# The Strategist

June 2017

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Collins Hume

ACCOUNTANTS
BUSINESS ADVISERS
FINANCIAL ADVISERS
MORTGAGE BROKERS

# Collins Hume triumphs at Australian Accounting Awards

## Winners announced for the 2017 Australian Accounting Awards.

At a five-star gala dinner at The Sofitel Sydney Wentworth, the winners of the fourth annual Australian Accounting Awards were announced to an audience of 500 people.

In front of a full house of accounting industry peers, Collins Hume won two of the four categories in which they were Finalists, as well as an unexpected best-in-show award for Excellence:

- Office Administrator: David Keith, Collins Hume
- Partner (Boutique firm): Peter Fowler, Collins Hume
- Excellence Award: Peter Fowler, Collins Hume

There were a record number of finalists and submissions for this year's awards, and all judges commented on the standout quality of the entrants.

David said, "What an amazing achievement. Our awards were accepted on behalf of all the Collins Hume team and it is through their collective hard work that we get to shine and be recognised in our profession."

Soundbites of Peter's acceptance speech were tweeted live on the night by avid followers, but he summed up Collins Hume's philosophy perfectly by saying, "What I do want to say to every accountant in the room is don't forget that we have the power to change lives - that's what I wake up every morning to do and I think every accountant has that ability and I want you to share that so, collectively, we can change the world."

Managing Director for Australia and New Zealand of Thomson Reuters, Ben Scull, said the event recognises and champions the work of the Australian accounting industry.

"We are so pleased to be partnering with a program which recognises the depth of talent in the Australian accounting industry, and extend our congratulations to all the winners and finalists in this year's Australian Accounting Awards," Mr Scull said.

**Read the full list of 2017 Australian Accounting Awards winners here. Review Collins Hume's professional achievements here.**




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# Ballina businesses unleash the huge power of small

**A FULL HOUSE of 300 Northern Rivers business owners were treated to a unique seminar called 'Unleash the Huge Power of Small' at Ballina RSL last month.**

Hosted by Collins Hume, members of the business community turned out to hear keynote speaker and TedX veteran Paul Dunn talk about how myriad of seemingly small actions can create big outcomes in any business, all underscored by a giving back theme.

It did not go unnoticed that the audience comprised prominent members of the local community. One spectator said, "It's fantastic to be part of such a notable event. All of Ballina business is here today!"

'Unleash the Huge Power of Small' was enthusiastically supported by business sponsors ANZ Ballina, Ballina RSL, Bangalow Real Estate, Eye of Horus, GPS Wealth, McInnes Legal, Paradise FM, Quadracon Building, Quality Plus Printers, Regional Finance Solutions and Richmond Sand Gravel & Landscaping.

According to Collins Hume's organiser David Keith, about one per cent of Ballina's population turned up for the event, "We were hoping to create an ongoing buzz thanks to the efforts of all our sponsors."

"Business owners were inspired by new ideas, which they'll implement and influence their lives and, as a result, positively influence our community," he added.

'Unleash the Huge Power of Small' raised $18,000 for charity, including local organisations Biala Support Services and Hope Haven Women's Refuge who both benefit.

The calculations received from Global Giving Initiative B1G1 following the event confirmed that funds raised are sufficient to also give 1,672 children in Malawi clean drinking water for life – a cause that the Collins Hume team feel very strongly about.

Another attendee added, "As soon as I had my first meeting with Collins Hume, I knew they were different. My wife insisted that I come along today and I'm very glad that I did. I'm impressed at how well this seminar has come together!"

# Trusts, timing and getting it right

Trustees (or directors of a trustee company) need to decide on the distributions they plan to make by 30 June 2017 at the latest.

Also check your trust deed – most trust deeds require resolutions to distribute trust income to be made by 30 June each year. Decisions made by the trustees should be **documented in writing** by 30 June 2017.

If valid resolutions are not in place by 30 June 2017, there is a risk that the taxable income of the trust will be assessed in the hands of a default beneficiary or the trustee (in which case the highest marginal rate of tax would normally apply).

