

## Private Client Newsletter 2015

Dear Friends,

Welcome to this, our 36<sup>th</sup> Private Client Newsletter. We hope that the information contained herein provides you with useful tips and strategies to legally save you tax and build wealth.

### Bank account details

Due to Australian Taxation Office changes we will require your bank account details to deposit your refund directly, so please bring them with you.

### Service Milestones

We are very proud to officially recognise the excellent contribution of Phil Eddy achieving 35 years of service in July, and Katrina Jolly achieving 15 years in June.

### Reminder - Superannuation Contributions

This is a very important matter for clients wanting to contribute the maximum amount to superannuation. Please ensure you do not exceed the annual caps/limits, taxpayers can contribute up to \$30,000 (\$35,000 if 49+ at 30/06/2014) in concessional (tax deductible) contributions.

### Tax Update - 2015

- Abolition of "Mature Age Worker Tax Offset" and "Dependant Spouse Tax Offset" from 01/07/2014.
- Proposed changes to employee share acquisition schemes (from 01/07/2015) to include start-up companies.
- Living away from home and travel allowances now require the accommodation component to be substantiated (from 01/07/2014).
- Common medical expenses no longer eligible for tax offset from 30/06/2015, but disability aids and aged care costs remain eligible until 30/06/2019.

### Budget Announcements

- Employees working for hospitals, not for profits etc, will be subject to a \$5,000 (grossed up) cap/limit on salary sacrificed meals and entertainment expenses (from 01/04/2016).
- Motor Vehicle claims to be restricted to logbook and cents per km only, 12% and 1/3<sup>rd</sup> methods to be abolished (from 01/07/2015).
- Motor Vehicle claims using cents per km to go single rate of \$0.66 per km (from 01/07/2015).
- HELP and HECS repayments to be required by overseas tax residents on foreign income (from 01/07/2017).
- GST to apply to imported digital products (from 01/07/2016).
- Zone tax offset to require "normal residence" inside zone (from 01/07/2015).
- Medicare levy low income threshold to increase (from 01/07/2015).
- Working holiday makers from overseas to be taxed as non residents (from 01/07/2016).
- Double dipping of paid parental leave to stop (from 01/07/2016).
- Aged pension assets test upper limit to be reduced (from 01/01/2017).

### Client Feedback

We always welcome and appreciate your comments, both good and bad. If you have anything that you wish to discuss with our Managing Partner Mr Phil Eddy in this regard, please do not hesitate to contact him.

We thank you sincerely for your ongoing support and loyalty, we wish you the very best in all aspects of your life and look forward to seeing you soon.

*Liability limited by a scheme approved under Professional Standards Legislation.*

## Contents of this Newsletter:

• • •

- Tax Changes and Tips
- Client Engagement Consent
- Income Tax Preparation Checklist
- Income/Expense Worksheet

• • •

### Services available from Philip J Eddy & Partners Pty Ltd:

- Taxation planning & compliance
- Business advisory & management
- Remuneration planning & packaging
- Estate & succession planning
- Self Managed Superannuation Funds
- Tax audit insurance

• • •

### Services available from Consultum Financial Advisers Pty Ltd:

- Financial Planning & Investment Advice
- Centrelink assistance
- All types of personal insurance

