



NEWSLETTER

February 2024

A MESSAGE FROM THE DIRECTORS

It is hard to imagine, that it has almost been one year since we changed hands with Peter and Pauline at Globe Accounting. January has been a month of reflection. We have thought of the different challenges we faced, and the amazing relationships we created. We have been ecstatic joining and becoming involved with this community.

Namely, we have been thrilled to learn and watch from Peter and Pauline as they have stayed on board with us. The knowledge they and the staff have imparted to us has been invaluable, and we hope they have also learnt something from us. There have been so many individual triumphs within this last year and we cannot wait to share them with you.

We are also excited to announce the new staff we have had start 2024 with us. Andrew Catlow, Pauline Webb, and Bree Kyrwood are already becoming vital additions to our growing practice.

We will now be sending out a newsletter quarterly to update and inform you of our inhouse changes. More importantly, we also will use this form of communication to revisit and address upcoming and relevant tax legislation, Budget Reviews, and other events that occur through the year that require an additional explanation.

Specifically, we did want to highlight the redesigned Stage 3 tax cuts passed on Thursday last week. These changes will have a large effect and it is important that all taxpayers are informed of these changes. Please take the time to read the section on this matter.

We look forward to including you all in our 2024 year, giving you front row access to life at Globe Accounting.

Chris and Deb



AROUND THE GLOBE

ANDREW CATLOW

Andrew Catlow has had extensive experience within the Public Practice area of the accounting industry. He graduated with a Bachelor of Commerce in 1997 and is a current Fellow of CPA. He is a Darling Downs local, working as a partner for the past 20 years at a Toowoomba accounting practice. Apart from providing traditional accounting and taxation services, Andrew offers specialised advice and knowledge to rural and primary production clients.

BREE KYRWOOD

Bree hails from Brisbane and brings with her 8 years of extensive administration expertise and knowledge. Bree is our Practice Manager and is already busy at work assisting clients and staff. She is a motivated and outgoing individual ready to assist you with all your needs. We cannot wait for you all to meet her.



PAULINE WEBB

Pauline Webb graduated with a Bachelor of Commerce 18 years ago, and has worked locally as a Senior Accountant ever since. She provides a wealth of knowledge to the practice and specialises in small business and primary production accounting and taxation. She is a pillar of knowledge for Globe and we are looking forward to learning more from her.



AROUND THE GLOBE

JESSICA HENRY - CPA

We are enthralled to announce Jessica Henry is now a qualified CPA as of December 2023. Jessica has been with Globe since August 2017 and progressed through the ranks as she studied. She finished her Bachelor of Business & Commerce in November 2019. She is excited to continue her growth and development at Globe Accounting.



SHARRON DECOURCY - CPA

Sharron graduated last year as a CPA and is already putting her practice to great use. Sharron is a keen and eager student, always looking for a new challenge. Sharron's personal view is, "it is not just the numbers but the people behind the numbers". We are excited to watch Sharron continue her accounting and business advisory journey here at Globe.



KATE HAY - BACHELOR OF BUSINESS & COMMERCE

Kate has been with Globe Accounting for two years, and has worked within the administration and bookkeeping departments in this time. At the end of 2023, Kate graduated her Bachelor of Business & Commerce. She is looking forward to taking her next step as an accountant and learning from the senior team members at Globe Accounting.



DOWN TO BUSINESS

Redesigned Stage 3 Tax Cuts

The Government has announced that it will amend the already legislated Stage 3 tax cuts scheduled to commence on 1 July 2024. The intent of the redesigned Stage 3 tax cuts is to benefit lower income households that have been disproportionately impacted by the cost-of-living pressures.

First announced in the 2018-19 Federal Budget, the three-stage personal income tax plan was designed to address the issue of 'bracket creep'. While Stage 1 and Stage 2 have already introduced incremental changes from 1 July 2018 and 1 July 2020 onwards, it is Stage 3 that is now the subject of the proposed redesigned.

The proposed redesign to Stage 3 will result in all resident taxpayers with taxable income under \$146,486 (who would actually have an income tax liability) receiving a larger tax cut compared with the existing Stage 3 plan. for example:

- An individual with taxable income of \$40,000 will receive a tax cut of \$654, in contrast to receiving no tax cut under the current Stage 3 plan (but they are likely to have already benefited from the tax cuts at Stage 1 and Stage 2).
- An individual with taxable income of \$100,000 would receive a tax cut of \$2,179, which is \$804 more than under the current Stage 3 plan.