It's not essential for distributions to be paid by 30 June, but the trustees need to decide on the distributions that need to be made. Let us know if we can help on 02 6686 3000.

# Super Reform 2017

## What SMSFs absolutely need to consider before 30 June

Wide-ranging superannuation reforms come into effect 1 July 2017. With the changes come a series of issues that Trustees need to be across, even if they don't immediately affect you or your fund:

## Understand the value of assets at 30 June

At 30 June 2017, SMSF Trustees will need to know the total superannuation balance held by members. If you have assets such as real estate in your SMSF, and to an extent other assets such as collectables, and artwork, you will need to have a current valuation of those assets. Real estate property values in particular may have varied dramatically over the last few years and should be reviewed. The value of the asset needs to be arrived at using a fair and reasonable process. Because of the extent of the changes, it is worth considering the use of an independent and qualified valuer for some assets.

Your total superannuation balance is the total value of your accumulation and retirement phase interests and any rollover amounts not included in those interests. The balance is valued at 30 June each year and it is this value that may determine what you can and can't do during the following year. For example, if your total super balance is $1.6m or more at 30 June, you are restricted from making further non-concessional contributions in the next year as these contributions may create an excess contribution. And, if your balance is close to the $1.6m cap, then the fund can only accept limited non-concessional contributions.

## Self funded retirees – avoiding adverse tax outcomes

If you are receiving a pension or annuity, a $1.6m "transfer balance cap" applies to amounts in your tax-free pension accounts. The cap is essentially a limit on how much money a member can transfer into or hold in a tax-free account. If you have $1.6m or more in a pension phase account, you will need to reduce the pension value level back below the cap before 30 June 2017.  If the excess amount is not removed from the pension phase account the amount will be subject to a transfer balance tax.

If you opt to sell fund assets to manage the cap, transitional capital gains tax relief may be available to manage any adverse tax outcomes.


## How do you value SMSF assets?

One of the emerging problems for many superannuation fund members is understanding whether they are close to or are likely to exceed the $1.6m cap at 30 June 2017. For those with assets such as real estate, collectables or art, a current valuation that meets the ATO's guidelines will be essential. Real estate in particular has substantially risen in value in some areas creating uncertainty about the real value.

Fund assets need to be valued at market value. While these assets do not have to be valued every year by an independent valuer, it will be important to have documentation validating the value assigned to the asset. A qualified and independent valuer is recommended if the asset is a significant part of the value of the fund - if the asset is real property, this could be as simple as an online real estate agent.

# Further restrictions on foreign property investors

## Measures restricting access to tax concessions for foreign investors, particularly for residential property investments.

The recent Budget further restricts access to tax concessions, increasing taxes and penalising investors who leave property vacant. Measures include:

- **Charge for leaving properties vacant -** Foreign owners of residential Australian property will incur a charge if their property is not occupied or genuinely available on the rental market for at least 6 months each year. The charge, which is expected to be at least $5,000, does not appear to apply to existing investments but those made on or after Budget night on 9 May 2017.
- **Excluded from main residence exemption -** Foreign and temporary residents will be excluded from the main residence exemption. The main residence exemption excludes private homes from capital gains tax (CGT). Existing properties held prior to 9 May will be grandfathered until 30 June 2019. However, it remains to be seen whether partial relief will be available to those who have been residents of Australia for part of the period they owned the property and whether this change will apply to Australian residents who were classified as a foreign resident for part of the ownership period.
- **Increase in CGT withholding tax -** When someone buys Australian real property they are currently required to remit 10% of the purchase price directly to the ATO as part of the settlement process unless the vendor provides an ATO certificate indicating they are an Australian resident. These rules do not currently apply if the property is worth less than $2M. From 1 July 2017, the CGT withholding rate under these rules will increase by 2.5% to 12.5%. Also, the CGT withholding threshold for foreign tax residents will reduce from $2M to $750,000, capturing a much wider pool of taxpayers and property transactions.
- **Rules tighten for property purchased through companies or trusts -** Australian property held through companies or trusts by non-residents or temporary residents is also being targeted by expanding the principal assets test to include associates. The move is to prevent foreign residents avoiding Australian CGT liability by splitting indirect interests in Australian real property.
- **Level of foreign investment in developments capped -** a 50% cap is being placed on foreign ownership in new developments.