• • •

### Phone:

**Eaglehawk:** (03) 54469855

**Essendon:** (03)93792442

### Email:

admin@pjeddycpas.com

### Our Website –

**www.pjeddycpas.com**

**Username:** *pjeddy*

**Password:** *taxation*

# 2015

## Tax Changes, Tax Tips & Warnings

1.	<b>Tax Tip</b>	<b>Living Away From Home Allowance (LAFHA):</b> If you are paid a LAFHA or travel allowance we suggest that if you are not already keeping invoices/receipts to substantiate your accommodation costs you commence to do so (the transitional exemption (if it applies to you) ceases on 30/06/2014).
2.	<b>Tax Warning</b>	<b>Audit hot spots 2015</b> <ul style="list-style-type: none"> <li>• Overnight travel.</li> <li>• Rental properties (including holiday homes).</li> <li>• Diaries/logbooks to prove business use of computers etc.</li> <li>• CGT issues with granny flat arrangements.</li> <li>• Data matching interest, dividends etc.</li> </ul>
3.	<b>Tax Warning</b>	Taxpayers claiming that they are non residents being caught by ATO.
4.	<b>Tax Tip</b>	Delay the derivation of income to future year (wage earners must delay receipt).
5.	<b>Tax Warning</b>	Share wash sales (selling and buying back to crystallize losses) must be done very carefully after "Harts Case" and due to part IVA (anti avoidance rules). Note: New rules to combat existing double franking schemes.
6.	<b>Tax Warning</b>	Dividend washing whereby taxpayer receives multiple franking credits has been outlawed.
7.	<b>Tax Tip</b>	Consider using the tax system and salary sacrificing under the "otherwise deductible rule": <ul style="list-style-type: none"> <li>- Associates car expenses</li> <li>- Car using the cents per km method</li> <li>- Small items up to \$300 (Employees &amp; Landlords)</li> <li>- Small items up to \$1,000 (Business) – From 12/05/2015 \$20,000</li> </ul>
8.	<b>Tax Tip &amp; BEWARE</b>	<b>Depreciation:</b> For employees and rental property owners (Non Business Individuals), immediate 100% claim for small items up to \$300 remains (but not if part of a set and exceeds total of \$300 or it is identical or substantially identical). Items costing between \$300 and \$1,000 can be pooled and written off over four (4) years. Note: If property owned jointly, \$300 per partner.
9.	<b>Tax Tip &amp; BEWARE</b>	Avoid having a "Reportable Fringe Benefit" and affecting surcharges, benefits, rebates etc. "Cash Out" all your fringe benefits i.e. pay amount out of your after tax income equal to the taxable value. Note: Check your calculations as statutory formula %'s have increased from 10/05/2011 (for contracts entered into after this date) and will all be 20% by 2014.
10.	<b>Tax Tip &amp; BEWARE</b>	<b>Further Audit Hot Spot 2015</b> Travel between two <u>unrelated</u> places of work is still deductible (if related then okay), however you must not live at either. Other situations where taxpayers can still claim (in addition to self education): <ul style="list-style-type: none"> <li>- Related places of business (acceptable if you live at one).</li> <li>- Transporting bulky equipment (inc. Home to work if no secure storage at workplace and not just for convenience), weight and size critical.</li> <li>- Travel once work has already commenced.</li> <li>- Web of work places (inc. itinerant work).</li> </ul>
11.	<b>Tax Tip</b>	Make sure you do not sell capital assets under one year to qualify for 50% discount (indexation option still available for pre 21/09/1999 assets). Note: Contract date for CGT purposes.
12.	<b>Tax Tip</b>	Prepayment of tax deductible expenses still OK (up to 12 months).
13.	<b>Tax Warning &amp; Tax Tip</b>	Capitalising interest deductions probably violates Part IVA "Anti-Avoidance" Rules per TD 2012/1. However accelerated home loan reduction strategy per PR2013/22 is okay.

