

### Welcome to the 2016/17 Summer Edition of InFocus.

In this edition Alyson Garrett, Director CMS Private Advisory, discusses the digital disruption currently being felt in business and how this will affect our future generations. A thought provoking read indeed!

CMS Financial Planning give us insight to the importance of family succession planning and the importance of estate. Whilst it can be an uncomfortable topic, it is certainly important that you have appropriate estate planning in place.

BMT Tax Depreciation give us an overview of how you can increase your deductions for your rental property by preparing a tax depreciation schedule. This is a simple process that provides significant deductions, however is so often overlooked.

On a lighter note, we congratulate some of our clients that have recently received some awards within their industry. Wonderful recognition for a lot of hard work and perseverance.

We hope you enjoy the Summer 2016/2017 issue of CMS InFocus. We would like to take this opportunity to wish you and your family a Merry Christmas and a safe and prosperous New Year

### Digital Disruption: Educating the Future Workforce

As a mother of two young children and an accountant who is a keen futurist it is clear to me that we are in times of unprecedented change where the only certainty is uncertainty. So what does the future look like with the tsunami of digital disruption upon us and to come, especially for our children, their education and future careers.

*"We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten" - Bill Gates*

If you were born before the mid 1990's the internet and social media were non-existent (or hardly used), whereas the generations today are born into the digital age and this type of technology is commonplace to them. Let's look at how communication has changed in the last few decades from snail mail and land line telephones to instant communication through email, SMS, instant messaging, the internet and smart phones. The technological changes have been rapid and unrelenting.

These changes have disrupted industries and businesses. We have moved from the industrial revolution to now living in the automation revolution where anything that can be automated is being automated, ATM's replacing bank tellers, self-service checkouts replacing retail operators and so on. At this point you may well say that you liked things the way they were, but if history tells us anything it is that we must not have the attitude of 'We have always done it that way' as it will come at a cost. Who remembers Kodak? Or the Borders Bookstores? And Rest in Peace the beloved Blockbuster. The technological advancements are coming thick and fast and the pace of change has caused casualties but there are also winners. Now we have Netflix, Facebook, Google and Apple - these companies have

not been around very long but they have disrupted the industries they function in. They did things differently and they brought new ways of doing things which as a society we have collectively got on board with. Those that were not willing to change or did not see the writing on the wall were left behind and those that embraced it have seen success.

This type of business disruption ultimately leads to job disruption. Did you know that \$5 million Australians (40% of the Australian workforce) are estimated to be replaced by computers in the next 10-15 years (CEDA). These are our children's jobs! So how do we safeguard our children and provide them with the necessary skills to survive and thrive in the future workforce? The first step would be to think outside the box and not do things the same way we have always done them.

Automation and Artificial intelligence will be prevalent, which means our children will not be doing jobs that could be automated or learnt by computers. Our children will need to be able to harness technology, so digital know how will be important. Most people born into the digital age seem to intuitively have some level of digital know how, however it needs to be enhanced and this could be through DIGITAL CODING. I believe this will be an integral skill like reading or writing in the future. Good schools and educators are already starting to teach children these skills as part of their curriculum.

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## Digital Disruption: Educating the Future Workforce

There are however other skills that will be highly prized in the ever changing technological future and these need to be nurtured from a young age, such as INNOVATION, CREATIVITY, ENTREPRENEURSHIP and PROBLEM SOLVING. The ability to COMMUNICATE, CONNECT, LEAD and possess EMOTIONAL INTELLIGENCE will set those that possess these skills apart to enable them to reach higher levels of success. So how do we educate our children to possess these skills? A good start would be giving our children the time and space to nurture these skills through "GENIUS HOUR" at schools. Genius Hour is a time set apart for children to explore their passions and creativity and start the building blocks for creativity and problem solving encouraging adaptability whilst also doing something they enjoy.

Although it may not seem like much, it is these little changes from repetitive and rote learning to creative problem solving and increasing digital know how that will help equip our children to be prepared and successful for the future. Let's not underestimate the benefit of small changes now otherwise we may not be prepared for the larger changes ahead.

