

June Newsletter 2013

Contents

- Tax Planning Checklist
- Saving you on Workcover
- Take advantage of low interest rates
- The Budget - *Swan Song?*
- Reviewing Capital Expenditure Requirements
- On a Light-Hearted Note...

End of Financial Year Newsletter

The end of the tax year is almost here!

This Quarterly Newsletter is focussing heavily on a range of end-of-year strategies that you may wish to consider for your own personal, business or SMSF returns.

Please take a good look at the End of Financial Year Tax Planning Checklist and be sure to contact us with any queries.

We hope you enjoy our Newsletter, and urge you to call us for personal advice if there is any area that you need to discuss in respect to your accounting or tax affairs prior to June 30th.



Tax Planning Checklist

Please consider the following Tax Planning items listed below, which, if relevant to you should be actioned before 30 June 2013.



Capital Gains Tax

Review your asset register, both personal and business, to assess any capital gains which you have made which will be taxable without set-off taxable losses. Realised capital losses are able to be offset against realised capital gains to reduce tax, however, this needs to be done in the same financial year.



Donations and Allowable Deductions

Donations or gifts to approved organisations and charities are tax deductible and can reduce your taxation liabilities. If you're thinking about this we can let you know where you currently stand regarding those liabilities.

Expenses that are incurred before year end can reduce taxable income. Consider up and coming liabilities and the value in incurring them before year end.



Deferral of Income

It is worth considering whether assessable income can be deferred to the 2014 income year. This requires careful consideration and should be discussed with your accountant.



Pre-payments

In limited circumstances an immediate deduction is available for non-business prepaid expenditure (eg. interest on investments). IT28 loans are still available where you can prepay interest for one year and gain the deduction for the interest paid.



Salary Sacrifice into Superannuation

You may be able to optimise your tax position by salary sacrificing any end of year bonus into super. There are important considerations that need to be addressed in this regard to ensure it is tax effective and to ensure contribution caps are not breached.



Superannuation Income and Transition to Retirement Income Streams

Individuals aged over 60 will not be taxed on any payments from a superannuation fund. Individuals aged between 55 and 60, will generally be taxed concessionaly.

If you are 55 or older at 30 June 2013, you may be eligible to commence a 'Transition to Retirement' pension. Benefits may include:

- receiving pension income while still working
- ability to salary sacrifice to superannuation to access lower tax rates
- concessional tax treatment within your super fund



Superannuation – Non-concessional Contributions

Non-concessional contributions can be made up to \$150,000 pa or a total of \$450,000 on a bring forward basis over a 3-year period.



Superannuation – rebate

A rebate of up to \$540 is available for superannuation contributions made during the 2013 year for your spouse where your spouse's income is less than \$10,800 pa (this rebate reduces for income amounts up to \$13,800 pa)



Superannuation – Personal Deductions

You should check that the total of your personal contributions (for which you are eligible to claim a tax deduction) and any employer contributions during the income year do not exceed \$25,000. Otherwise excess contributions tax will apply. To be deductible in 2013:

- you must be under 75
- the amount you earn as an employee must be less than 10% of your combined assessable income, reportable fringe benefits and reportable superannuation contributions
- contributions must be made by 30 June 2013
- you must notify the trustee of your fund in writing of your intention to claim a deduction



Superannuation – Government Co-Contribution

The maximum co-contribution amount that you can receive is \$500. This is reduced by 3.33 cents for each \$1 of income over \$31,920 pa up to \$46,920 pa. Note that legislation to reflect these contribution and threshold figures has not yet been enacted. As there are also other qualifying criteria, you should therefore contact us if you wish to access this benefit in 2013.

Please call our office to discuss any of these planning issues or to arrange completion of your tax return.

Low income earners

An increase in the tax-free threshold to \$18,200, together with a restructuring of the marginal rates and low income tax offset, means that some low income earners will not need to lodge income tax returns for the 2013 income year.

Medical Expenses Rebate

The minimum threshold for the 2012/13 year has increased. To be eligible for a 20% tax offset, net medical expenses must exceed \$2,120 pa (the offset is calculated as 20% of the excess over \$2,120).

Please note that for singles earning more than \$84,000 or couples earning more than \$168,000 the net medical expenses must exceed \$5,000 and the offset is at a rate of 10% on the out of pocket expenses in excess of \$5,000.

