ESSENTIAL INFORMATION FOR BUSINESS PEOPLE

BUSINESS ESSENTIALS®

JUNE 2016 | EDITION 374

the extras

A word from our sponsor, subscription information and contact details of all our featured speakers.

MANAGING DIRECTOR
NICK SCHILDBERGER

WELCOME TO THE JUNE 2016 EDITION OF BUSINESS ESSENTIALS.

If this is the first time you've received a Business Essentials CD, we hope it will be a thoroughly enjoyable experience for you - and that you'll come back for more!

We suggest that you put this CD straight into your car's CD player and start listening. These CDs are designed to inform, update, motivate and inspire.

And we know they work. Just check out what others say about us on our website at www.be.com.au and you'll see why Business Essentials has become such a valuable learning tool for thousands of business operators around Australia for over 30 years.

Become a subscriber today!

To subscribe, please **complete the form below** and send it to us

or **order online** at www.be.com.au/store

Straight away you'll start receiving your own monthly CDs, as well as downloadable access to all our interviews online.

BUSINESS ESSENTIALS SUBSCRIPTION FORM

☐ **1 year**/12 editions $445 ☐ **2 years**/24 editions $800 ***(SAVE $90)***
Prices include GST & P/H

YOUR DETAILS

☐ Dr ☐ Mr ☐ Mrs ☐ Ms Full name:

Company:

Address:

Phone:

Mobile:

Email:

PAYMENT OPTIONS

☐ **Cheque**
Enclosed is a cheque made to Business Essentials Media Production Pty Ltd

☐ **Credit Card**
Please charge my credit card for the amount of ☐ $445 or ☐ $800

Card type ☐ VISA ☐ Master Card

Card Number

Name on card

Expiry

Signature

RETURN THIS FORM

Fax 03 9882 8017 **Mail** PO Box 579 Hawthorn VIC 3122
Scan and **email** info@be.com.au
Got a query? call Maureen Payne on 1800 039 098

For more information about the topics discussed on this program, please contact the relevant organisations listed below.

BUDGET 2016 & THE ECONOMY
Professor Neville Norman, Melbourne University
n.norman@unimelb.edu.au

BUDGET 2016 & TAX
Michael Jones, Cummings Flavel McCormack
03 9252 0800
enquiries@cfmc.com.au
www.cfmc.com.au

THE KNOCK-OUT ELEVATOR PITCH
Antony Gaddie, Green Ant Marketing
0400 009 006
antony@greenantmarketing.com
www.greenantmarketing.com

WOMEN AND MEN IN SELLING
Sue Barrett, Barrett Pty Ltd
03 9533 0000
svb@barrett.com.au
www.barrett.com.au

MAKING A SUCCESS OF NEW VENTURES
Neville Christie, New Enterprise Services
0420 978 932
neville@nevillechristie.com
www.nevillechristie.com
www.newenterpriseservices.com.au

PAUSE BEFORE YOU PARTNER
Jennifer Irwin, JIP Legal
03 9822 8427 / 0412 911 358
jennifer@jiplegal.com.au
www.jiplegal.com.au

YOUR OBLIGATIONS UNDER THE FAIR WORK ACT
Cheryl Disher, HR Advice Online
1300 720 004
advice@hradviceonline.com.au
www.hradviceonline.com.au

SHAREMARKET UPDATE
Elio D'Amato, Lincoln Stock Doctor
1300 676 333 / 03 9854 9444
www.lincolnindicators.com.au

HOW TO MAKE A MEMORABLE PRESENTATION
Tony Gattari, Achievers Group
0410 538 521
tony@achieversgroup.com.au
www.achieversgroup.com.au

BE MEDIA PRODUCTION

Managing Director **Nick Schildberger**
Executive Producer **Heather Dawson**
Director Audio/Video **Peter Letts**
Producer/Business Development Manager **Chris Ashmore**
Subscriptions Manager **Maureen Payne**

Publisher BE Media Production Pty Ltd ABN: 98 006 144 449
106/12 Cato Street
Hawthorn East Vic 3123
Telephone: 03 9882 8333
Facsimile: 03 9882 8017
Email: info@be.com.au

Individual resident marginal tax rates for the year ended 30 June 2016

TAXABLE INCOME	TAX ON THIS INCOME
$0 – $18,200	Nil
$18,201 – $37,000	19c for each $1 over $18,200
$37,001 – $80,000	$3,572 plus 32.5c for each $1 over $37,000
$80,001 – $180,000	$17,547 plus 37c for each $1 over $80,000
Over $180,000	$54,547 plus 47c for each $1 over $180,000 (this includes the 2% temporary budget repair levy)

The tax rates do not include the Medicare Levy of 2%. Your Medicare levy is reduced if your income is below a certain threshold and in some cases you may not have to pay the levy at all. The thresholds are higher for seniors. If your income is above the thresholds, you may still qualify for a reduction based on your family taxable income.

