your financial health check is your mortgage and personal loans. Are these still working in your favour? Could you be getting a better deal?

You should seek professional advice when it comes to evaluating your loans, as there might be hidden terms and conditions that could limit what you can and can't do. This could include being locked in to your loan for a certain period of time, break costs or switching fees if you choose to switch your loan.

Summer is a great time to evaluate your financial health and make changes to achieve your goals sooner. If you would like help with your financial health check, give us a call today.

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**Talk to us about your business needs today.**

If you're interested in finding out more about any accounting and business advice or support, we can make it happen.

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## FEATURE ARTICLE

### SGC – WHAT EMPLOYERS NEED TO KNOW

**We have seen a rise in the number of enquiries from the Australian Taxation Office (ATO) in relation to employer's compliance with the Superannuation Guarantee.**

This increased activity is in line with a recent announcement by the ATO that they will be conducting additional audits in an attempt to recover the significant amounts of unpaid superannuation.

As a result of the increased audit activity by the ATO and its literal interpretation of the legislation, we thought that we would give a timely reminder to employers to pay their superannuation obligations and to pay on time.

All employers are required to remit Superannuation Guarantee (currently 9.5% of Ordinary Times Earnings) on behalf of their employees by the following dates:

This can increase the superannuation liability of the employer quite significantly, especially when you consider the interest is calculated on the increased amount to include overtime.

The nominal interest charge imposed for the late payment of the Superannuation Guarantee is supposed to bring the employee back into the position that they would have been had the Superannuation Guarantee been paid on time. However, in some instances it can put the employee in a significantly much better position, at the cost of the employer.

QUARTER	PERIOD	PAYMENT DUE DATE
1	1 July – 30 September	28 October
2	1 October – 31 December	28 January
3	1 January – 31 March	28 April
4	1 April – 30 June	28 July

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If Superannuation Guarantee is not paid by these dates, it becomes a Superannuation Guarantee Charge (SGC), which includes a penalty component which is not tax deductible when paid. The penalties contained in the Superannuation Guarantee legislation are considerable and as a result, there are significant consequences if an employer's superannuation guarantee obligation becomes an SGC. These include an increased superannuation liability, interest for late payment and an administration fee.

If an employer fails to pay their Superannuation Guarantee by the due date, they are obligated to prepare and lodge a SGC Statement. This statement requires an employer to calculate their outstanding superannuation, the nominal interest charge and administration charge on a quarterly basis.

The outstanding superannuation obligation is not simply the unpaid Superannuation Guarantee which would have been calculated on Ordinary Times Earnings. It is calculated on the employee's total wages, including overtime and other amounts that would ordinarily be excluded from the Superannuation Guarantee.

Currently interest is imposed at the rate of 10% of the unpaid superannuation on the employee's total wage from the beginning of the quarter that the unpaid superannuation relates to through to the latter of the due date for lodgement of the SGC Statement or the date that the SGC Statement is actually lodged.

As interest is imposed from the start of the quarter in which the liability arose, an employer who pays their Superannuation Guarantee late could be obligated to pay interest for a period prior to when the obligation arose. Further, under the Superannuation Guarantee legislation it is irrelevant when the employer paid the Superannuation Charge if paid it after the due date, as interest is imposed based on the date the SGC Statements is lodged.

To reduce the interest imposed on outstanding superannuation obligations it is critical that, if an employer pays their Superannuation Charge late, they lodge a SGC Statement by the due date. The due date for the lodgement of the SGC Statement, which is also the due date for payment of the SGC, is dependent upon which quarter the liability relates to.

The following summarises the due dates:

QUARTER	PERIOD	PAYMENT DUE DATE
1	1 July – 30 September	28 November
2	1 October – 31 December	28 February
3	1 January – 31 March	28 May
4	1 April – 30 June	28 August

In addition to the imposition of interest the Superannuation Guarantee legislation imposes an administration charge. Currently this is \$20 per employee per quarter.

To illustrate the effects of the Superannuation Guarantee legislation let's consider the following example.

Ron runs a furniture manufacturing business which is expanding and as a result Ron takes on Sam as a new employee on 18 August 2015. During the months of August and September Sam is paid \$3,500 in Ordinary Times Earnings and \$1,500 in overtime. Sam forgets to complete his Superannuation Standard Choice Form and gives it to Ron on 31 October 2015. As soon as Ron receives the form he pays Sam's superannuation of \$332.50 (9.5% x \$3,500), 3 days after the due date of 28 October 2015. Ron is unaware of the impact of the late payment until his accountant raises the issue with him when preparing the 2016 financial statements and income tax returns in April 2017. Ron's accountant prepares the SGC Statement and lodges it on 21 April 2017. The accountant then advises a very bemused Ron that he has a further liability of \$248.26 because he paid the \$332.50 superannuation contribution three days late.

