

*We regularly discuss with clients the benefit of income protection insurance. It can be difficult to show the true benefit of what many of us see as an extra expense.*

*I want to share a story a client told me recently and has been kind enough to contribute, highlighting the peace of mind income protection insurance can bring at a difficult time.*

## Income protection insurance - burden or saviour?

### The answer for us.... A saviour!

After years of moaning about the rising cost of income protection and life insurance, along with the other necessary insurances we pay, my recent experience left me extremely thankful that my husband had income protection insurance and it was up-to-date.

Rewind to July 2015 and after a simple double hernia operation for my husband, our lives were completely flipped upside down with a diagnosis of Non-Hodgkin's Lymphoma Stage 4. CANCER. The word no one wants to hear, but as a society we all know someone who is battling this non-discriminatory disease.

What followed was an endless series of PET scans, blood work, bone marrow testing, starting chemo, listening to many big words that didn't make a lot of sense at the time and moving through an emotionally numb daze for those first few weeks.

On top of this was the realisation that my husband not working meant no money coming in, but the everyday bills and mortgage still needed to be paid as well as new bills for medical procedures and medication. Without income protection insurance, we would have found ourselves in a very precarious financial situation.

For us, the insurance meant we were financially stable, and this removed an awful lot of stress and, more importantly, meant my husband Shane could take his time to battle, recover and recuperate during the biggest fight of his life so far.

Shane had ten and a half months off work - an enormous amount of time. During this time he endured six months of chemo, stem cell harvesting, numerous PET scans and bone marrow biopsies. Towards the end of this time, being financially covered gave him a good four months or more to recover and build up his strength to get better, healthy, strong both physically and mentally, and get into a good place to get back to work.

I can't count the number of times I now state that I'll never moan about the cost of income protection and life insurance again. Now, I suggest to people who we talk to that they get these insurances reviewed or increased based on their current circumstances, because none of us know what will happen tomorrow.

I also want to highlight the importance of private health insurance. Another monthly and increasing cost I regularly moaned about, but our private health cover has literally saved us tens of thousands of dollars.

In our situation, without income protection insurance, we could not have paid our mortgage and our bills, and in all seriousness, our family would have no home. Now, the cost of insurance and health cover provides me with peace of mind. At the end of the day, family is so important and we should strive to do everything in our power to preserve and keep this safe.

Kylie-Anne Rainbow



*Kylie, her husband Shane, and their children. A beautiful family!*

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# RLA Insight

From your trusted accountant



Edition 13 • September 2016



### From the Director, Roz Lahey

The smile on this child's face makes me incredibly proud. I've spoken about Variety, the Children's Charity a number of times recently, and I'm incredibly proud of my husband Nigel, and his 'Variety Bash' teammates Garry and Neil from Car 1718.

Through tireless fundraising the team have now successfully achieved the installation of a Liberty Swing in Robelle Domain Springfield Lakes. The grand opening was late-August and a very moving occasion for all involved.

The smiles on the faces of children who have never felt the motion of a swing before is absolutely priceless. Pictured is one of the children that shared in the day and his face says it all.

I'd like to thank all of our wonderful RLA clients who have supported this incredible cause through the recent fundraising golf event, and the donation tin in our office.

In other news, the first quarter of this financial year has flown by. Here at RLA we have seen a distinctive change in how individual tax returns were received. In today's society, everyone finds themselves 'time poor', so we saw a significant increase in clients emailing or dropping off their tax return information without wanting appointments.

This is totally acceptable, however, I do stress that you need to be available either by phone or email to answer questions in relation to the tax returns to maximise your refunds.

For efficiency, we have also been emailing our clients their tax returns for signature. Remember, you must print and sign the electronic lodgement declaration and return it to this office for lodgement. Without this, we cannot lodge your return and therefore you will not receive your refund in a timely manner.

Roz

### Get in touch with us today...

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## ATO focuses on rental property owners

Once again, the ATO has stated it will be paying close attention to excessive interest expense claims, and incorrect apportionment of rental income and expenses between owners.

The ATO is also looking at holiday homes that are not genuinely available for rent, and incorrect claims for newly purchased rental properties.

An ATO spokesperson said that their ability to identify incorrect rental property claims is becoming more sophisticated due to enhancements in technology and the extensive use of data.

### Rental property case studies

#### Holiday home not genuinely available for rent

John has a newly purchased rental property that has not returned any rental income. He told the ATO the property was occasionally advertised on community noticeboards and websites. John was unable to prove there was a genuine arrangement in which he actively sought tenants, or had taken sufficient steps to genuinely advertise the property for rent. A rental loss of almost \$60,000 was disallowed and penalties were applied.