*by Alyson Garrett*

## 3 steps to a tax free Christmas

*OK, we know tax is not the most exciting thing to think about in the lead up to Christmas. But these are the questions we get asked all the time, and if you are familiar with all the tricks and traps, you can save yourself and your business hundreds if not thousands of dollars.*

### 1. Spontaneous, well thought through team gifts

The key to Christmas presents for your team is to keep the gift spontaneous, ad hoc, and from a tax perspective, below \$300 per person. \$300 is the minor benefit threshold for Fringe Benefits Tax (FBT) so anything at or above this level will mean that your Christmas generosity will result in a gift to the Tax Office as well at a rate of 47%. To qualify as a minor benefit, the gifts also have to be ad hoc - no once a month gym membership payments or giving the one person multiple gift vouchers amounting to \$300 or more.

### 2. The work Christmas party options

If you really want to avoid tax on your work Christmas party then host it in the office on a work day. This way, FBT is unlikely to apply regardless of how much you spend per person. Also, taxi travel that starts or finishes at an employee's place of work is also exempt from FBT. So, if you have a few team members that need to be loaded into a taxi after over indulging in Christmas cheer, the ride home is exempt from FBT.

## Client updates

*We would like to take the opportunity to highlight some of the recent achievements of our clients. Congratulations from all at CMS!*

Topiary Café won Best Contemporary Australian Restaurant and Best Breakfast - Metro North East in the State Savour Australia Restaurant & Catering Awards. They then went on to finish 2nd in the Best Contemporary Australian - Informal Restaurant and 3rd in the Best Breakfast Restaurant at the National Savour Australia Restaurant & Catering Awards.

As well as this, Kane was recently featured on the front page of Restaurant and Catering magazine, highlighting his visions for their restaurant.

***Congratulations to Pelly, Kane and all at Topiary, we can't wait to dine at the restaurant soon.***



***Fino Seppeltsfield won Maitre D'Manager - Overall Dining Experience at the recent State Savour Australia Restaurant & Catering Awards.***

FINO Seppeltsfield were also awarded one star in the 2017 Gourmet Traveller awards for the second year in a row. This a prestigious achievement and they are one of few restaurants in SA to be awarded a star. ***Well done Fino Seppeltsfield!***

*Michael Griffiths recently won Best Cabaret Performer at the Helpmann Awards for his portrayal of Cole Porter in his show Cole. A number of CMS staff attended one of Michael's Cole shows at the Fringe Festival this year and can attest that it is a wonderful production. Congratulations Michael and we look forward to your next show!*



If your work Christmas party is out of the office, keep the cost of your celebrations below \$300 per person. This way, you won't pay FBT because anything below \$300 per person is a minor benefit and exempt. Be careful though as the \$300 includes all the costs of the event so meals, drinks, entertainment, etc.

If the party is not held on your business premises then the taxi travel is taken to be a separate benefit from the party itself and any Christmas gifts you have provided. In theory, this means that if the cost of each item per person is below \$300 then the gift, party and taxi travel can all be FBT free. However, the total cost of all benefits provided to the employees needs to be taken into account in determining whether the benefits are minor.

If your business hosts slightly more extravagant parties and goes above the \$300 per person minor benefit limit, you will pay FBT but you can also claim a tax deduction for the cost of the event.

### 3. Give a charity a cash donation

Charities love cash. They don't have to spend any of their precious resources to receive it - unlike a lot of charity dinners, auctions, and promotional campaigns. And, from a tax perspective, it's the safest way to ensure that you or your business can claim a deduction for the full amount of the donation.

## A balancing act?

### Making sure you leave things right for your family

With our lives so full and busy it's easy to become preoccupied with your day-to-day tasks and forget about how important it is to have a complete and holistic financial plan.

It has become more important than ever to revisit your estate plans with a qualified financial professional because you never know when your estate plans will need to be executed.

In times of market turbulence, the fluctuating Australian dollar and a housing market that some claim to be in a 'bubble', people tend to focus on how their other assets such as property or share portfolio are performing. However, if your estate includes a share-based portfolio, chances are it could be disturbed at any time, in a volatile market, and this could have an impact on your estate plans.

For example, if you planned to leave your share portfolio to one loved one and property to another, the shares may no longer represent the value they once did. This could lead to unfair treatment of your beneficiaries or even cause family disputes over your shrunken estate after you've gone. Having a good family succession plan can address some of these issues.

Of course, market volatility is an ever-present part of the investment cycle and history has shown that shares more than recover over time. But you can never be too careful, especially if you're older or in poor health.

After all, what if something were to happen to you before the share market recovered?

Seeking advice from a qualified financial adviser who can offer guidance to help you to rebalance your estate plan to reflect your wishes can be a smart move.