# Pre-30 June quick super checklist

### Should you update your SMSF trust deed?

Over the years there have been continuous changes in superannuation legislation. While many of these do not require you to update your SMSF deed, where a deed has not been updated in at least the last five years, we suggest that the deed is updated to ensure it is compatible with current law.

If we have not already contacted you about your fund's deed, we will be in contact shortly to discuss if an update is required.

As always, before buying, selling, transferring assets or making any payments, make sure your trust deed allows you to complete the transactions in the way you intended.

### Salary sacrificing concessional super contributions

If you have entered into a salary sacrifice agreement to make concessional super contributions, you will need to review these agreements to ensure your concessional contributions do not exceed the new $25,000 cap from 1 July 2017.

# Investment Property pre & post 30 June

**Property investors in Australia are perhaps edgy with recent media attention on deductions, affordable housing and negative gearing.**

We take a look at some of the key tax issues for investors pre and post 30 June:

## No deductions for travelling to / from your investment property

The days of writing-off the costs of travel to and from your residential investment property are about to end. From 1 July 2017, the Government intends to abolish deductions for travel expenses related to inspecting, maintaining, or collecting rent for a residential rental property.

## Depreciation changes and how to maximise deductions now

Investors who purchase residential rental property from Budget night (9 May 2017, 7:30pm) may not be able to claim the same tax deductions as investors who purchased property prior to this date. In the recent Federal Budget, the Government announced its intention to limit the depreciation deductions available.

Investors who directly purchase plant and equipment for their residential investment property after 9 May 2017 will be able to claim depreciation deductions over the effective life of the asset. However, subsequent owners of a property will be unable to claim deductions for plant and equipment purchased by a previous owner of that property. If you are not the original purchaser of the item, you will not be able to use the depreciation rules to your advantage. This is very different to how the rules work now with successive owners being able to claim depreciation deductions.

Investors will still be able to claim capital works deductions including any additional capital works carried out by a previous owner. This is based on the original cost of the construction work rather than what a subsequent owner paid to purchase the property.

## Business as usual for pre-9 May investment property owners

If you bought an investment property recently, are about to renovate, or have not had a depreciation schedule completed previously, you should consider having one.

As a property gets older the building and items within it wear out. Property owners of income producing buildings are able to claim a deduction for this wear and tear. Depreciation schedules are completed by quantity surveyors and itemise the depreciation deductions you can claim.

## Higher immediate deductions for co-owners

It's not uncommon to have multiple owners of an investment property. Co-ownership can, in some circumstances, quicken the rate depreciation deductions can be claimed for the same asset. This is because depreciation is claimed on each owner's interest. If an owner's interest in an asset is less than $300, they can claim an immediate deduction. In a situation where there are two owners split 50:50, both owners could potentially claim the immediate deduction, bringing the total immediate deduction available up to $600 for a single asset.

The same method can be used when applying low-value pooling. Where an owner's interest in an asset is less than $1,000, these items will qualify to be placed in a low-value pool. This means they can be claimed at an increased rate of 18.75% in the first year regardless of the number of days owned and 37.5% from the second year onwards.

In a situation where ownership is split 50:50, by calculating an owner's interest in each asset first, the owners will qualify to pool assets which cost less than $2,000 in total to the low-value pool.

## The value of renovations

It's best to get a depreciation schedule completed before you start renovations so the scrap value of any items you remove can be recognised and written-off as a 100% tax deduction in the year of removal. *Cont/...*

### The value of renovations (cont.)

This is available for both plant and equipment depreciation and capital works deductions. When new work is completed as part of the renovations (i.e. a new roof, walls or ceiling), this can also be depreciated going forward.

In some circumstances, there may be depreciation deductions available for renovations completed by a previous owner.

### Deductions for older properties

Investors in older properties may still be able to claim depreciation costs. This is because a lot of the items in the house will not be the same age as the house or apartment. Hot water systems, ovens, carpets, curtains etc., have probably all been replaced over time. Additional works, extensions or internal refurbishments may also be deductible.

