

## Client Newsletter

### New superannuation rates and thresholds released

The ATO has published the key superannuation rates and thresholds for the 2018/19 income year.

- ◇ The **Non-Concessional Contributions cap** will remain at \$100,000 (although transitional arrangements may apply), and the **Concessional Contributions cap** will remain at \$25,000.
- ◇ The **CGT cap amount** will be \$1,480,000.
- ◇ The **Division 293 tax threshold** will be \$250,000.
- ◇ The **maximum super contribution base** for superannuation guarantee purposes will be \$54,030 per quarter.
- ◇ The **maximum superannuation co-contribution entitlement** for the 2018/19 income year will remain at \$500 (with the lower income threshold increasing to \$37,697 and the higher income threshold increasing to \$52,697).

The superannuation benefit caps for the 2018/19 income year include:

- ◆ a **low rate cap amount** of \$205,000;
- ◆ an **untaxed plan cap amount** of \$1,480,000;
- ◆ a **general transfer balance cap** of \$1.6m;
- ◆ a **defined benefit income cap** of \$100,000;
- ◆ an **ETP cap amount** for life benefit termination payments and death benefit termination payments of \$205,000; and
- ◆ the **tax-free part of genuine redundancy payments** and **early retirement scheme payments** comprising a **base limit of \$10,399** and for each complete year of service an additional \$5,200.



#### Inside this issue

New superannuation rates and thresholds released.....1

Inactive ABNs will be cancelled by the ATO.....2

Commissioner's speech highlights ATO's focus areas.....2

No need to actually 'downsize' for 'downsizer contributions' .....3

Super guarantee payable on 'public holidays' and 'additional hours'!...4



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## Inactive ABNs will be cancelled by the ATO

The ATO has recently advised that, in an effort to maintain accurate data, the Australian Business Register (or 'ABR') periodically checks its records for Australian Business Numbers ('ABNs') and automatically cancels those that appear inactive.

Ultimately, a taxpayer's ABN may be cancelled if they:

- ◆ have told the ATO they stopped their business activity;
- ◆ declared no business income in the last two years; or
- ◆ have not lodged a BAS or an income tax return in more than two years.

*"When obstacles arise, you change your direction to reach your goal; you do not change your decision to get there." - Zig Ziglar*

### Business Accounting

Profit Focus Partners provides the following services:

- Tax planning & compliance
- Business growth and profit improvement
- Advice for starting, buying or selling your business
- Financial reporting and bookkeeping services
- Budgets & projections
- Management accounting
- Finance & audit
- Self Managed Superannuation Funds
- Financial planning & risk protection
- Asset Protection
- Computerized accounting
- Corporate secretarial services

To avoid cancellation, the ATO has reminded taxpayers that they need to bring their lodgments up to date, and have reminded sole traders that, regardless of their income, they need to lodge the individual tax return with the supplementary section, as well as the business and professional items schedule.

## Commissioner's speech highlights ATO's focus areas

Recently, the Commissioner of Taxation highlighted the areas in which the ATO has recently increased its focus, including:

- ◇ undeclared income;
- ◇ individuals' unexplained wealth or lifestyle;
- ◇ incorrectly claimed private expenses;
- ◇ unpaid superannuation guarantee; and
- ◇ cash-only businesses and those with low usage of merchant banking facilities, with black economy visits to over 2,600 businesses across 8 locations in 2017.

The Commissioner also highlighted ongoing ATO concern with respect to the predicted 'work-related expense claim gap', which (at least by the ATO's estimates) could amount to being greater than the 'large corporate tax gap' of \$2.5 billion of lost revenue.



## No need to actually 'downsize' for 'downsizer contributions'

From **1 July 2018**, individuals aged 65 or over may use the proceeds from the sale of an eligible dwelling that was their main residence to make superannuation contributions (referred to as '**downsizer contributions**'), up to a maximum of \$300,000 per person (i.e., up to \$600,000 per couple), without having to satisfy the age or gainful employment tests that usually apply.

This measure was announced in the 2017/18 Federal Budget, and aims to provide an incentive for older Australians to 'downsize' their home.

This, in turn, is expected to reduce pressure on housing affordability by freeing up stocks of larger homes for growing families.

Importantly, it should be noted that there is no requirement for an individual **to actually 'downsize'** by acquiring a smaller property, or to even acquire another property at all.

In this regard, all that is required is that the individual (or their spouse) 'downsides' by selling their 'main residence'.

The individual can then move into any living situation that suits them, such as aged care, a retirement village, a bigger or smaller dwelling than the one sold, a rental property, or living with family.

Also, the property sold does **not** need to have been the individual's (or their spouse's) main residence during their *entire* ownership of it, provided the property was owned for at least 10 years and was their main residence at **some time** during the ownership period. Therefore, the sale of an investment property that at one stage was their main residence may enable an individual (or their spouse) to make downsizer contributions.

### Profit Focus Partners

PFP is a CPA Practice able to offer a comprehensive professional service to our clients which embraces all facets of business and financial services.

Our aim is to improve the financial growth and wellbeing of our clients by providing quality advice, taxation and accounting services. By placing a high degree of importance on client service and interaction, with a focus on proactively assisting growing businesses PFP provides a complete advisory service solution.

PFP team is led by Peter Liakopoulos who combines more than 20 years of professional expertise and experience. He is supported by highly trained and competent team of professionals who offer a range of specialist skills. All team members undertake extensive training and professional development on an ongoing basis to be at the forefront of current standards and practices. PFP strives to provide a high quality, proactive & responsive service that begins with determining a client's concerns & objectives.

Our focus is to be your business partner, responding to your needs and requirements with state of the art IT solutions and the knowledge, experience and skill of our team members. In view of this we have also developed a network of external specialist advisers who offer expert opinion in many areas of business.

*"The greatest compliment we can receive is the referral of your family, friends and business associates and we would greatly appreciate your recommendation."*

Disclaimer: The material and contents provided in this publication are informative in nature only. It is not intended to be advice and you should not act specifically on the basis of this information alone. If experts assistance is required, professional advice should be obtained.



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## Super guarantee payable on 'public holidays' and 'additional hours'!

The Federal Court has held that superannuation guarantee contributions were payable with respect to the 'additional hours' and 'public holidays' component of annualised salaries paid by BlueScope Steel, on the basis that these particular components formed part of ordinary time earnings ('OTE').

Under an enterprise agreement, primarily due to the specific working environment, the employees in question were required to be available (at short notice) 365 days per year and 24 hours per day, including a requirement to work additional hours and public holidays.

As such, the employees were paid an annualised salary, which was made up of a base rate, as well as a component which absorbed all additional payments, such as penalty rates, allowances, public holiday loadings and pay-outs, and payment for additional hours worked outside the normal rostered hours.

However, when paying superannuation, adjustments were made to the annualised salary, so that the additional hours and public holiday components were **not included** by BlueScope Steel as OTE for superannuation guarantee purposes.

### Decision

The Federal Court did not agree with the employer's adjustments, instead finding that, under the circumstances, the 'additional hours' and 'public holidays' formed part of an employee's 'ordinary hours of work' and, therefore, were considered OTE for superannuation guarantee purposes.

This remained the case whether or not the employee *actually* worked the additional hours or the public holidays.

That is, the ordinary conditions of the employee's work required them to be available outside their rostered shifts and on public holidays (on short notice) and, as this was factored into their annual salary, they were considered ordinary hours for **these particular employees**.