14.	<b>Tax Tip</b>	Shareholders specifically travelling to attend an Annual General Meeting can claim costs.
15.	<b>Tax Tip</b>	Hold shares for at least 47 days to enable imputation credits to be claimed (if more than \$5,000) but beware of - double franking schemes.
16.	<b>Tax Tip</b>	Taxpayers with income over \$300k, consider contribution reserving.
17.	<b>Tax Tip</b>	Consider owning a car jointly to access 5,000 km limit twice (more attractive due to 01/07/2015 changes).
18.	<b>Tax Tip</b>	Consider selling 50% interest in rental property to spouse and use money to pay off private debt.
19.	<b>Planning Tips</b>	<p><b><i>SUPERANNUATION SUMMARY OF KEY ISSUES/FACTORS 2015 YEAR.</i></b></p> <ol style="list-style-type: none"> <li>1. Consider splitting concessional superannuation contributions with spouse (critical to equalize balances as much as possible due to new pension income limits).</li> <li>2. No work test if aged under 65 years.</li> <li>3. Employer can claim excess concessional contributions, but taxpayer must pay excess contributions tax (marginal tax rate and accessible from Fund).</li> <li>4. Non-concessional contribution cap/limit of \$180,000p.a. or \$540,000 over 3 years if under 65 years (must be aged under 65 in the relevant financial year).</li> <li>5. From 01/07/2014 individuals aged 49 years plus on 30/06/2014 subject to \$35,000 concessional contribution cap/limit (under 49, \$30,000).</li> <li>6. Work test (40 hours over a 30 day period) applies to those aged between 65 and 74 years (75 plus, contributions okay if mandated).</li> <li>7. Pensions and lump sums (from a taxed source) received tax-free by all persons aged 60 years plus and income derived from pension paying assets tax-free.</li> <li>8. Death benefits paid to a spouse and/or financial dependent are tax free, however if paid to non dependents then 15% (+ medicare levy) tax applies on the taxable component and 30% (+ medicare levy) on the untaxed component.</li> <li>9. Employer "ETP" not able to be rolled over into super, unless transitional rules apply, taxable component taxed as follows: <ul style="list-style-type: none"> <li>• First \$180,000: <ul style="list-style-type: none"> <li>• &lt;55 = 30%</li> <li>• 55+ = 15%</li> </ul> </li> <li>• Tax-free component (Pre July 83) = Tax Free</li> <li>• Transitional Rules for Employees with existing contracts</li> </ul> </li> <li>10. Drawdown and re-contribution strategy to receive tax-free pension and lump sum benefits and benefits tax-free on death.</li> <li>11. Consider salary sacrificing maximum into super.</li> <li>12. Consider a "Transition to retirement pension" if you are aged 55+.</li> <li>13. Concessional super contributions taxed at 30% if adjusted income exceeds \$300K from 01/07/2012.</li> <li>14. Lifetime CGT cap \$1.355 million on sale of active assets.</li> <li>15. Excess non-concessional contributions can be refunded.</li> <li>16. Consider partial commutation of account based pension to use up \$185k tax free cap.</li> <li>17. Consider government co-contribution if income less than \$49,488.</li> <li>18. Consider spouse contribution.</li> </ol>
20.	<b>Tax Tip &amp; BEWARE</b>	Non Commercial Business Losses quarantined for taxpayers with taxable incomes in excess of \$250,000 per annum unless ATO exercises its discretion (Bentivoglio's case). Cannot salary sacrifice to avoid TR2013/D1!
21.	<b>Tax Warning &amp; Tax Tip</b>	Employees working for hospitals, not for profits etc. will be subject to a grossed up \$5,000 cap/limit on salary sacrificed meals and entertainment expenses from 01/04/2016.

**PLEASE FIND BELOW A COPY OF THE**  
**"2015 CLIENT ENGAGEMENT ACKNOWLEDGMENT, CONSENT, DECLARATION & AUTHORITY "**  
**WHICH YOU WILL BE ASKED TO SIGN WHEN YOU HAVE YOUR 2015**  
**INCOME TAX RETURN PREPARED.**  
**PLEASE READ THIS FORM BEFORE YOUR APPOINTMENT**

**1. ENGAGEMENT:** I/We hereby engage Philip J. Eddy & Partners Pty Ltd to prepare & lodge my/our Income Tax Return/s (& related forms) this year in accordance with my/our written & verbal instructions. I/We also confirm that I/we take full responsibility for all "Department of Human Services, Childcare, Child Support Agency, Family Assistance Office, Super Co-Contribution matters", unless I/we have specifically requested otherwise in writing. I/We also confirm that Philip J. Eddy & Partners Pty Ltd is NOT to undertake any other action, process, enquiry, matter or function unless requested by me/us in writing.