The additional liability is calculated as follows:

OUTSTANDING SUPERANNUATION OBLIGATION		
Ordinary Times Earnings (\$3,500 x 9.5%)	\$332.50	
Overtime (\$1,500 x 9.5%)	\$142.50	
		\$475.00
Interest Charge (from 1 July 2015 to 21 April 2017)		\$85.76
Administration Charge 2017)		\$20.00
		\$580.76
Less Superannuation Paid (31 October 2015)		\$332.50
Balance SGC Due		\$248.26

In addition to the above SGC, Ron could have been liable to further penalties of up to 200% of the outstanding superannuation if the late payment was discovered by the ATO during an audit.

Ron doesn't understand why he has to pay the SGC stating that it was the employee's fault that the Superannuation Guarantee was paid late. Unfortunately for Ron the ATO are currently taking a literal view of the legislation which doesn't provide for any discretion to accept that the non-provision of the superannuation details by an employee as a legitimate reason for the late payment. In this instance Ron should have made the payment to a default fund by the due date. As a director of the company Ron could become personally liable for the company's SGC liability if the company fails to pay it.

The above example demonstrates the impact of the Superannuation Guarantee penalties. The only way that employers can avoid the imposition of these penalties is to pay their Superannuation Guarantee obligations on time.


If you have not paid your Superannuation Guarantee on time or have any concerns regarding your exposure to SGC please feel free to contact one of our team.

### Talk to us about your business needs today.

If you're interested in finding out more about any accounting and business advice or support, we can make it happen.

### Email DFK Kidsons on

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## UPCOMING KEY DATES & DEADLINES

1 DECEMBER 2017	2017 Income Tax Payment required for large and medium taxpayers (lodgement due 15 January 2018)
1 DECEMBER 2017	2017 Income Tax Payment due for head companies of a large or medium consolidated group
1 DECEMBER 2017	2017 Income Tax Payment due for companies and super funds when lodgement of the return was required on 31 October
21 DECEMBER 2017	November 2017 Monthly Activity Statement due for lodgement and payment
15 JANUARY 2018	2017 Income Tax Return due for lodgement for large and medium companies and super funds
21 JANUARY 2018	December 2017 Monthly Activity Statement due for lodgement and payment (except for small business clients)
21 JANUARY 2018	Quarterly PAYG Instalments activity statement due for lodgement and payment for head companies of a consolidated group
25 JANUARY 2018	Superannuation Guarantee Contributions due for payment for October – December 2017 quarter
21 FEBRUARY 2018	December 2017 Monthly Activity Statement for small businesses due for lodgement and payment
21 FEBRUARY 2018	January 2018 Monthly Activity Statement due for lodgement and payment
28 FEBRUARY 2018	2017 Income Tax Return due for lodgement for all non-taxable large and medium entities as per the last year lodged
28 FEBRUARY 2018	2017 Income Tax Return due for lodgement and payment for all new registrants
28 FEBRUARY 2018	October – December 2017 Business Activity Statement due for lodgement and payment
21 MARCH 2018	February 2018 Monthly Activity Statement due for lodgement and payment
31 MARCH 2018	2017 Income Tax Return due for individuals and trusts whose latest return resulted in a \$20,000 tax liability
31 MARCH 2018	2017 Income Tax Return due for lodgement and payment for companies and super funds with a turnover of greater than \$2million unless required to lodge earlier

## FOR MORE INFORMATION & FUTURE NEWSLETTERS

For more information on anything contained in this bulletin please telephone or email to our details below.

### DFK KIDSONS – NORTH CAIRNS & MELBOURNE

For further information or enquiries about any of the latest business and taxation topics discussed in this newsletter, please contact the Directors and team at DFK Kidsons.

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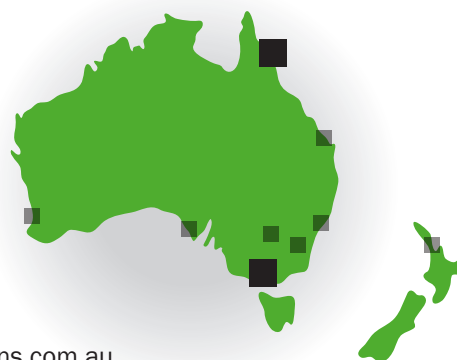
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