



# PROACTIVE

## ACCOUNTING SOLUTIONS

### Winter 2016

#### A NOTE FROM ANDREW

With the end of one financial year and the beginning of a new one, it is a good time to reflect and look forward.

Upon reflection, the 2016 financial year has continued to be a challenging one for the region with the mining industry downturn not looking like ending anytime soon.



The flow on effects have been felt with higher unemployment leading to many families leaving Mackay.

With less people in the region comes a lower demand for housing and services which affects all businesses.

Most businesses have now adjusted to the changed conditions by trimming overheads and looking at different markets or ways of marketing themselves and their services.

With a smaller customer pie in most industries in the 2017 year, the businesses that will survive are those that continue to be innovative in how they operate. It will also be important to look for new ways to interact with customers through closer connection and better product offerings.

There has never been a time when accurate and timely information is more important, along with a strategic approach to how the business is run. We are passionate about working closely with our clients to assist them in all aspects of their businesses, not just lodging tax returns.

If you would like to find out more about how we can help or know of anyone that would benefit from our proactive approach, we would welcome the opportunity to have a chat.

#### LOCAL PROPERTY MARKET UPDATE

The local residential housing market is still very weak. With the main activity in the \$250K and under property price range, these properties are typically on the market for shorter periods than those priced above \$250k.

In a recent report from Opteon Property Group, the decline in the Mackay residential market is evidenced by a reduction in both average sale prices and volumes.

|                      | 2012   | 2013   | 2014   | 2015   | 2016 - April |
|----------------------|--------|--------|--------|--------|--------------|
| <b>AVERAGE PRICE</b> | \$450K | \$442K | \$408K | \$380K | \$347K       |
| <b>SALES VOLUME</b>  | 1485   | 1032   | 832    | 768    | 62           |

Residential rents now appear to have stabilised with little change in recent months. The main challenge is securing a tenant. As at May, there are currently 1184 houses available for rent and 2845 homes for sale.



In regards to commercial properties, we are still seeing business closures and properties becoming vacant as leases expire. Some properties have now been untenanted for over 12 months putting significant downward pressure on commercial rent rates and property values.

The question remains - have we seen the bottom of the market yet? This question will only be answered in time and depends largely on the outlook for the Mackay economy in the next few years.

If you are considering your options in regards to properties held or the viability of investing at this time, we encourage you to come in and see us.

Let's talk 4951 6000

Visit us 1st Floor, Cnr Sydney & Gordon Streets, Mackay



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## GET TO KNOW COURTNEY MCPHERSON



Courtney started out doing work experience at Proactive while completing year 12 at Mirani High School where she graduated as Dux Proximus.

She commenced working at Proactive full time 18 months ago in an administration role while commencing her business degree. In August last year, she switched from our administration team to our accounting team and continues to study for her degree.

Courtney is a local to Mackay and enjoys spending her spare time with friends and partner Zane when not hitting the books.

# 2016 Budget TAX CHANGES

The budget handed down on 3rd May 2016 by the treasurer contained many proposed changes to the taxation and superannuation system. At this stage there is only minimal detail and with an election looming, there is a lot of uncertainty in regards to which changes will become legislation.

## PERSONAL INCOME TAX

The threshold at which the 32.5% marginal tax rate for individual's ends will increase from taxable incomes of \$80,000 to \$87,000 from 1 July 2016. This measure reduces the marginal income tax rate on taxable incomes between \$80,000 and \$87,000 from 37% to 32.5% from the 2016/17 income year. It should prevent approximately 500,000 taxpayers facing the 37% marginal income tax rate in the 2016/17 income year.

## INCREASED TURNOVER THRESHOLD FOR SMALL BUSINESS INCOME TAX CONCESSIONS

The small business entity turnover threshold will be increased from \$2m to \$10m from 1 July 2016. The increased threshold means businesses with an annual turnover of less than \$10m will be able to access existing small business income tax concessions. This includes the lower small business corporate tax rate and instant asset write off threshold of \$20,000 available until 30 June 2017. The increased \$10m threshold will not be applicable for accessing the small business capital gains tax concessions.

## UNINCORPORATED SMALL BUSINESS TAX DISCOUNT INCREASED

The unincorporated small business tax discount will be increased in phases over 10 years from the current 5% to 16%. First increasing to 8% on 1 July 2016, the discount will be available to individual taxpayers with business income from an unincorporated business that has an aggregated annual turnover of less than \$5m. The existing cap of \$1,000 per individual for each income year will be retained.

## STAGGERED CUTS TO THE COMPANY TAX RATE

The company tax rate will be progressively reduced to 25% over 10 years. From the 2016/17 income year, the company tax rate for businesses with an annual aggregated turnover of less than \$10m will be reduced to 27.5%.