**2. CLIENT DECLARATION:** I/We declare that I/we have read the return prepared for me/us & confirm it is true and correct and in accordance with my instructions and I/we have read the Philip J. Eddy & Partners 2015 Private Client newsletter &/or notices in their reception rooms. I/we confirm: -

- A. That I/we have disclosed to you all income, including (but not limited to) Net Capital Gains, Family Tax Benefit/s, Paid Parental Leave, Childcare Benefits & Private Health Fund Rebates, which I/We have derived/received (including that of my spouse (if applicable)) for rebate & other purposes for the 2015 Income Year. I/We confirm our understanding and existence of the "Alienation of Personal Services Income" and the "non-commercial loss rules" and the disadvantages of owning assets in Trading Companies (as opposed to own name) from a capital gains tax perspective and if I/We are subject to the alienation rules I/we will pay my/our tax Monthly/Quarterly as required. We expressly take full responsibility for all BAS & GST matters unless we have instructed Philip J. Eddy & Partners to do so in writing. I/We authorise them to use our private details per the PRIVACY ACT.
- B. That I/we have been advised by you that I/we cannot make a claim for an amount which is not allowable for income tax purposes and that I/we must declare income from all sources, **in and out of** Australia (including net capital gains, employee shares received etc) for the year of income in my tax return.
- C. That all the claims for deductions and rebates which have been included in the return are based on my/our specific instructions and advise that I/we satisfy the relevant taxation requirements relating to income, expenses and rebates and I/we confirm that I/we understand the law in relation to all items.
- D. That while I/we did not show the documents to substantiate all my/our claims to this firm, I/we confirm I/We have same & agree to make them available if required by the Tax Office.
- E. That I/we have been advised by you what written evidence (including car/travel records) will be required during an audit and possible penalties (*including prosecution*) that may be applied, if incorrect claims are identified in an audit situation.
- F. That I/We hereby authorise this firm (including third parties engaged by same) to input, store, transfer etc all of our data in any medium/format.

**3. SUBSTANTIATION DECLARATION RE: EMPLOYMENT RELATED EXPENSES & CAR & TRAVEL EXPENSES.**

- A. I/We confirm that I/we understand what is meant by "incurred" & "nexus" in relation to making claims.
- B. I/We have been advised by you of the need to OBTAIN ORIGINAL INVOICES/RECEIPTS carrying details of:- Name of supplier, amount of expense, nature of goods and services purchased (noting the specific type of items purchased, or expenditure incurred), date of expense, the date of the documents, Taxpayers name (in English), credit card statements and/or electronic records (can be used).
- C. I/We have been told by you of the need to keep that DOCUMENTARY EVIDENCE for at least 5 YEARS plus the current year and for depreciation items 5 YEARS plus the current year AFTER THE LAST CLAIM and 5 years plus the current year after sale of capital gains items.
- D. I/We have been advised of the consequences/penalties which may/will arise if I/we are incorrect, make a mistake or omit anything.
- E. I/We understand what constitutes a RECEIPT acceptable to the Commissioner.
- F. I/We have ALL THE SUBSTANTIATION DOCUMENTS necessary to support all the claims made in my/our income tax return/s.
- G. I/We understand the Tax Laws in relation to PROTECTIVE CLOTHING, OCCUPATION SPECIFIC CLOTHING, COMPULSORY & NON-COMPULSORY CORPORATE WARDROBES & UNIFORMS, CAR, TRAVEL & OTHER EMPLOYMENT RELATED EXPENSES.
- H. I/We confirm where items are used for both business and private purposes (e.g. car, laundry, mobile phone, home telephone, computer, home office etc), I/we advise I/we have kept appropriate apportionment documents to verify my business usage claim and that my employer will verify that it was necessary to incur such expenditure in earning my assessable income. Further, I/we have instructed you to prepare the return based on my specific instructions on the understanding I/we will be able to produce such information to the satisfaction of the ATO in an audit situation.
- I. I/We have also been advised by you of the additional tax, penalty charge, interest component liability and possible prosecution action, which may/will be initiated by the ATO if I/we provide details which lead to an incorrect tax return being lodged.
- J. I/We further confirm that I/We are also aware:
  - (i) of the procedures to follow if a document is lost or destroyed;
  - (ii) that I/We may be required to verify any income or expense item noted in my/our return in an audit situation; and
  - (iii) that I/We understand the Substantiation schedule I/We should complete for all work, car and travel expense claims under self assessment.

