



Sound Tax & Accounting
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Sound Taxtime

June 2016

Welcome to Sound Taxtime 2016

The 2016 tax season is fast approaching, and we look forward to seeing you again to complete your 2016 tax return.

There has been both winners and losers with the changes in this years tax return, with most being announced in last years federal budget.

As previously briefed in last years budget, we now see the exclusion of the zone tax offset for FIFO workers (see page 2), the phasing out of the Medical Expenses Tax Offset is complete and will now only apply for disability aids, attendant care and aged care expenses. The methods for claiming car expenses have also been simplified, with the 'cents per km' & 'log book' the only methods available.

On a positive note, small business will still be able to claim an outright deduction for assets costing less than \$20000, and in addition to that, small business taxpayers may be eligible for a 5% tax discount.

This year we continue to offer extended hours, opening till 8pm on Tuesday and Thursday evenings. We are also open on Saturday mornings from 9am till 1pm.

We are also offering for the first time a reduced fee for simple tax returns. Conditions apply, so please ask us when making your appointment.

Sound Tax offers a wide range of tax and accounting assistance including income tax, GST, PAYG and CGT. We offer a 14 day turnaround time from lodgement of return to receipt of assessment.

We also offer pay on the day or fee from refund for payment of our fees. Please have your bank details with you so your refund can be placed directly into your bank account.

Special points of interest:

- Small Business Income Tax Offset (SBITO)
- Changes for 2016
- 2016 Tax Tips
- ATO Data Matching
- Audit Hot Spots

OFFICE HOURS

Please note our extended office hours from 1 July for the 2016 tax season are:

Monday & Wednesday

8.30 am to 6.00pm

Tuesday & Thursday

8.30am to 8.00pm

Friday 8.30am to 5.00pm

Saturday 9.00am to 1.00pm

Appointments are necessary during this time; please call our office to make an appointment.

Individual tax rates for the 2015/2016 year are as follows:

| Taxable Income | Tax on lower amount | % |
|----------------------|---------------------|-------|
| \$0 - \$18,200 | Nil | 0% |
| \$18,201 - \$37,000 | \$ 0 | 19% |
| \$37,001 - \$80,000 | \$3,572 | 32.5% |
| \$80,001 - \$180,000 | \$17,547 | 37% |
| \$180,001 + | \$54,547 | *47% |

Like us on Facebook!
Any changes to tax legislation or up-to-date relative information can now be found on our new Facebook page and website (www.soundtax.com.au).

These rates do not include Medicare levy of 2% * Includes Temporary Budget Repair Levy of 2% until 30 June 2017

Changes for 2016

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Audit Hot Spots for 2016

Compliance target areas for 2016

- 1. Work-related expense claims**
 - Deduction comparison to Occupation averages
 - Home to Work Travel & other Motor Vehicle claims
 - Expenses already reimbursed by employer
- 2. Rental Properties**
 - Repairs to newly acquired rental properties
 - Interest claims
- 3. Medicare Levy & Surcharge exemptions**
 - Claiming exemptions where not eligible for Medicare benefits
 - Private Health coverage for **all** dependants.
- 4. Incorrect claims for Dependant (Invalid and Carer) Tax Offset – DICTO**
 - Threshold reduction from \$150000 to \$100000
 - Dependant's exempt income not being included

SAPTO— Senior Australian & Pensioners Tax Offset

A single senior Australian can receive \$32,279, whilst each member of a couple can receive \$28,974 without paying tax. It is slightly more for those living apart due to illness.

From 1 July, 2015 small business entities (with annual turnover of less than \$2 million) may be entitled to a 5% tax discount. The discount will be available as a non-refundable tax offset (referred to as the Small Business Income Tax Offset) however, will be capped at an annual amount of \$1,000.

Companies that qualify as a small business entity also receive a 1.5% tax discount, bring the tax rate down to 28.5%. (down from 30%)

The methods of car expenses claims have been reduced with taxpayers claiming car expenses deduction can now only use the 'log book method' or 'cents per km method'. Under the 'cents per km method' only one single rate per km will apply (i.e. 66 cents per km for the 2016 income year).