Of course there is a lot more to family succession planning than a basic Will. Other things to think about are covering debts, structuring your assets to avoid additional tax and capital gains liabilities, securing your Will against claims on your estate and your levels of insurance cover.

Many super fund members also have binding death nominations to consider, specifying which of their dependants will receive their super death benefits after they've gone.

More often than not, super will be largely share-based, you should take this into account compensate the beneficiary if appropriate.

One of the major effects of falling share portfolios on family succession planning is that there is less to go around. However, one clever way to compensate beneficiaries, who are to receive your share portfolio or super rather than other assets, could be to increase your life insurance cover.

Family succession planning is an important part of any financial plan and if done correctly could avoid a lot of heartbreak for loved ones after you've gone. If you have a share portfolio,

managed investment fund or a lot of super in share-based assets, now is the perfect time to see your financial adviser to help you get the balance right.

*For more information, or an obligation-free appointment, call John Flanagan from our office on 8407 1333.*

*This editorial does not consider your personal circumstances and is general advice only. You should not act on any recommendation without considering your personal needs, circumstances and objectives. We recommend you obtain professional financial advice specific to your circumstances.*

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## Reminder to update your 2016/2017 Tax Tables

Post 1 July 2016 the Australian Government has increased the 32.5% tax threshold from \$80,000 to \$87,000 for the 2016/2017 year.

This means that for all employers as of 1 October 2016 new tax tables were released and need to be used from this date onwards.

If you use Xero as a software package, this would have been changed automatically. If you use MYOB you should have been provided with an update to run on your software. If you are manually calculating the PAYGW for you employees you can download the new tax tables at [ato.gov.au/taxtables](http://ato.gov.au/taxtables)

You don't need to make any other adjustments or refunds as the ATO will refund any over-payment of tax when your employees (and payees) lodge their 2016-17 income tax returns.

## Save with property depreciation

Every owner of an income producing investment property is eligible for significant taxation benefits in the form of property depreciation.

Despite this, according to BMT Tax Depreciation's Chief Executive Officer Bradley Beer, eighty per cent of property investors fail to claim depreciation and therefore miss out on thousands of dollars.

"Investors can generally claim between \$5,000 and \$10,000 in deductions in their first year's depreciation claim," says Bradley.

This is no small amount, so for investors wondering what depreciation is and how to claim it, we'll explain.

Australian Tax Office (ATO) legislation allows investors to claim a deduction for the decline of a building structure (capital works deduction) and the depreciation of plant and equipment items contained in an investment property.

Both new and older properties attract depreciation. Although the ATO restricts owners of older residential properties on claiming capital works for buildings in which construction commenced prior to the 15th of September 1987, depreciation of plant and equipment can be claimed regardless of a buildings age. Property owners may also be able to claim deductions for any recent renovations, even those completed by a previous owner.



To find out what depreciation deductions can be claimed for a property, consult with a specialist Quantity Surveyor such as BMT Tax Depreciation. They will perform a site inspection and complete a tax depreciation schedule.

**You can speak with one of the expert staff at BMT by phoning 1300 728 726. Article provided by BMT Tax Depreciation. Bradley Beer (B. Con. Mgt, AAIQS, MRICS, AVAA) is the Chief Executive Officer of BMT Tax Depreciation.**

**Please contact 1300 728 726 or visit [www.bmtqs.com.au](http://www.bmtqs.com.au) for an Australia-wide service.**

## Staff News

*The Directors and Staff of CMS will be pausing for some much needed rest and relaxation over the Christmas period.*

**The CMS Office will be closed from 11.30 am on Thursday, 22nd December 2016 and will reopen for usual business hours on Wednesday, 4th January 2017.**

This year we have again decided to make a donation to the Royal Flying Doctors Service instead of sending out Christmas cards. The RFDS is an invaluable Australian Charity helping rural patients get the medical care they need.

For future information on the services of the RFDS please visit [www.flyingdoctor.org.au](http://www.flyingdoctor.org.au).

Congratulations to Rhett Fraser and Olivia Goldfinch who have successfully completed two CA subjects this year and we wish them good luck for their upcoming exam.

CMS has recently welcomed a new staff member, Amelia Braund as receptionist in July 2016, Amelia joins us after having returned to Adelaide from NSW. Amelia has previously worked in Reception in a local automotive dealership.

Amelia joined us after we farewelled Stephanie Grygorcewicz. Stephanie has started full time study at University and we wish her every success in her new endeavours.



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