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ClientFocus

Quarter 1, 2015/16

Welcome to the Quarter 1 edition of the 2016 financial year ClientFocus newsletter.

The start of the financial year has been and gone and we are already at the end of the first quarter of the financial year which has just flown by.

It has been a tough environment out there the last few months although there are still opportunities out there to be taken. As the American poet Walt Whitman once said, "Keep your face always toward the sunshine, and the shadows will fall behind you."

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## Key Dates

**October**
21st – September monthly BAS/IAS due
28th – Qtr 1 BAS Due
28th – Qtr 3 Super Guarantee Due

**November**
21st – October monthly BAS/IAS due
25th – Qtr 1 BAS Due (tax agent portal)

**December**
21st – November monthly BAS/IAS due

## Taxing children's savings accounts: Whose money is it?

Back in the 80s, people could reduce tax by having their money in bank accounts belonging to their kids. In 1988, the Tax Office intervened for its position by issuing guidance.

Parents cannot pass off their money as mere pocket money for the kids in order to avoid paying tax on interest they earn.

Children must "own" the money in their bank accounts. It does not matter if parents, relatives or friends put it there; money deposited as a gift or as payment for some kind of informal work must belong solely to the child (under 18 years old).

If a parent uses a child's bank account as a through-point for income, any interest generated must be included in the parent's tax return.

It is worth noting that kid's bank accounts have a tax-free threshold of $416 per income year, but once the threshold is exceeded, interest is taxed at 66%. In addition, once more than $1,307, it is the top marginal rate.

If a child's bank account balance exceeds $416 — and the **balance belongs solely to the child** — the interest accrued on that money must be included in a tax return. In most cases, that is a parental responsibility.

The Tax Office says, "As a general rule, where the Taxation Office is satisfied that the money in the account really belongs to the child, it will not insist on a strict application of the trust provisions of the Income Tax Assessment Act where the account is operated by a parent as trustee. Where the interest is shown in a tax return lodged by a child a trust tax return will not be necessary."

In most cases, parents operate their children's bank accounts. In these circumstances, the parents act as trustees — making withdrawals and deposits on behalf of the child. They will therefore need to lodge the necessary paperwork when tax time rolls around.

Say the parents of one-year-old Will open an account on his behalf and deposit $20,000 as university savings. It is technically Will's money, he will earn interest on it, and he will be taxed on it. However, he cannot fill out his own tax return. Essentially, he is a beneficiary with his parents acting as trustee.

# NEW Client Portal – Digital Signing of Documents

We are pleased to announce that Giles Partners has a new client portal, which went live in the last week of September. This new portal will be available to all clients and will bring the signing of documents into the digital era.

The ATO have approved the digital method of signing documents for tax returns, which includes a time stamp on all documents signed. This will allow clients to securely access their documents from any location they have an internet connected computer or mobile device and sign documents without having to print any hard copies meaning we are also helping the environment along the way.

Once a document has been published onto the portal, you will receive a notification via email to alert you and instructions if signing is required.

Please note that the portal software is licensed through MYOB, however you will neither have to own a retail MYOB product or be required to purchase a MYOB product to access your own dedicated portal. You will however be required to sign up so you have your own dedicated and secure access.

This will be an optional service and those that prefer hard copies will still have this option available to you.

# The Deductible Coffee

Did you know providing morning and afternoon teas and light refreshments to employees (or their "associates") at the employer's business premises or worksite is tax-deductible to the employer. The same applies if the business provides such refreshments to visitors.

The Australian Taxation Office has ruled that this is not "entertainment". If the business has no employees (for example, a partnership), claims for light refreshments are not allowed unless they are also provided to visitors.

## Contact Us

If you have any questions regarding any of the above, or any other matter, please do not hesitate to contact the office on 08 9322 5366 or by way of email at the following addresses.


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