Changes to the Zone Tax Offset with the tax offset limited to taxpayers who 'genuinely live' in a designated zone area for more than 183 days in an income year. The zone offset will no longer be available to FIFO or DIDO workers who work within a particular zone during the year, but who otherwise have their 'usual place of residence' located outside of the zone area.

The Net Medical Expenses Offset continues to be phased out and now can only be claimed in respect to disability aids, attendant care and aged care expenses.

BAS CLIENTS

The June Business Activity Statement is due to be lodged and paid by the 28th July 2016. As this is an extremely busy time of the year, we request that you present all of your BAS papers to us by the 16th July.

Payment Summaries & Taxable Payments Summary Reports

If you require Sound Tax to complete these annual reporting obligations on your behalf, can you please have all the information we require to us by 8th July. Please make sure we are provided with all employees details including their full name, TFN, date of birth and address.

For Sub Contractors we need their full name and/or trading name, their ABN, contact number and address.

In both cases, we will need how much they were paid during the year and any tax that was withheld from these payments.

Spotting Tax Scams

There has been many instances of scam emails, SMS or phone calls doing the rounds in recent times.

Please do not give your personal details including tax file numbers and bank account details to anybody by email, phone or SMS, if you receive any correspondence that you are unsure of, please contact our office or the ATO on 132865

PAYMENT METHODS

Sound Tax & Accounting now require our fee to be paid on the day you sign your tax return. The ATO now only deposits your refund directly into your bank account (ATO are no longer issuing cheques). Alternatively, you can have our fee taken from your refund for an additional \$20 administration fee (Conditions apply, please ask our staff). Sound Tax accepts cash, cheques, credit cards as well as offering EFTPOS facilities.

The ATO are becoming more aggressive in their data matching activities, with their latest program based on information they obtain from Insurance companies in relation to insurance premiums held by taxpayers on luxury assets such as marine vessels, aircrafts, enthusiast motor vehicles, fine artworks and thoroughbred horses.

This is done to provide the ATO with an idea of a taxpayers 'accumulated wealth' and whether these assets that are owned by the taxpayer are consistent with the income declared by the taxpayer.

They are also using data from online selling activities such as eBay to determine whether there may be taxpayers that are not declaring income for items sold through these channels. It may also be used to determine whether a taxpayer is just selling the occasional private possession, or if they are running an online business.

The ATO also continue to obtain data from State Land sales offices, banks, share registries, Dept. of Human Services (Centrelink) and State Transport departments.

The ATO continue to use Benchmarks as an aggressive approach towards reviewing the income and expenses of business taxpayers and can apply these to a wide range of business activities. The benchmarks are based on performance indicators provided by trade associations and industry participants. They compare the industry averages to your income and expenses to see if they fall within the range (benchmark).

Be aware and contact our office if you receive a benchmark review from the ATO. Significant penalties and default assessments may be issued.

Home & Mobile Phones and Home bundled Internet / Phone Bills

With the ATO focusing on work related expenses, it would be a good time to review how you claim work/business use of your mobile and/or home phone and Internet expenses.

For best results, you are best keeping track of these expenses over a 'four-week' representative period: Over the four weeks, keep a record of:

- Your business use as a % of overall use.
- The amount of time spent on work calls as a % of overall calls.
- The amount of data downloaded for work as a % to overall data used.

This is then calculated out to make the claim for the full year.

The ATO have introduced 'Safe Harbour' rules for incidental phone use, but is limited to a maximum of \$50 per year with Landline calls being 25c/call, mobile, 75c/call and SMS texts @ 10c each. How Generous?

2016 Tax Tips

Purchase Tax deductible item, Prepay Interest on Loan, make deductible Super Contributions **Before June 30.** Defer receipt of Income, and sales of Capital assets to **After June 30.**

Medicare Levy Surcharge

These rates have not changed, and have been frozen until 30/6/2018.

Taxpayers with an ATI exceeding \$90,000 (Singles) and a combined ATI of \$180,000 (Couples/families) will be subject to an additional Medicare Levy Surcharge if they do not have private hospital insurance.

