tribe group NEWS

ISSUE 1 // TRIBE GROUP NEWS // SEPTEMBER 2018

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Self Managed Super

In this issue...

We welcome you to Issue 1 of the Tribe Group News! In this newsletter Our Tribe Group Experts look at Changes to Investment property deductions, Holiday home and CGT, What to do if an unexpected event occurs, Tax deductions for personal super contributions as well as a narrative on Investment Bonds.

Tribe News

Changes to Investment property deductions in 2018 for individuals

Do you own an investment property? For the 2018 income tax year and beyond travel to inspect an investment property is no longer a tax deduction.

Also individual taxpayers can no longer claim depreciation on second hand assets in residential accommodation properties. This applies to all second hand items purchased after 9 May 2017 or installed after 1 July 2017. This means that if you purchase an existing property as an investment you can not claim depreciation on existing assets included in the purchase, nor can you purchase a second hand replacement asset for your property and claim it as a tax deduction via depreciation. However, if you purchase a new or substantially renovated property (i.e. assets have been used for six months or less), you are still entitled to claim depreciation on existing assets.

These new rules do not apply to an entity carrying on property investment businesses or excluded entities. Please note that simply owning several properties and collecting rent from them is not considered to be carrying on a property investment business by the ATO.

Holiday Home and Capital Gains Tax

It is a common thought that the holiday home, that was never rented out is not subject to the Capital Gains Tax Regime. Your principal place of residence is tax free but all other property assets, other than pre capital gains tax assets (assets acquired before 19 September 1985), may have a capital gains tax liability.

There are significant rules around principal place of residence exemptions especially where you may have lived in one or more properties and assessing capital gains tax on other property assets.

For simplicity purposes, on the back of recent experience where clients have sold the holiday home, we have a few tips that can reduce or even eliminate the capital gains tax liability.

Importantly from the very first day you acquired or built the holiday home it is important to maintain records of its acquisition and holding costs. This will include costs like rates, land tax, interest (where you borrowed money to fund the acquisition or build and costs for improvements), renovations and extensions.

Similar records should be kept where you buy a house for family members or have partial ownership and you do not receive rent.

If you would like to know more please contact our office on 6274 0400.

ACCOUNTING & ADVICE EXPERTS

LEVEL 1 – 113 CANBERRA AVENUE
GRIFFITH ACT 2603
p **02 6274 0400** f **02 6247 4100**
w **www.tribegroup.com.au**

Stellar News

And we are off again, welcome to the 2019 financial year!

Stellar Super has two new team members, Isobella Hunter – Superannuation Administration Assistant and Jarrod Hutchison – Superannuation Accountant, both of whom are finishing their studies at University of Canberra.

This year, as a result of all the new reporting requirements put on self-managed superannuation funds, we will be trying to streamline our processes even more, as we are sensitive to any cost increases to our clients. As a result, we will be going paper-less for as much as we can. That means that the large collations you would normally receive for your tax and compliance documents, , will be sent for digital signature, unless you specifically advise us otherwise. We will also be emailing, where we can and is practicable, instead of sending letters in the mail.

We had a very successful 2018 financial year with Stellar and staff being finalists in 3 national award categories and 4 NSW/ACT award categories. The Australian Taxation Office also confirmed we had a 100% lodgment rate, which bodes well for our working relationship with them and maintaining a healthy compliance record in the interest of our clients.

We look forward to working closely with you all in the coming financial year.

Brooke Hepburn-Rogers

Manager of Stellar Super

Have you considered what you will do if an unexpected event occurs?

Your SMSF is a long-term plan. Much can happen during this time including illness, incapacity or death of a member.

It is best practice to have contingency plans in place to deal with unexpected events. For example, if a fund member dies, leaving you as the sole member are you happy to continue with the SMSF?

Outlined below are some matters to consider planning for as trustees. Leaving the planning to when, and if an event happens may be too late.

Death – Think about where you want your superannuation to go on your death. Given the introduction of the $1.6 million transfer balance cap which means larger sums of money may need to leave the superannuation system sooner, planning has never been more important. You may need to think carefully about who receives your superannuation on death to maximise its benefit for your beneficiaries.

The rules of your SMSF, as set out in your trust deed and related documents, determine how the trustee structure is to be reconstructed on the death of a member as well as how death benefits are to be handled by you and your fund.

A lot of careful consideration needs to be given to understanding the member's wishes to ensure that your fund's trust deed and broader governing rules are drafted appropriately to achieve these requirements.

Legal tools to help direct your superannuation can include making a binding death benefit nomination to nominate who will receive your superannuation on your death or providing for your pension to continue (or revert) to a permitted beneficiary (such as your spouse) following your death.

You may also consider appointing a corporate trustee. If the membership of an SMSF with individual trustees changes, the names on the funds' ownership documents must also change. This can be costly and time-consuming.

A corporate trustee will continue to control an SMSF and its assets after the death or incapacity of a member. This is a significant succession-planning issue for an SMSF as well as for the estate-planning of its members.