However, an individual earning \$200,000 will have the benefit of the Stage 3 plan reduced to around half of what was expected. from \$9,075 to \$4,529. There is still a benefit compared with current tax rates, but just not as much.

Comparing current, legislated, and redesigned Stage 3 tax rates for Australian resident taxpayers

Tax rate	2023-24	2024-25 legislated	2024-25 proposed
0%	\$0 - \$18,200	\$0 - \$18,200	\$0 - \$18,200
16%			\$18,201 - \$45,000
19%	\$18,201 - \$45,000	\$18,201 - \$45,000	
30%		\$45,001 - \$200,000	\$45,001 - \$135,000
32.5%	\$45,001 - \$120,000		
37%	\$120,001 - \$180,000		\$135,001 - \$190,000
45%	>\$180,000	>\$200,000	>\$190,000

There is additional relief for low-income earners with the Medicare Levy low-income thresholds expected to increase by 7.1% in line with inflation. It is expected that an individual will not start paying Medicare Levy until their income reaches \$26,000 and will not pay the full 2% until \$32,500 (for singles).

DOWN TO BUSINESS

INDIVIDUALS CLAIMING DEDUCTIONS FOR FINANCIAL ADVICE FEES

The ATO has released RD 2023/D4 which looks at when deductions can be claimed for fees paid for financial advice. The draft determination focuses on individuals who do not carry on a business and replaces TD 95/60 which was originally issued almost 30 years ago.

First, the ATO considers how the general deduction provisions in section 8-1 ITAA 1997 apply to financial advice fees.

Consistent with the ATO's original view, ongoing fees for financial advice in relation to an existing or ongoing income producing investment should normally be deductible under the general deduction provisions. This would include continuing advice on the suitability or performance of an individual's income producing investments that they already own.

On the other hand, deductions typically won't be available for financial advice fees under the general deduction provisions in the following circumstances:

- Fees relating to financial advice on new proposed investments that have yet to be purchased, including advice on whether such investments are suitable for the individual. These fees are considered either to be capital in nature or preliminary to the actual earning of assessable income (i.e., relate to putting the income earning investment in place).
- Fees for once-off financial advice that can be expected to provide an enduring benefit, such as advice on estate planning or advice on starting a self-managed superannuation fund. The issue is that these fees are normally considered capital in nature.
- Financial advice fees that are considered private in nature, such as advice related to household budgeting.

While this is largely consistent with the previous determination and doesn't represent a change in the ATO's position, the new draft determination has been broadened to also look at when tax (financial) advice fees provided by financial advisers could be deductible under section 25-5.

In broad terms, this section allows someone to claim deductions for fees paid for advice on a Commonwealth taxation law to the extent the advice relates to managing their tax affairs. However, there are some key issues that need to be considered.

First, the advice needs to be provided by a recognised tax adviser, which normally means in this context either a qualified tax relevant provider registered with ASIC or a tax or BAS agent registered with the Tax Practitioners Board.

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DOWN TO BUSINESS

INDIVIDUALS CLAIMING DEDUCTIONS FOR FINANCIAL ADVISER FEES

Continued.

Second, the advice needs to relate to managing that individual's tax affairs. The expenditure also can't be capital expenditure, although expenditure is not capital expenditure merely because the tax affairs concerned relates to matters of capital nature.

While the ATO considers that tax affairs include tax (financial) advice provided by a financial adviser under *Tax Agent Services Act 2009*, the warning is that not all advice provided by a financial adviser will qualify. Advice that won't qualify includes factual information about a financial product that does not actually involve applying or interpreting tax laws to the individual's personal circumstances.

The ATO makes the following observations when it comes to claiming deductions for financial advice fees:

- Where only part of the financial advice fee is deductible either under section 8-1 or section 25-5, a reasonable apportionment of the fee is required; *and*
- The individual should have sufficient evidence of the expenditure before claiming a deduction. For example, an invoice with the name of the financial adviser, the amount, an explanation of the advice, the date of when the expense was incurred, and the date when the invoice was produced should suffice as written evidence.

Lastly, while the draft determination does not consider the situation of financial advice fees being paid by a superannuation fund, it is important to be aware that Treasury recently issued draft legislation for consultation in this area. This draft legislation includes a proposed measure that ensures deductions are available for certain personal advice in relation to members when paid by their superannuation fund.

BOOKKEEPING SERVICES

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- BAS Validation and Lodgement
- Superannuation Lodgement
- Payroll Advice & Assistance
- Understanding and experience in Xero, MYOB Essentials, Quickbooks, Phoenix, Reckon, AccountRight and many more!
- Industry knowledge