For more visit our website, www.cfmc.com.au

Office Details
Level 15, 390 St Kilda Road
Melbourne VIC 3004
T: 61 3 9252 0800 F: 61 3 9252 0801
E: enquiries@cfmc.com.au
E: careers@cfmc.com.au

www.cfmc.com.au

cummings
mccormack
flavel



2016 Federal Budget

Superannuation Changes

How you feel about these super changes depends on your perspective:

- From a community sense, these reforms can be described as creating a fairer superannuation system with a clearer objective – superannuation is simply a source of income in retirement;
- Those with significant superannuation balances may rightly feel aggrieved that their pre-existing concessions have not been grand-fathered. Historically, superannuation reform in Australia has generally not changed established benefits;
- Many people in their 40's and 50's with relatively low superannuation balances will now find it more difficult to build up their super nest egg for retirement due to significantly reduced contribution thresholds. It's not uncommon to focus on superannuation once the kids have grown. A superannuation door has just closed on these folks.

Despite these changes, superannuation still remains an effective tax haven. It's just not as sunny as it once was.

Pensions

The size of pension accounts will be limited.

A tax free pension account will be limited to a balance of $1.6 million from 1 July 2017.

Accumulated amounts in excess of $1.6 million will be maintained outside the pension account and those earnings will be taxed at 15%.

Despite the changes, superannuation balances with a combination of "tax exempt" and "15%" are still attractive for savings.

Here is an example of how a $10m fund in pension mode might look:

	Assets $'000	Net return at 5% $'000	Tax $'000
Pension	$1,600	$80	-
Accumulation	$8,400	$420	$63
Total	**$10,000**	**$500**	**$63**

Effective tax rate 12.6%

Transition to retirement pension assets taxable

Earnings on assets supporting transition to retirement pensions will no longer be exempt from tax, commencing 1 July 2017.

Unfortunately again, there is no grandfathering of existing arrangements.

Level 15, 390 St Kilda Road Melbourne VIC 3004
T +61 3 9252 0800 f: +61 3 9252 0801
E: enquiries@cfmc.com.au www.cfmc.com.au

GST on low-value imports

From 1 July 2017, the GST will be extended to apply to low-value imports. Currently GST does not apply to imports valued at less than $1,000.

The change will require overseas suppliers with Australian turnover of more than $75,000 to register and pay GST on low value goods supplied to consumers in Australia. This is an extension of the previously-announced measure to apply GST on digital products supplied to Australian consumers from overseas, which will also apply from 1 July 2017.

This measure will ultimately increase the cost of buying low-value items from many foreign suppliers. Enforcement of GST obligations will obviously be a challenge for the ATO which will receive extra resources to implement this regime.

$315 in your pocket

The government will increase the threshold for the 37% tax rate for individuals from $80,000 to $87,000, effective 1 July 2016. This will provide an annual tax saving of up to $315 for individuals with a taxable income of more than $80,000 (i.e. 4.5% of $7,000). The increase is intended to ensure that individuals earning average wages remain in the 32.5% tax bracket.

Increased resources for ATO scrutiny

The ATO will receive additional funding to establish a new Tax Avoidance Taskforce which will focus on multinationals, large public companies, large private groups and high wealth individuals.

Loans from private companies

Amendments will be made to Division 7A in an effort to reduce the compliance burden for privately held groups.

The changes will include the following measures:

- a self correction mechanism for inadvertent breaches of the rules
- simplified loan arrangements for loans that are treated as "complying loans"
- safe harbour rules to provide increased certainty

The changes will apply from 1 July 2018 and should help simplify compliance.

Measures on multinational tax avoidance

The government will implement the following measures to target large multinationals which are perceived to not pay their fair share of tax in Australia:

- **Diverted profits tax –** A 40% tax will be applied to certain "diverted profits", derived under arrangements that shift profits offshore without sufficient economic substance. However, this measure is expected to raise only $200 million over a three-year period from its start date on 1 July 2017.

- **Administrative penalties –** From 1 July 2017, administrative penalties relating to non-lodgment or non-disclosure by multinationals will be increased by a factor of 100, such that the maximum administrative penalties for relevant companies will be $450,000. No revenue has been attributed to this measure in the budget and it seems unlikely that sophisticated multinational groups with revenues over $1 billion would manage their Australian tax affairs through blatant non-compliance.