#### Interest

Rental property owner Sarah reported high rental interest claims and was required to provide bank statements as evidence to the ATO. The statements showed borrowings well in excess of the purchase price of the rental property. The interest charges relating to the private part of the loan were disallowed. Sarah was required to pay more than \$15,000 back to the ATO.

#### Incorrect claims for a newly purchased rental property and false claims

Nancy recently purchased a rental property and had her tax return amended by the ATO to remove deductions for repairs, capital works and incorrectly apportioned borrowing expenses. Nancy had inappropriately claimed a deduction for repairs to defects present when the property was purchased. She also provided false receipts for property management fees undertaken by a family member. Nancy was required to pay more than \$57,000 back to the ATO as well as over \$10,000 in penalties for making a false statement in her tax return.

#### Apportioning expenses between joint owners of a property

A rental property claim was investigated by the ATO where the rental expenses had not been apportioned correctly. The property was jointly owned by a couple but the higher income earner claimed the larger proportion of the expenses. The expenses were adjusted to reflect the ownership interest and the higher earner had to pay back more than \$8,000 in tax.

I am sharing these case studies with you to emphasise only a professional should be preparing and submitting your tax returns. The ATO has strict laws for rental properties that must be adhered to. I have come across every one of the above-listed issues with my clients, wanting to claim incorrectly. The ATO will eventually catch up with those reporting incorrect claims.

## SuperStream deadline extended

The ATO acknowledged with the passing of 30 June 2016 that many small businesses had not implemented the required changes.

They have accepted some small businesses may need extra time and help to become SuperStream compliant. An extension of time has been provided to 28 October 2016 to small businesses that are not yet SuperStream ready.

## Pre-retirees: avoid 'too good to be true' tax schemes

The ATO has launched a new project called 'Super Scheme Smart', an initiative aimed at educating individuals about the potential pitfalls of 'retirement planning schemes', to keep them safe from risking their retirement nest egg.

According to the ATO, individuals most at risk are those approaching retirement, including anyone aged 50 or over, looking to put significant amounts of money into retirement, particularly self-managed super fund (SMSF) trustees, self-funded retirees, small business owners, company directors and individuals involved in property investment.

While retirement planning schemes can vary, there are some common features that people should be aware of.

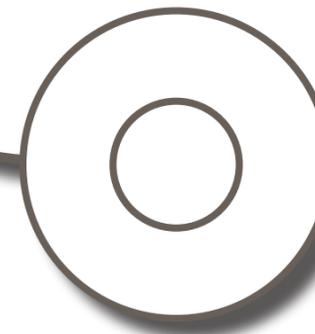
Usually these schemes:

- are artificially contrived and complex, usually connected with SMSF
- involve a lot of paper shuffling
- are designed to leave the taxpayer with minimal or zero tax, or even a tax refund
- aim to give a present day tax benefit by adopting the arrangement.

Individuals caught using an illegal scheme identified by the ATO may incur severe penalties under tax laws, which includes risking the loss of their retirement nest egg and also their rights as a trustee to manage and operate a SMSF.

I emphasise retirement planning makes good sense, provided it is carried out within the tax and superannuation laws. Make sure you are receiving ethical professional advice when undertaking retirement planning, and if in doubt, seek a second opinion from an independent, trusted and reputable expert.

We are always here to go through your retirement planning and strategies.



#### **Car depreciation limit for 2016/17**

The car limit is \$57,581 for the 2016/17 (up from \$57,466 for the previous year). The amount provides a limit on depreciation and GST input tax credit claims.

## Deductibility of gifts to clients and airport lounge memberships



**Gifts to clients:** The ATO has confirmed that a taxpayer carrying on business is generally entitled to a deduction for expenses incurred on a gift made to a former or current client, if the gift is characterised as being made for the purpose of producing future assessable income.

However, the expense may not always be deductible (for example, if the gift constitutes the provision of entertainment, that is not deductible). The ATO's recent determination also highlights that a deduction will be denied where expenditure on gifts is more accurately described as being 'private' in nature (for example, where a gift is provided to a relative outside a business' usual practice of providing client gifts).

**Airport lounge memberships:** This one has surprised us here at RLA! The ATO has confirmed the cost to a business taxpayer of a yearly airport lounge membership (such as Qantas Club or Virgin Lounge) that will be used by its employees is ordinarily deductible, and should not give rise to any FBT liability for the employer (even if the majority of {or indeed only} use of the airport lounge membership is for private purposes).