mark trovato CHARTERED ACCOUNTANTS
Thinking ahead and beyond

March Newsletter

XERO Basic Training Session

Due to popular demand, we will be holding a group training session on XERO Basics. For those who are considering converting to XERO or need a refresher course.

Presenter: Alison Trovato

Date: 23rd April 2015

Time: 6pm to 9pm

Location: WA Training Institute, Vasse

Equipment Required: Own laptop

Cost: $198 (inc GST)

Tea/Coffee & Light snacks provided

Please click here to register

Staff Profile

We would like to welcome **Anita Skelton**, our new Front Office Administrator. Anita commenced with our team in February 2015 and will be your first point of call whether its by phone, email or the front door.

FINANCE BROKER

STEVE CARRIE - Everness Consulting

Steve has over 30 years' experience in the finance industry with expertise in Corporate Finance, Property Finance (investment & construction), Asset Finance and Mining & Civil Contracting.

The areas of expertise in which Steve can assist are:

- Any new capex – equipment finance
- Not happy with your bank – Steve can arrange refinance and is happy to do free banking

Featured Articles This Month:

Key Super Thresholds for 2015/16 released

Tips On Stacking Your Super - While you can!

Super Fund borrowings - changes ahead?

XERO Add-On Program of the Month

Introducing new XERO Add-on Programmes

Receipt Bank

Receipt Bank eliminates the need to keep track of endless receipts, bills and invoices. Our fully-automated software and tools collect, store and process your expenses - so you don't have to.

WINNER xero ADD-ON SYDNEY 2014

reviews/sanity checks

- PPSA compliance
- Super fund lending
- Succession planning, readying a business for sale
- Strategy, planning, budgeting

Please **contact us** if you require more information

For any other enquiries, please find our contact details below.

Contact Us....

Kind Regards

The Team
Mark Trovato Chartered Accountants

www.marktrovato.com.au

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Key Super Thresholds for 2015/16 released

The ATO has released the super thresholds which are to apply to the 2015/16 financial year.

There are no surprises in the increased thresholds - the concessional and ordinary non-concessional contribution caps are unchanged.

The CGT non-concessional contribution cap has increased to $1,395,000 (previously $1,355,000). This contribution cap is a lifetime cap and applies to contributions sourced from capital gains, to which either the "15 year" small business concession applies, or to which the "retirement" concession applies.

The low rate tax cap has increased to $195,000 (previously $185,000). This cap is a lifetime cap that applies to the superannuation lump sums received in the period between your preservation age and age 60. This cap does apply to superannuation lump sums received after age 60, as they are tax free.

The threshold for entitlement to the full Government Co-Contribution has increased to $35,454 (previously $34,488). The Government will contribute $1 for every $2 a super member contributes (up to a maximum Government contribution of $500) if total income is less than $35,454. If total income exceeds $35,454, the co-contribution is reduced at rate of $3.33 per $100 by which total income exceeds $35,454. The entitlement to the co-contribution ceases once total income equals or exceeds $50,454.

The key super thresholds for 2015/16 are

- (General) Concessional contributions cap - $30,000 (no change)
- (Special) Concessional contribution cap - $35,000 (no change). This cap applies to taxpayers who are aged 49 or more on 30 June 2015.
- Non concessional contributions cap $180,000 (no change)
- CGT non-concessional contributions cap $1,395,000 (an increase of $40,000)
- Low rate tax cap $195,000 (an increase of $10,000)
- SG employer contribution rate – 9.5% (no change)
- Maximum SG contributions base $50,810 (per quarter) (an increase of $1,380)
- Government Co-Contribution - for maximum co-contribution of $500 – income not exceeding $35,454 (an increase of $966). Entitlement to the co-contribution begins to phase out from $35,454 and is entirely phased out at $50,454 (an increase of $966).

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Tips On Stacking Your Super - While you can!

Do you feel time is running out to save for your retirement!

The cut-off age to make personal superannuation contributions is 75 years, and with the current concessional contributions cap of $30,000 ($35,000 50yr age+) per annum and non-concessional contributions cap of $180,000 per annum for everyone, you need to consider all your options to accumulate wealth in your self managed superannuation fund (SMSF) while you still can.

Here are some options you might like to consider:

1. **Increase the number of members in your SMSF:** An SMSF can have up to four (4) members. The more members there are in an SMSF, the more that can be contributed into the SMSF. For example, four members under the age of 65 can contribute a total of $540,000 x 4 = $2,160,000 in one financial year using the two year bring forward rule. This may allow your SMSF to acquire larger investment assets sooner, resulting in quicker wealth accumulation.

2. **Lend money to your SMSF:** If you have cash available, you could lend money to your SMSF. The loan is not counted as a contribution and will allow your SMSF to acquire larger assets to accumulate wealth.