Taxation of financial arrangements

The taxation of financial arrangements (TOFA) rules, which determine the amount and timing of gains from certain loans and other financial arrangements, will be simplified to reduce the compliance burden on taxpayers. There is finally some recognition that these provisions place an unreasonable burden on medium sized companies. This was a key point made by CFMC in a formal submission to Treasury when the original legislation was enacted in 2009.

Want to know more?

Speak to your CFMC Director on (03) 9252 0800 or contact:

David Kent dkent@cfmc.com.au

Level 15, 390 St Kilda Road Melbourne VIC 3004
T +61 3 9252 0800 f: +61 3 9252 0801
E: enquiries@cfmc.com.au www.cfmc.com.au

2016 Federal Budget

Superannuation Changes

How you feel about these super changes depends on your perspective:

- From a community sense, these reforms can be described as creating a fairer superannuation system with a clearer objective – superannuation is simply a source of income in retirement;
- Those with significant superannuation balances may rightly feel aggrieved that their pre-existing concessions have not been grand-fathered. Historically, superannuation reform in Australia has generally not changed established benefits;
- Many people in their 40's and 50's with relatively low superannuation balances will now find it more difficult to build up their super nest egg for retirement due to significantly reduced contribution thresholds. It's not uncommon to focus on superannuation once the kids have grown. A superannuation door has just closed on these folks.

Despite these changes, superannuation still remains an effective tax haven. It's just not as sunny as it once was.

Pensions

The size of pension accounts will be limited.

A tax free pension account will be limited to a balance of $1.6 million from 1 July 2017.

Accumulated amounts in excess of $1.6 million will be maintained outside the pension account and those earnings will be taxed at 15%.

Despite the changes, superannuation balances with a combination of "tax exempt" and "15%" are still attractive for savings.

Here is an example of how a $10m fund in pension mode might look:

	Assets $'000	Net return at 5% $'000	Tax $'000
Pension	$1,600	$80	-
Accumulation	$8,400	$420	$63
Total	**$10,000**	**$500**	**$63**

Effective tax rate 12.6%

Transition to retirement pension assets taxable

Earnings on assets supporting transition to retirement pensions will no longer be exempt from tax, commencing 1 July 2017.

Unfortunately again, there is no grandfathering of existing arrangements.

Level 15, 390 St Kilda Road Melbourne VIC 3004
T +61 3 9252 0800 f: +61 3 9252 0801
E: enquiries@cfmc.com.au www.cfmc.com.au

Contributions

Restrictions on how much can be contributed

The annual cap for concessional (tax deductible) super contributions will be reduced to $25,000 from 1 July 2017.

Furthermore, non-concessional (after tax) contributions will be limited to $500,000 over the member's lifetime – **commencing 3rd May 2016**. All non-concessional contributions made since 1 July 2007 will be taken into account.

This will be hard for those who have not yet had a chance to significantly contribute to super.

People earning $250,000 or more will personally pay an extra 15% tax on super contributions (i.e. 30% in total).

Contributions for people affected by this measure become less attractive, but there is still a beneficial tax outcome for them.

Carry forward unused contribution limit (for some)

This change is limited to members with a super balance of less than $500,000. Individuals who have not reached their concessional (tax deductible) contributions limit in previous years will be able to make additional contributions. The carry forward amount will cover a rolling five year period, commencing 1 July 2017.

This is a useful initiative for low balance members requiring careful management – some questions remain (e.g. when will the $500,000 balance be measured?).

Making it easier to contribute – no work test

From 1 July 2017, people aged between 65 and 74 will be able to contribute to super without satisfying a work test, and will be able to receive contributions from their spouse. This is good.

All individuals (under 75) regardless of their employment circumstances, will be able to claim a tax deduction for personal super contributions. Another welcome change.

Tax offset for low income members

Low-income earners will receive a tax offset of up to $500 for tax paid on concessional contributions. This applies from 1 July 2017 if adjusted annual income is less than $37,000 and a concessional contribution has been made. Low-income spouse offset will also be available for spouses with income up to $37,000 from 1 July 2017. The contributing spouse will receive a tax offset of up to $540 a year.

Objective of superannuation

The Government will create a new Act to enshrine and define the objective of superannuation **"to provide income in retirement to substitute or supplement the age pension"**. The purpose is to anchor the future development of super rules and create an accountability measure.

What to do prior to 30 June 2016:

- Make sure minimum pensions are paid
- Make deductible contributions

Want to know more?

Speak to your CFMC Director on
(03) 9252 0800

Level 15, 390 St Kilda Road Melbourne VIC 3004
T +61 3 9252 0800 f: +61 3 9252 0801
E: enquiries@cfmc.com.au www.cfmc.com.au