Additionally, the Medicare Surcharge Rates increase to 1.25% from \$105,000 (\$210,000) to \$140,000 (\$280,000) and to 1.5% over \$140,000 (\$280,000).

Assist us to assist you...

When booking an appointment with Sound Tax and Accounting we ask you some questions to ensure our service will meet your needs. Please notify us at the time of booking of any change of details such as address or telephone numbers.

If you think you may require a longer appointment than the standard one hour, please let us know.

We will also ask you which tax consultant you would like to see (Robyn, Greg, Deborah or Renae) and what the best time that suits you. Please have all this information ready when making your appointment. If you are unable to keep an appointment, or if you are going to be late, please let us know to avoid inconvenience to others.

Please note that a fee of \$50 may be charged to those who do not attend Saturday morning appointment without 24 hrs. notice of cancellation. Refer to page 1 for our extended office hours and we look forward to seeing you during the 2016 tax season. Please call our office with any concerns you may have. Our phone number is 9528 3383.

INFORMATION REQUIRED

The following items will need to be presented to be included in your 2016 tax return.

1. Payment Summary – Include all Payment summaries from your employer/s, Labour Hire firms and Super Funds for the 2016 year. This may include ETP payments.
2. If you receive Employee shares, you will get a Payment Summary from your employer or share manager. Please bring this with you.
3. Centrelink Payments – Please include payment summaries from Centrelink for income such as Newstart, Youth/ Austudy allowances and any taxable pensions. (we may have this info for you)
4. Interest – Include all interest received from Banks, Building Society's, or Credit Unions for the year ended 30 June 2016.

Tax Tip: Don't rely on the pre-filling report from the ATO to provide all of these details, sometimes it has not been provided by the bank/employer to the ATO

5. Dividend/Investments – Include all notices in relation to dividends received and/or the tax statement from managed funds. If you disposed of any of these investments during the 2016 year, you will need to provide purchase & disposal details in order to calculate your Capital Gain (or Loss). *NB: A fee will be charged if you require us to research dividends.*
6. Rental Property – You will need to provide details of rent received and rental property expenses for the 2016 year. In order to claim deductions, you will need to provide receipts.
7. Motor Vehicles – You may be able to claim your motor vehicle if you use it for income producing purposes. Please supply the following information along with a correctly completed Logbook.
 - Receipts for fuel, repairs, insurance, registration, and other motor vehicle expenses.
 - Odometer Reading of Vehicle at 30 June 16.
_____ km
 - Amount of Business Km's travelled in the year (cents/km method only)
8. Work Related Deductions – Please collect and present all receipts for any other work related deductions, which you may be able to claim for the year. E.g. uniform purchases, union fees, stationery, self-education expenses, tools.
9. Home telephone / Internet use & Mobile

Calculate your telephone expenses using the information provided on page 3. You will need phone accounts for a four week repre-

sentative period, to show your work use compared to your overall use. For prepaid phone accounts, you will need to calculate your four week representative period, as well as receipts for all prepaid recharges through the year.

10. Other Deductions – Other deductions may include Donations to charities, Tax Agent Fees, Superannuation (for self employed), Income Protection Insurance and Sickness/ Accident Insurance.
11. Private Health Insurance – You **MUST** have your Health Insurance statement to claim your tax offset and/or your exclusion from the Medicare Levy Surcharge.
12. Home office expenses—rent, interest and insurance are not deductible unless you are carrying on a business from home and the area is separate and distinguished from private living areas. Power, heating and depreciation can be claimed at the rate of 45 cents per hour.

Tax Tip: Complete a 4 week diary to substantiate home office expenses, i.e. Record hours used over 4 weeks
13. Medical Expense – ***This Tax Offset is now only available for medical aids, attendant care and aged care.***

This is regardless of whether you claimed this offset in 2015.
14. Other—Details of any other income, deductions or tax offset item, and any PAYG instalments you have paid for the 2016 year.

When I was young I thought that money was the most important thing in life; now that I am old I know that it is.

Oscar Wilde