**Furthermore, I/WE ACKNOWLEDGE & DECLARE that (a) I/We signed my/our completed draft/hard copy INCOME TAX RETURN prior to the electronic lodgement of my/our return, (b) that I/we will retain all supporting "satisfactory documentary evidence" to comply with the substantiation requirements of the Income Tax Act for the minimum prescribed time. I/We further confirm our consent for our agent to participate in the "Electronic Lodgement Service".**

# PHILIP J. EDDY & PARTNERS PTY. LTD.

## "INCOME TAX PREPARATION CHECKLIST- 2015"

With regards to the claiming of deductions, please remember that with a few minor exceptions, all claims must be able to be **"SUBSTANTIATED"** by **satisfactory documentary evidence** (i.e. invoices, receipts, diary notes and the like). All documents must be originals, with your name on them and contain a full description of items purchased, date purchased, date of document, suppliers name and amount.

**NOTE:** Credit card, Bank, Bpay & other electronic statements are now also acceptable.

Records relating to sales caught by the Capital Gains Tax Laws, must be kept for 5 years plus the current year after the time of sale. All other documents relating to income tax matters must be kept for 5 years plus current year (except for depreciation items for which documents must be kept for 5 years plus the current year from the last year depreciation is claimed).

### **TO ASSIST IN ENSURING THAT YOU:**

- (i) Claim every possible legitimate and legal tax deduction and rebate and thus maximize your refund,
- (ii) Keep up to date with the relevant tax changes, &
- (iii) Do not commit any offences (e.g., omit income or make a false claim) or incur any penalties (which are now very severe).

**We set out below a checklist of items that would be very helpful if you brought with you when we prepare your 2015 Income Tax Return.**

1. INCOME AND CAPITAL GAINS DOCUMENTS (AUSTRALIA & OVERSEAS).
2. DEPARTMENT OF HUMAN SERVICES (INCLUDING FAMILY TAX BENEFIT, PAID PARENTAL LEAVE & OTHER RECEIVED BY YOU OR YOUR SPOUSE) AND/OR VETERANS AFFAIRS NOTICES/SLIPS, PAYG PAYMENT SUMMARIES (INCLUDING OVERSEAS) ETC.
3. DETAILS OF ANY ALLOWANCES OR REIMBURSEMENTS RECEIVED (INCLUDING REPORTABLE FRINGE BENEFITS, REPORTABLE SUPER CONTRIBUTIONS ETC) WHETHER INCLUDED ON YOUR PAYG STATEMENTS OR NOT.
4. FULL DETAILS OF ANY LUMP SUM PAYMENTS RECEIVED ON RETIREMENT, INCLUDING ANY STATEMENTS OF TERMINATION PAYMENTS & ROLLOVER FORMS.
5. LIST OF INTEREST RECEIVED INCLUDING BANK NAME, BRANCH, ACCOUNT NO. & AMOUNT OF INTEREST & T.F.N. TAX PAID (PLEASE USE FORM ON BACK).
6. A LIST OF DIVIDENDS (INCLUDE DIVIDEND SLIPS), BONUS SHARES OR DIVIDEND REINVESTMENT SHARES RECEIVED (PLEASE USE FORM ON BACK).
7. A LIST OF ANY TRUST DISTRIBUTIONS RECEIVED (INCLUDE ANY DISTRIBUTION AND YEARLY STATEMENTS) (PLEASE USE FORM ON BACK).
8. LIFE INSURANCE POLICIES CASHED IN/MATURED (INCLUDING REDEMPTION/MATURITY NOTICE).
9. ANY OTHER INCOME, INCLUDING DISTRIBUTIONS FROM PARTNERSHIPS, ALL TYPES OF OVERSEAS INCOME & TAX PAID.
10. DETAILS OF ALL ASSETS/PROPERTY SOLD IN THE LAST TAX YEAR (INCLUDING:- COINS, ANTIQUES, PAINTINGS, STAMPS, LAND, HOUSES, & SHARES).
11. ALL TYPES OF INCOME OF YOUR SPOUSE (IF WE DO NOT PREPARE HIS/HER INCOME TAX RETURN, A COPY OF HIS/HER INCOME TAX RETURN WOULD BE VERY HELPFUL TO DETERMINE & MAXIMIZE YOUR REBATES).
12. PRIVATE HEALTH INSURANCE DETAILS (NAME OF FUND, MEMBERSHIP NO, DATE JOINED AND AMOUNT PAID IN TAX YEAR).
13. DETAILS OF SUPER CONTRIBUTIONS FOR NON WORKING AND LOW INCOME SPOUSES (NOT FOR CO-CONTRIBUTION).
14. DETAILS OF SUPER CONTRIBUTIONS ELIGIBLE FOR GOVERNMENT CO-CONTRIBUTION
15. DETAILS OF EXPENSES (INCLUDING DATE INCURRED) THAT YOU THINK THAT YOU MIGHT BE ABLE TO CLAIM (PLEASE USE FORM ON BACK).
16. DETAILS (INCOME AND EXPENSES) OF ANY HOBBIES OR PART TIME BUSINESSES.
17. SCHEDULE OF MEDICAL COSTS SPECIFYING GROSS FEES AND REBATES RECEIVED (LAST YEAR).
18. DETAILS OF OVERSEAS EMPLOYMENT INCOME.
19. DETAILS OF YOUR STAY IN AUSTRALIA IF YOU ARE A "TEMPORARY RESIDENT".
21. DETAILS OF ANY EMPLOYEE SHARE ACQUISITION SHARES/OPTIONS.
22. DETAILS OF ALL EXEMPT/TAX FREE PENSIONS AND ANNUITIES.