3. **Transfer your business premises into your SMSF**: If you own the premises that you conduct your business from, you could sell the property to your SMSF and lease it back. The lease payment is not considered a contribution and will help accumulate more money in your SMSF.

4. **Purchase a property via a related entity**: You can establish a company or a unit trust and jointly own a property with your SMSF via this entity. This will allow your SMSF to receive rental income via dividends or trust distributions without the need to enter into any borrowings.

5. **Transfer assets you own to your SMSF**: If you are "cash poor" but "asset rich", you might consider transferring assets you own, such as listed securities or business real property, into your SMSF. These assets can be transferred as in-specie contributions into your SMSF or purchased by your SMSF directly by cash payment or via a limited recourse borrowing arrangements. You do need to consider your contributions caps if transferring assets as contributions, but not if you are selling the assets. You also cannot transfer residential properties to your SMSF.

6. **Purchase a property jointly with your SMSF**: Another way you and your SMSF can acquire a property together is via a tenants-in-common arrangement. If the property is a business real property, it can also be leased back to you. If it is a residential property that is not used in any business, it cannot be leased to you.

7. **Small business Capital Gains Tax (CGT) concessions**: If you qualify for the small business CGT concessions, you can sell your business premises and contribute either the capital gains or the sale proceeds into your SMSF without the money being counted towards your contributions caps. This means you can contribute an additional $1,355,000, which is the maximum lifetime CGT limit.

8. **Personal injury payment**: In the event that you received compensation for a personal injury, consider contributing the money into your SMSF as it is not counted towards your contributions caps. There is no limit on the amount that can be contributed as long as the payment meets certain requirements.

9. **Exceed your concessional-contributions cap**: If you want to make contributions into your SMSF in excess of the concessional contributions caps, the excess amount will attract 47% tax plus the Medicare Levy and will also be counted against your non-concessional contributions cap. As long as you don't exceed the non-concessional contributions cap also, it would mean you are paying tax at your highest marginal tax rate. Paying the maximum tax on contributions may not matter to you if the investment earnings from the investment of this money are taxed in your SMSF at the maximum concessional rate of 15%, instead of it being taxed at your marginal tax rate if you held the investment outside of your SMSF. The tax payable on the investment earnings is reduced to 0% once your SMSF is in pension phase.

10. **Exceed your non-concessional contributions cap**: If you contribute more than your non-concessional contribution, the excess contribution is taxed at 47% plus the Medicare Levy. Again, you may not care as you will be paying this rate of tax anyway if you received the income outside of an SMSF. The good thing is the investment earnings are taxed at the maximum rate of 15% in your SMSF and 0% once your SMSF is in pension phase.

If you wish to talk to a financial advisor regarding implementing any of the above, please **contact us** to arrange & assist in these discussions.

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Super Fund borrowings – changes ahead ?

There has been media and political speculation concerning possible changes to the area of borrowings by super funds.

A report by The Financial System Inquiry has recently been released containing recommendations that limited recourse borrowing arrangements ('LRBAs') in superannuation funds be banned.

More specifically, the report provided that:

> "Government should restore the general prohibition on direct borrowing by superannuation funds by removing Section 67A of the Superannuation Industry (Supervision) Act 1993 (SIS Act) on a prospective basis."

While the Financial System Inquiry is not a law making body and its recommendations do not constitute law, there is nevertheless a fair chance the government will pass an Act that implements at least some of its recommendations.

If the government does move to stop the creation of LRBAs, there is the question of when the effective date of this change will be. The section of the report quoted above specifically states any action should be on any future creation of such an arrangement, which would indicate that arrangements already in place should continue to be supported.

However, it is impossible to predict with any certainty when the government will legislate to stop any future LRBAs. It would appear though that there is a reasonable chance legislation will be passed to prohibit LRBAs effective from the next federal budget night (i.e., in May 2015).

The final report recommends 'grandfathering', stating:

> "In implementing this recommendation, funds with existing borrowings should be permitted to maintain those borrowings. Funds disposing of assets purchased via direct borrowing would be required to extinguish the associated debt at the same time."

On this basis it would make sense that those considering an LRBA should ensure that they already have in place an "existing borrowing" that should qualify them for 'grandfathering'.

There are a number of different points in time that could constitute an "existing borrowing". We believe the critical point is when the loan contract is made. That is, 'grandfathering' should apply (in our view) provided that the loan contract has been made before LRBAs are prohibited.

Any SMSF trustees who are relying on borrowing but have not yet signed the loan contract should give careful consideration before signing the purchase contract, having regard to the risk that the law might change before the loan contract is signed (with the result that they cannot borrow to settle the property).

If your SMSF has been considering acquiring a new asset to be funded via borrowings, you may want to talk to a financial advisor soon, as the May 2015 budget **may** signify changes for future borrowing arrangements. Please **contact us** to arrange & assist in these discussions.

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