

# TAX MATTERS

for

# GRAIN GROWERS

PETER HAYES



PETER HAYES & ASSOCIATES  
CHARTERED ACCOUNTANT

# GENERAL ADVICE WARNING

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**I Peter Hayes as the Holder of an AFS Licence #484815 must warn you that:**

This advice is general and does not take into account your objectives, financial situation or needs. You should therefore consider the appropriateness of the advice, in light of your own objectives, financial situation or needs, before following the advice. Before you make any decision about whether to acquire a particular financial product, you should obtain a copy of, and consider, the relevant product disclosure statement for that product.



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# SMALL BUSINESS CONCESSIONS

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## TURNOVER < \$2M / ASSETS < \$6M

- » CGT
- » 15 year Rule
  - > Hold Active Asset by significant individual for 15 years
  - > Must be over 55 years and in connection with your retirement
  - > Must have a significant event
    - Alzheimers
    - Other Event - Unwell
  - > Out of the business
- » Retirement Exemption Cap
  - > \$500k per person
  - > Must be an Active Asset

## ASSETS < \$6M

- » Exclude Super
- » Exclude Own Home
- » Exclude Personal Assets

## TURNOVER < \$10M

- » Depreciation / Small Business Pools / Asset Write Off < \$20k
- » Immediate deduction for prepaid expenses e.g. Rent



# MANAGING TAX

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## TURNOVER < \$2M

- » All income in one year
- » Estimate of optimum tax position to cover
  - > Children's Family Tax Benefit
  - > Parents' Super Contribution \$30k-\$35k
  - > Other income off farm
  - > Maintain income threshold

## IF TURNOVER > \$2M THEN

- » Surplus into FMDs
- » Then next year defer surplus harvest to following year
- » Withdraw FMD's to top up cash
- » Must be under \$2m to use Small Business CGT Concessions



# MANAGING TAX

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## BUSINESS RESTRUCTURE

- » Land in Trusts  
1996 Value \$1,000,000
- » Net worth \$11m
- » Capital Gain \$10m
- » General Discount 50% \$5m
- » Tax \$2.5m
- » Or NOTHING!



## HOW TO SAVE \$2-\$5M TAX

- » Licensed Valuation
- » New Trust
- » New SMSF
- » Turnover under \$2m
- » No Tax
- » No Stamp Duty
- » 15 year Rule  
or
- » Retirement Exemption  
\$500k and  
Section 292-100 Election



# SMSF FOR FARMERS

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- » Use Concessional Contribution \$30k or \$35k
- » Non-Concessional \$180k or 3 x \$180k = \$540k
- » S 292-100 for Capital Gains \$1.415m
- » Rent 5% or 30% of turnover in good year
  
- » Pensions – Transitional to Retirement
  - > 4%-10% 55-60 Taxable
  - > 4%-10% 60-65 Not Taxable
  - > 5% → 65 → Not Taxable
- » Rules changing from July 2017
  - > Super Income taxable if taking a TRIS
- » Tax Plan to pay off debt if under Pension Age
  - > Roll existing Super into new SMSF
  - > Sell a block of land to your new SMSF
  - > Pay out the rolled over Super \$\$ in the SMSF for the farm to yourself
  - > Use that cash to pay off
    - Beach House
    - Home in Adelaide
    - Farm Debt



# NEW ADVISOR RULES

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- » 203 Accountants in Australia now registered to be able to give Super advice and Tax advice
- » Thought 30,000 Accountants would
- » If Accountants who are not Licensed as AFS Licensees then face \$220,000 fine

**RULES**



# BUSINESS ASSET STUDY

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## DIVORCE

- » Prenuptial Agreement
- » Don't own or control anything

## TRUST

- » Trust Deed appoints children on death of parents
- » Not Trustees or Appointors
- » Write off Beneficiaries Accounts each year

## PREMATURE DEATH

- » Binding Death Benefit Nominations in SMSF
- » Have Good Structures
- » Partnership Agreements





# CONCLUSION

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- » Look at Business Structures
- » Manage Harvest and Tax Planning and Turnover?
- » Consider Succession Planning for all farming generations – parents and children
- » Consider Restructure
  - > Asset Protection
  - > Wills, POA and Medical Directive
  - > Trusts and SMSF and P/S as the appropriate package
- » Act now, it will take 3-4 months – much better to use Non-Concessional Caps now.  
After June:
  - > Concessional \$25k
  - > Non-Concessional \$100k or \$300k bring forward



# THANK YOU

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