## SUGAR INDUSTRY UPDATE

Although the crop had a slow start, with recent rain it is now looking good with estimates on tonnages similar to 2015. Yellow Canopy Syndrome is still a concern for the region and has now spread south into crops in Bundaberg and Maryborough. There has been volatility in the sugar prices with the 2016 prices reaching \$490 per tonne in March. Prices are expected to remain fairly strong with Brazil experiencing political issues and the extended drought in India.



# 2016 Budget SUPER CHANGES

## REMOVAL OF THE WORK TEST

From 1 July 2017, the work test which currently limits individuals aged 65 to 74 from making contributions to superannuation will be removed. However, the current age 75 cut-off will remain.

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## CONCESSIONAL CONTRIBUTIONS REDUCTION IN CAP

From 1 July 2017, the cap on concessional contributions is to be reduced from \$30,000 to \$25,000 per annum. It would be expected that the current transitional \$35,000 cap for those age 49 or over will also be removed.

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## UNUSED CARRY FORWARD

From 1 July 2017, individuals with superannuation balances of less than \$500,000 who did not fully utilise their concessional cap in a prior year will be allowed to make additional concessional contributions. Unused amounts will be carried forward on a rolling basis for a period of five consecutive years.

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## REMOVAL OF 10% RULE

The 10% rule for claiming tax deductions for personal concessional contributions will be removed. This will effectively allow all tax payers to make lump sum contributions to superannuation and claim a tax deduction up to their cap amount.

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## REMOVAL OF TAX FREE EARNINGS IN TRISs

The Government has decided to remove the tax exemption for the earnings of TRIS balances effective 1 July 2017. It would appear this change will apply to both new TRISs and TRISs commenced pre-1 July 2017.

## REDUCTION IN DIVISION 293 THRESHOLD

Taxpayers that earn over \$250,000 will pay an additional 15% tax on their concessional contributions, down from the current \$300,000 threshold. This change will also not take effect until 1 July 2017.

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## NON-CONCESSIONAL CONTRIBUTIONS LIFETIME CAP

One of the biggest changes is the introduction of a lifetime cap of \$500,000 on non-concessional contributions. This is a retrospective announcement taking effect from budget night. All non-concessional contributions made on or after 1 July 2007 will be counted for the purpose of determining how much of an individual's lifetime cap remains.

Clients thinking of making contributions should contact our office to ensure they do not exceed their lifetime limits and pay excess tax.

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## CAP ON TAX EFFECTIVE PENSION BALANCES

Another big change is in regards to the taxation of pension balances. From 1 July 2017, the government will introduce a \$1.6 million balance cap on the total amount of accumulated superannuation an individual can transfer into pension phase. Individuals will remain able to accumulate amounts in excess of \$1.6 million in superannuation but these amounts must remain in accumulation phase, where the earnings will be taxed at 15%.

Individuals already in pension phase with balances above \$1.6 million will be required to 'roll back' the excess to accumulation by 1 July 2017.

## STAFF NEWS

### Welcome Sarah

The Proactive Team are very pleased to welcome Sarah Vella to the firm. Sarah is part of our administration team, having commenced working with us in January. She completed year 12 last year at St Patricks College and is currently completing a Certificate III in Business. Sarah is a local, having grown up on her parent's cattle property at Mt Jukes.



Sarah

### Congratulations Rhiannon

We would like to congratulate Rhiannon who has completed her Bachelor of Accounting from Central Queensland University. She attended her graduation at the MECC with her husband An, her son Samuel, family and friends. Rhiannon has been working at Proactive for the past 4 years while completing her degree.



Rhiannon & Samuel

### Congratulations to Anita

We are pleased to announce that Anita is a Nana for the second time with the birth of her 2nd granddaughter, Laura on the 23rd January 2016. Laura is the daughter of Anita's son, Dean and his wife Leanne and a sister for Elise aged 18 months.



Anita with her granddaughters  
Elise & Laura

## About us

The accountants at Proactive Accounting Solutions are passionate about building close relationships with our clients, working with you to achieve your business, financial and lifestyle goals.

### Did you know?

The highest individual tax rate in the world is in Sweden at 57%. The highest company tax rate is 40% in the USA.

## What is a Proactive Accountant?

- An accountant who is **passionate** about helping their clients
- An accountant that **returns your call promptly**
- An accountant that is more like a **business partner**
- An accountant who **meets with you regularly** to ensure you are on track & achieving your goals
- An accountant that **does not charge** you for a quick question or chat
- An accountant that can **change your business** & ultimately your personal life
- An accountant with an **open door** policy and a **complimentary** consultation

Let's talk

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