# PHILIP J. EDDY & PARTNERS PTY. LTD.

(INC. IN VICTORIA) (A.C.N. 006 769 544)  
CERTIFIED PRACTISING ACCOUNTANTS

Client Name:.....

## INSTRUCTIONS TO MY TAX AGENT FOR THE 2015 INCOME TAX YEAR

### A) INCOME

#### 1. DETAILS OF BANK INTEREST RECEIVED (PLEASE OBTAIN A PRINT OUT FROM EACH BANK):

Name of Bank:	Name/s account in:	Branch:	Account No:	Interest:	TFN tax withheld:

#### 2. DETAILS OF COMPANY DIVIDENDS:

Company name:	Shares owned by:	Date Paid:	Unfranked amount:	Franked amount:	Imputation credits:	TFN tax withheld:

#### 3. DETAILS OF TRUST DISTRIBUTIONS:

Institution:	Units owned by:	Date Declared:	Taxable Australian income:	Imputation credits:	TFN tax withheld:	Foreign income:	Foreign tax credits:	Capital gains (taxable):	Capital gains (gross):

### B) EXPENSES/PAYMENTS

#### 4. MOTOR VEHICLE EXPENSES:

Total distance travelled in producing my income (per Log Book or diary notes):.....kms

Vehicle type:..... Registration number:..... Engine size:.....cc

#### 5. PHONE EXPENSES (PER DIARY):

Total of my phone accounts for one month:..... Total rental paid for the same month:.....

Total number of business calls for one month:..... Total number of private calls for same month:.....

#### 6. COMPUTER USAGE (PER DIARY):

Total number of business hours for one month:..... Total number of private hours for same month:.....

#### 7. INTERNET USAGE (PER DIARY):

Total business hours for one month:..... Total number of private hours for same month:.....

#### 8. LAUNDRY USAGE (PER DIARY):

Number of washes for one month:..... Separate:..... Shared:.....

#### 9. HOME OFFICE USAGE (PER DIARY):

Total number of hours for one month:.....

#### 10. PRIVATE HEALTH INSURANCE DETAILS:

Name of Fund..... Member No:.....

Date Joined...../...../..... Cover: Hospital [ ] Ancillary [ ] Amount Paid:.....

Rebate claimed? Yes [ ] No [ ]

#### 11. PROTECTIVE CLOTHING (PER DIARY):

Total number of days usage:..... Total work days usage:..... Total private days usage:.....

#### 12. OTHER PAYMENTS:

List of all other payments made in relation to your job.

**Remember the quality and extent of your documents will dictate the level of your claims.**

Signature of Client:..... Date...../...../.....