Medicare Levy Surcharge (MLS) and Private Health Insurance rebate (PHIR)

The thresholds for the imposition of the MLS (if not covered by private hospital insurance) are broadly as follows:

- singles (no dependants) - \$84,000 pa
- families - \$168,000 pa (plus \$1,500 for each dependant child after the first)

Note that there are a number of income amounts such as reportable fringe benefits, reportable superannuation contributions and investment losses counted in testing against the thresholds.

Please note that there is a 'tiered' system for calculating MLS for the first time in the 2013 income year. The rate of MLS will be between 1% and 1.5% depending on the extent to which income exceeds the above thresholds.

In addition, the PHIR is also means tested in the 2013 income year under a 'tiered' system. The rate of rebate will be between 0% and 30% depending on income levels. This means some taxpayers who have claimed a full 30% rebate from their health insurance provider on their premiums will have an additional liability on lodgement of their return.

Saving You on WorkCover



If you have the wrong WorkCover classification for your business you could be paying too much WorkCover premium.

If you answer YES to any of the following since you last reviewed your WorkCover it may be worth checking:

- Have you have bought or sold a business
- Changed the nature or location of your business
- Changed the services or products you provide
- Changed how you produce your services or products
- Changed how you provide your services or products
- Changed the activities carried out in your workplace

You can apply to split your workplace on your WorkSafe insurance and save when:

- Your workplace is comprised of two or more physically distinct areas
- The main activity carried on in each of those areas is different

You cannot split your workplace if your main business activity includes:

- Clerical services
- Management services
- Administrative services
- Sales and marketing services
- Warehousing services associated with manufacturing, wholesaling or retailing

For further information contact your local WorkCover agent or call our office for a chat.

Take advantage of low interest rates

One area worth thinking about is the consideration of capital expenditure and taking advantage of the current competitive interest rates.

Interest rates dropped again in May, and far too many clients are paying well above market interest rates on existing home loans, or do not have their investment loans, or business loans set up in the right loan structure to maximise the deductible tax benefits.

Labor Treasurer, Wayne Swan, suggests shopping around to get the best deal to keep the big 4 Banks honest, so too do we.

If you want to make a legitimate tax claim on the interest expense of a finance product, you need to ensure the tax paying entity gets the right product, the right rate and the right advice.

The Budget – *Swan Song?*

The 2013–14 Budget has come and gone with very little fuss.

The Treasurer's words were based around providing a fairer, stronger, smarter money management process, where the Greens leader called it weaker, dumber, and meaner in her interviews.

The Liberals really kept relatively quiet on the facts and figures leaving it to the press to accolade or tear apart the content.

The Key facts and figures are set out below:

- The treasurer is predicting growth of 2.75% in 2014, with a return to 3% growth in the 2015, 2016, and 2017 years
- The total government debt is expected to peak at 11.4% of the economies GDP before returning a trading surplus begins to repay it in 2016 and beyond
- The unemployment rate is predicted to peak at 5.75%
- The tax rates are unchanged however the Medicare levy is increasing from 1.5% to 2% starting July 1 2013.
- The tax rates excluding the Medicare levy are

\$0 to \$18,200	Nil
\$18,201 to \$37,000	19%
\$37,001 to \$80,000	32.5%
\$80,001 to \$180,000	37%
\$180,001 +	45%

- The tax deduction for education expenses will now be capped at \$2,000.
- Families will see the baby bonus scrapped from March 2014 (9 months from the announcement date) but see the Family tax benefit A increased y \$2000 for the first child and \$1000 for each child thereafter.
- Family tax benefit B will be frozen and not rise with inflation as it had done previously.
- Business will see an impact on cash flows with the PAYG shifted to monthly for more.