Diminished capacity – Consider the consequences if you become unable to act as trustee (e.g., due to mental incapacity). You can appoint an enduring power of attorney to act in your place as trustee, if required. This is someone who can be trusted to handle your financial affairs and can be appointed as trustee of the SMSF.

Member leaves – How would your SMSF be affected if one or more of the fund members decided to exit the fund? For example, an SMSF heavily weighted in real estate may have to sell the asset, or introduce a new fund member to allow the exiting member to transfer out of the fund.

Separating couple – Family law contains a number of options for superannuation to be split between a couple who separate or divorce. Your superannuation is treated separately to your other property, so specialist advice may be needed.

Reviewing your insurance – SMSF trustees should regularly review insurance as part of preparing your investment strategy. This includes considering whether or not insurance cover should be held for each SMSF member. Your insurance cover may be essential if an unexpected event occurs.

In some circumstances, you may already be holding insurance through membership of a large super fund. This policy may exist due to an employment arrangement and may be more cost-effective than an equivalent valued policy that you could hold within an SMSF. However, not all insurance policies are the same, so seeking advice will help you to understand your needs.

Tax deductions for personal superannuation contributions

From the 2018 financial year onwards individuals can claim up to a maximum of $25,000 for contributions for superannuation from all sources. For example if your employer has contributed $15,000 to superannuation on your behalf you can personally top up your super by another $10,000. The deduction is available to most taxpayers under the age of 75 (those between 65 and 74 must meet the work test).

To be eligible for a tax deduction you need to ensure that the contribution was made to a complying super fund or a retirement savings account, and you have notified your fund of the amount you intend to claim as a deduction in writing and received written acknowledgment from your fund of your notice of intent to claim a deduction, prior to the lodgement of the tax return in which the deduction is claimed.

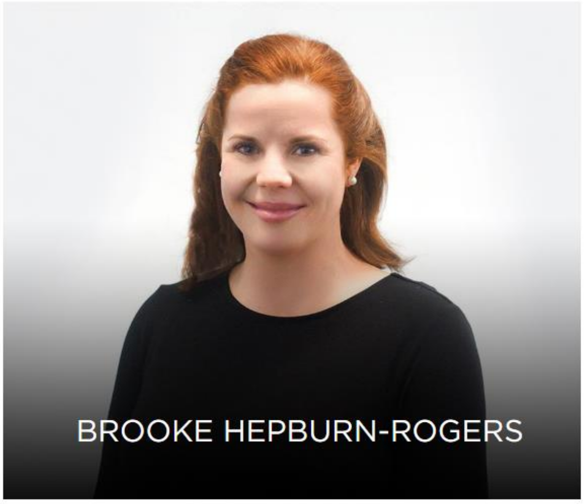
If you have made personal contributions that you wish to claim as a deduction, please be aware that they will count towards your concessional contributions cap, which for the 2017-18 year is $25,000, and that exceeding this cap may result in excess concessional contributions tax.

If any of these issues are relevant to your personal situation and you need to know more please contact our office on 6274 0400.

How can we help?

A SMSF Specialist advisor can help you understand how the different forms of property investment may or may not be relevant for your SMSF portfolio and the impacts it may have on you and your fund. Please feel free to give me a call to arrange a time to meet so that we can discuss your particular requirements, especially in regards to what property investment would be most appropriate for your SMSF.

SMSF EXPERTS



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Self Managed Super

Today's Super
Tomorrow's Future

ph. 02 6274 0400
stellarsuper.com.au

Suite 4, 113 Canberra Avenue
Griffith ACT 2603
GPO Box 554 Canberra ACT 2601

Shield News

A flexible tax –effective investment solution that puts you in control

With recent legislation changes to how much we can contribute to super, Investment Bonds are becoming increasingly more popular as a tax minimisation and wealth strategy. There are two types; Life Builder and Child Builder.

Life Builder

A tax-effective investment solution with no restrictions such as contribution caps, age limits or 'work tests'. You can also access your funds before retirement age, with no restriction on how much you can access.

Manage income levels in private or family trusts

- A tax-effective solution to managing the level of distributable income generated by a trust.
- Manage your income to improve pension entitlements, *reduce* aged-care resident fees and *access* other government benefits (e.g. Commonwealth Seniors Health Care Card).

Child Builder

A smart way to provide a child a financial head start. Suitable for education costs, home deposits and another use or expense. There is no restriction on how your funds can be used.

Creating wealth with flexibility

- Tax-effective wealth creation
- Manage assessable income levels
- Access to your funds, when you need them
- Control when and how your wealth is passed on, with certainty
- No caps on how much you can contribute
- A range of professionally managed investment options

If any of these issues are relevant to your personal situation and you need to know more please contact Financial Planning Experts at Shield Wealth on 6274 0400.

FINANCIAL PLANNING EXPERTS

Protect *your* future

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Check out our new website
www.tribegroup.com.au

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Phone: 02 6274 0400