pddadvisorygroup **news**letter

Your Latest Tax & Financial Advice from PDD

Helping people and business since 1976

PDD Advisory Group Proudly Recognised Terry McEntyre as its' Longest Serving Employee...

Terry McEntyre is PDD Advisory Group's longest serving employee, recently celebrating his 31st anniversary with the group.

Terry was born in Maitland in 1953 and was involved in many sporting endeavours, most notably as a state champion and representative of Australia in Table Tennis; until he left in 1972 to further his career in Accounting by making the move to Sydney. Unfortunately, the city life did not suit the "country boy" and prompted his return to the country.

In 1985 Terry and his family (Wife Maree, Son Ben and Daughter Carla) moved to Lake Cathie where they have remained to date. He commenced work with BH Potts & Co at this time and has seen the firm transform over time to its current form PDD Advisory Group.

Terry is a Qualified Accountant, Tax Agent and ASIC licensed SMSF Auditor. Over the years Terry has been a mentor to many up and coming Accountants, several of which remain with PDD Advisory Group. Terry has many long standing relationships with clients, with some dating back to his beginnings with the firm. Such relationships have led to Terry looking after several generations of his clients' family groups.

Due to his Hunter Valley beginnings Terry is a tragic Knights supporter and is also an avid golfer who has maintained a single figure handicap for the last 15 years. Aside from his sporting pursuits, his other main enjoyment in life comes from his 5 Grandchildren, who he actively encourages to undertake sporting pursuits, as he did with his own children.

Superannuation Changes from the 2016 Federal Budget

The Federal Budget was announced on 3rd May 2016 and contained numerous changes to Superannuation, with some of these items coming into effect as of budget night or 1 July 2017.

New $500,000 lifetime limit on Non-Concessional Personal Contributions

This new limit came into effect at 7.30pm on 3rd May 2016 and applies to all personal contributions made to superannuation funds, where no tax deduction is claimed. The limit relates to the total value of personal contributions dating back to 1st July 2007. People who have already exceeded this limit prior to budget night will no longer be able to make personal contributions to their superannuation funds.

Notable changes scheduled for implementation on 1 July 2017

- Tax exemptions for earnings supporting Transition to Retirement pensions will no longer be available. All earnings in the fund will be taxed at the current rate of 15%.
- Introduction of a $1.6 million cap on pension account balances. This measure will limit the portion of the fund that is exempt from income tax. If your pension accounts exceed $1.6 million then the balance will need to be transferred back to Accumulation phase or withdrawn from the fund as at 30 June 2017 to comply with these rules. Earnings from the Accumulation account will then be taxed at the current rate of 15%.
- Reduction of the Concessional contributions cap to $25,000. These contributions can include employer contributions, salary sacrificed amounts and personal contributions where a tax deduction is claimed. Additional provisions to carry forward unused portions of the cap are also available to allow “top-up” payments to occur.
- All individuals under age 75 will be able to claim an income tax deduction for personal superannuation contributions regardless of their employment type. These contributions will be taxed at 15% in the fund and will not be eligible to receive the Government Co-Contribution.

All of the above measures are subject to the achievement of Royal Ascent by the passing of legislation through the Senate.

Tax Planning

Tax Planning allows for you to forward plan your end of year tax liability and assist with your cash flow requirements (this may even help reduce your final tax bill or increase your refund).

Small Business

The Federal Budget has given small enterprises additional tax breaks that the government hopes will improve jobs growth and also encourage people to go out and invest in their businesses through generous new tax deductions.

The small business entity threshold will increase from $2m to $10m from 1 July 2016. As a result, a business with an aggregated turnover of less than $10m will be able to access lower income tax rates, simplified depreciation and asset write offs, simplified trading stock rules, simplified PAYG, GST and FBT, as well as immediate deductions for start up business, and the ability to prepay expenses.

If there is an opportunity to defer income into next financial year there could be a tax benefit of doing so, because the small business tax rate reduces from 28.5% in 2016 to 27.5% in 2017.

- For the 2015/16 year the tax rate for small companies (aggregated annual turnover of less than $2m) will be 28.5% (reduced by 1.5% from 30% to 28.5%). The rate is set to reduce further in future years.
- A 5% tax discount for individual taxpayers with business income from an unincorporated business (sole traders, partnerships or trusts) with an aggregated annual turnover of less than $2m will also be introduced from the 2015/16 income year. This benefit will be capped at $1,000.
- The threshold below which small businesses can claim an immediate deduction for the cost of assets will be temporarily increased from $1,000 to $20,000 from 7pm 12 May 2015 to end of June 2017.
- Start-up business professional expenses will be able to claim an immediate deduction associated with starting a business from the 2015/16 income year.
- Primary producers will be able to claim accelerated depreciation for water facilities, fodder storage and fencing from 1 July 2016.

Insurance

- It’s easy to put off thinking about your personal insurance while you’re young and healthy. But the truth is, we never know what’s around the corner – and with around half a million Australians hospitalised each year due to injury, it’s worth thinking ahead about how you and your loved ones would manage financially if something happened to you.
- Below is an example of the first of three types of insurance we will discuss in our newsletters which put a financial safety net in place – for ‘just in case’.
- **1. Income protection**
- You may be surprised to know your most valuable asset isn’t your house – it’s your ability to earn a living. So if you’re sick or injured and can’t work as a result, you need to have a backup plan in place.
- While workers’ compensation can help in some circumstances, it won’t cover you if you’re self-employed, or if your illness or injury isn’t job related – like, if you have a car accident, a mishap on the sports field or an ongoing sickness.
- That’s where income protection insurance can help. If you can’t work because of illness or injury, Income Protection can pay you a percentage of your normal salary, to help you get by while you’re off work.
- You can choose how long you want to receive the benefit and when you want payments to kick in.
- The best news is, Income Protection premiums are generally tax-deductible, or can be paid through your superannuation. Speak to PDD Advisory Group today to confirm your eligibility.

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