### The push for affordable housing

The Government is keen to ensure that investment is directed into 'affordable housing.' The 2017-18 Budget announced an increase in the CGT discount for individuals who choose to invest in affordable housing. The current 50% discount will increase by 10% to 60% for Australian resident individuals who elect to invest in qualifying affordable housing.

In addition, the Government is creating investment opportunities for Managed Investment Trusts (MIT) to set up to acquire, construct or redevelop property to hold as affordable housing. In order for investors to receive concessional taxation treatment through an MIT, the affordable housing must be available for rent for at least 10 years. For foreign investors, MITs are one area where the Government is actively encouraging participation rather than restricting it.

If you are considering buying property, we can help you with Co-owner Agreements, the tax implications and much more. Call Collins Hume in Ballina, Byron Bay or Lismore NSW on 02 6686 3000.

## Get your free super planning checklist

This year it's essential that you consider maximising the existing contribution limits for super before they decrease on 1 July 2017. While maximising contributions should be front of mind it is imperative you remember your other obligations as trustee of your SMSF and ensure that your SMSF stays on track! Click here to read or download a copy.

## Simpler BAS 1 July

If your annual GST turnover is less than $10 million, you will be transitioned to Simpler BAS reporting from 1 July 2017. With Simpler BAS, small businesses will have less GST information to report on their BAS. You still need to keep records, such as invoices, as proof of any claims you make in your BAS and income tax return lodgements. Check with us if this applies to you. Read more

## Anyone for cake?

Pats on the back all-round for the Collins Hume team who raised $195 at our Biggest Morning Tea last month. Special mention to our very talented bakers (you know who you are) – every little bit helps find a cure for cancer.

# Crowd-Sourced Funding commences 29 September 2017

## Offer Documents to appear on intermediaries' websites from 29 September 2017, starting a new era in sourcing finance for small and medium enterprises, inventors and entrepreneurs.

The legislation, which was finalised in the Senate recently, enables "Unlisted Public Companies" to raise up to $5 million from the "crowd" every 12 months. Proprietary Limited Companies can convert to an "Unlisted Public Company".

There is a significant amount of preparation work required by a company that aspires to raise capital utilising the Crowd-Sourced Funding Procedure. The work includes:

- Market review and the preparation of a marketing plan.
- Intellectual property summary relative to intellectual property assets owned by the company.
- Corporate chart relative to directors, management and team.
- Business plan summarising the director's vision for at least the next three years.
- Budgets and cash flow forecasts relating to the business' vision as outlined in the business plan.
- Company valuation and determination of a share price.
- Information memorandum.

If you are interested in being one of the first companies to raise capital utilising Crowd-Sourced Funding the work program will probably have to commence now.

If you would like to have a discussion with us about the assistance that we can give you firstly to determine whether you are eligible to be classified as a Crowd-Sourced Funding Company and then discussing the requirements of the legislation relative to the company, directors, officers and managers as well as an outline of the duties, responsibilities and powers of intermediaries please contact us on 02 6686 3000.

## Proprietary Companies able to participate in Crowd-Sourced Funding

The Australian government has released an "exposure draft" which would enable "Proprietary Companies" to participate in Crowd-Sourced Funding.

The Crowd-Sourced Funding Legislation which enables Proprietary Companies to be converted to Unlisted Public Companies goes live on 29 September 2017.

If the legislation proposed in the "exposure draft" is passed by the Parliament that legislation would operate from six months after the legislation receives royal assent. This would mean that the commencement date for Proprietary Companies being able to utilise Crowd-Sourced Funding for capital raising without having to convert to an Unlisted Public Company would be in March / April 2018 at the earliest.

Crowd-Sourced Funding Legislation applies to companies operating in any type of business. If you are interested in having a discussion with us to explore the opportunities that the current legislation offers, which requires a Proprietary Company to be converted to an Unlisted Public Company with this type of entity being able to raise capital from 29 September 2017, or if you wish to explore raising capital please contact Collins Hume on 02 6686 3000.