- The Gonsky program for our schools will see \$ 600m being granted to assist pre schools and \$300m granted to fund more child care workers.
- Carbon Tax will be set at \$12.10 per tonne of carbon by 2, as a link to the European pricing despite the current actual price in most of Europe being closer to the \$4 per tonne mark.
- Roads and rail will see \$24bn of assistance granted to the states between 2014, and 2019 with the majority of the projects planned in capital cities and some of the larger regional centres.
- The health care sector was one of winners in this years budget with \$66bn of funding allocated for the much publicised disability reform, this is being partly funded by the increase in revenue from Medicare, Health insurance rebates and superannuation changes.
- The tax office has had an increase to funding with \$68m over the next 4 years going in to increase compliance and reduce tax avoidance; we expect to see an increase in audits and a greater focus surveillance of trust structures.
- On the super front, will pay \$500 in to a tax payer's super account if the taxable income of that person is below \$37,000; however the co-contribution benefits previously enjoyed are being pulled back.
- From July 1 2013 those over 60 will see the Concessional contribution cap reduced to \$35,000, and those over 50 this will have it reduced to that level from July 1 2014.
- For those lucky enough to have earnings on their super during the income phase, the tax on earnings above \$100,000 from that date will rise from Nil to 15%.
- Those with earnings below \$100,000 will continue to pay nil tax on super earnings once in the income/retirement phase.
- New start has had little change, however those on new start are now allowed to earn up to \$1000 per annum.

Reviewing Capital Expenditure Requirements

A popular business planning tool is to assess pre-June 30 if there is any capital expenditure requirements the business requires in the coming year and bring them forward in to this financial year.

If you are considering replacing vehicles, purchasing new machinery, equipment or even office refurbishment, assess whether it is more effective to make the purchases pre-June 30, or for the business to delay the purchase of these items until the next financial year.

Generally speaking if you are having a very profitable year, it may be an idea to consider bringing these expenditure items forward.

Using a Finance Broker that is not owned by one of the major banks, and is independent of the products they recommend can be vital in this process, and save you time and interest.

Car dealers or the local bank are often 2-3% above the market on vehicle and equipment rates. As an example, the rate for a client wanting to purchase a new truck for \$90,000 with no deposit was just under 7%, this compared to the dealer rate of 9.8%. Over the 4 years of the lease the difference was a staggering \$11,000 in payments.

If you don't have a Broker, or want to discuss your own capital expenditure equation call our office and we can help guide you in the right direction.

On a Light-Hearted Note

The driver, a young man in a Brioni suit, Gucci shoes, Ray Ban sunglasses and YSL tie, leaned out the window and asked the old man, 'If I tell you exactly how many cows and calves you have in your herd, will you give me a calf?'

The old man looks at the young man, then looks at his peacefully grazing herd and calmly answers, 'Sure, why not?'

The young man parks his car, whips out his Dell notebook computer, connects it to his Cingula RAZR V3 cell phone, and surfs to a NASA page on the Internet, where he calls up a GPS satellite to get an exact fix on his location which he then feeds to another NASA satellite that scans the area in an ultra-high-resolution photo.

He then opens the digital photo in Adobe Photoshop and exports it to an image processing facility in Hamburg, Germany.....

Within seconds, he receives an email on his Palm Pilot that the image has been processed and the data stored. He then accesses an MS-SQL database through an ODBC connected Excel spreadsheet with email on his Blackberry and, after a few minutes, receives a response.

Finally, he prints out a full-colour, 150-page report on his hi-tech, miniaturized HP LaserJet printer, turns to the old man and says, 'You have exactly 1,586 cows and calves.'

'That's right. Well, you'll be helping yourself to one of me calves, then, since you won it fair and square.' says the old man.

He watches the smartly dressed young man select one of the animals and looks on with amusement as he gingerly picks it up & stuffs it into the boot of his car.

As the young man is carefully brushing the dust & hair off his suit, the old man says, 'Hey, if I can tell you exactly what work you do & where you come from, will you give me back my calf?'

The young man thinks about it for a second, wondering what this wrinkled up dirt encrusted uneducated old man could possibly know? He grins and then says, 'Okay, old fella, why not? I'm a believer in fair play.'

'You're a politician & you work in Canberra.' says the old timer.

'Wow! That's correct,' says the young man, *'but, tells me how on earth did you guess that?'*

'No guessing required' answered the old man. *'You showed up here even though nobody called you. You want to get paid for an answer I already knew, to a question I never asked. You used millions of dollars worth of equipment trying to show me how much smarter than me you are. And you don't know a thing about how working people make a living - or about cows, for that matter. This is a herd of sheep.'*

Now give me back my dog!'

