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June 2013 Update

According to our last newsletter we should be sitting in new offices. Well unfortunately we are not. One of our mottoes is that 'consequences can't always be predicted'. In our case dealing with council couldn't be predicted. This held us up and hence the plans have been delayed to the Christmas/ New Year period for the office extension and renovations.

In life and or business the hard things often get left unattended and the consequences of this are not know or felt until after the event.

For some this may be getting your wills done, succession planning, retirement planning, expansion or contraction of your business or just making that hard decision that frees you mentally or financially to grow. What ever this is in your life or business we encourage you to tackle it head on and deal with it prior to the New Year.

As business advisors we see ourselves as encouragers and participators in the change process. We are often well placed to help with the thinking and referral to other resources required for the project. Whilst there is no one solution to all situations they do have common points they need to pass through. They are:

- Identify and formally document the situation
- Develop an action plan and identify the resources required to progress the issue
- Put in place accountability and a time line to achieve things by
- Create thinking time/events where you can 'nut it out'
- Discuss and document
- Implement and apply the changes

If we can be of assistance with the issue that's in your too hard basket we are only to happy to help. And remember 'consequences can't always be predicted'.

Michael Van Dyk and Jarrad Newbold

Facebook

Please like our Facebook page so that we can keep you up to date with all things tax in a timely manner. A link to this page can be found on our web page or at the bottom of any emails we send.

Staff News

We are pleased to welcome back Donna from her maternity leave.

Superannuation changes for Employers

From 1 July 2013, the super guarantee rate is going up from 9% to 9.25% (and the rate will increase gradually over 7 years to 12% by 2019).

Also, from 1 July 2013, the upper age limit for paying super for an employee has been removed, meaning that there will no longer be a maximum age for super guarantee eligibility. Employers with eligible employees aged 70 years or older will need to make super contributions to their super funds from 1 July 2013.

Super funds will also be allowed to start providing a new type of super account called 'MySuper' from 1 July 2013, which will replace existing default accounts offered by super funds (a default fund account is one chosen by an employer for an employee who does not choose their own super fund). Therefore, it may be a good idea for employers to check with their current default fund to find out whether they will be offering a MySuper account.

Bank account details for Tax Refunds

According to the ATO, the fastest, most secure way to receive a tax refund is to have it paid directly into a nominated Australian bank account using electronic funds transfer (EFT).

From 1 July 2013, individual tax returns will require bank account details, including BSB and account number, to be entered, where a refund is expected.

Joint accounts and trust accounts will be acceptable.

While the ATO have not announced what will happen if bank details are not provided, we believe this will lead to delays in the issuing of refunds.

Budget 2013/14

The Government handed down the 2013/14 Budget on 14 May 2013. Most of the tax and superannuation measures had already been previously announced, but a few of the new measures include the following:

- The government will defer the personal income tax cuts that were to commence from 1 July 2015 (i.e., by raising the tax-free threshold from $18,200 to $19,400);
- From 1 July 2014, the government will increase the Medicare levy by 0.5% from 1.5% to 2% to

provide funding for DisabilityCare Australia (i.e. the national disability insurance scheme);
- From 1 July 2014, the non-primary production threshold for farm management deposits (FMDs) will be increased from $65,000 to $100,000 (i.e. this means that primary producers will be able to claim deductions for FMDs where their non-primary production income does not exceed $100,000);
- From 1 March 2014, the Baby Bonus will no longer be available. Instead, families eligible for Family Tax Benefit (FTB) Part A will receive an additional loading on their family payments when they have a new baby (if they are not accessing the Government's Paid Parental Leave scheme), totalling $2,000 for the first child (and all multiple births) and $1,000 for subsequent children; and
- The government will phase out the net medical expenses tax offset, although there will be transitional arrangements for those currently claiming the offset.

Company loss carry-back rules

Legislation has now been tabled to introduce the new company loss 'carry-back' rules. This may be of real benefit to corporate clients who are unfortunate enough to incur losses in the 2012/13 year onwards.

Basically, the provisions operate as follows:

- Start day is 1 July 2012;
- A one year carry-back applies for 2012/13 tax losses;
- Up to $1 million worth of tax losses are subject to 'carry-back' each year for a company to receive a refund of tax paid in a prior year, providing a cash benefit of up to $300,000 a year (i.e. 30% company tax rate x $1 million);
- The measure only applies to tax (i.e. revenue) losses of a company and not to capital losses;
- An integrity rule will deny companies access to the new rules where there is a change in the control of the company to take advantage of the new rules; and
- Tax losses carried-back are limited to the franking account balance of the company.

Changes to Self-education expenses

The Government has announced that it will "better target work related self-education expense deductions" by introducing an annual cap on deductions for such expenses from 1 July 2014 of $2,000 a person.

Education expenses include formal qualifications and associated tuition fees, textbooks, stationery and travel expenses and also conferences, seminars and self-organised study tours.

However, employers that provide education and training to their employees will continue to have this excluded from any liability for fringe benefits tax (FBT) unless an employee salary sacrifices to obtain these benefits.

Cars still on ATO's FBT radar

The ATO has been reviewing car fringe benefits and using third-party data, has identified and contacted 5,000 employers who may have an unreported FBT liability.

Due to the success of this, the ATO plans to contact another 10,000 employers by letter in 2013, and has reminded employers that:

- if they make a car available to their employees for private use, they'll probably have an FBT liability;
- if a car is garaged at home, it is *taken to be* available for private use; and
- travel to and from work is generally considered private use.

While we generally attend to this as part of your end tax work, if you have any queries or concerns in this area, please contact us.

Cents per Kilometre Rate for 2012/13

The Tax Office has announced that the cents per km rates for claiming business kilometres for 2012/13, based on engine size, are as follows:

Non Rotary Engine	Rotary Engine	Rate Per Km
Up to 1,600cc	Up to 800cc	63 cents
1,601 to 2,600cc	801 to 1,300cc	74 cents
Over 2,600cc	Over 1,300cc	75 cents

Please note that these rates have remained unchanged from the 2011/12 year.

Proposed changes to superannuation

The Government has announced that it plans to make the following changes to the superannuation laws (in addition to other changes already made, such as the progressive increase in the superannuation guarantee rate from 9% to 12%):

- cap the tax exemption for earnings on superannuation assets supporting pensions at $100,000, with a concessional tax rate of 15% applying thereafter, and apply the same treatment to defined benefit funds;
- provide a higher $35,000 concessional contributions cap to people aged 60 and over from 1 July 2013, and to individuals aged 50 and over from 1 July 2014;
- reform the treatment of concessional contributions in excess of the annual cap;

- extend the normal deeming rules (for social security purposes) to superannuation account-based income streams;
- extend concessional tax treatment to deferred lifetime annuities; and
- further reform the arrangements for lost superannuation.

The super fund pension exemption extended after death of recipient

Clients with a self managed super fund (SMSF) should be aware that, if the fund pays a pension, income from the assets supporting the pension can be exempt from tax. However, if the pension ceases, this generally means that the pension exemption also ceases.

The government has introduced changes to the law to ensure that a super fund's investment earnings that were supporting a pension will continue to be tax exempt, following the death of the pension recipient, until the benefits are paid out of the fund – as long as the benefits are paid out as soon as practicable.

The measure will apply to the 2012/13 and later income years.

Changes to the SMSF Levy

The government recently announced that it will reform the supervisory levy arrangements for SMSFs by:

- increasing the levy from $191 in 2012/13 to $259 per year from 2013/14 onwards; and
- bringing the payment of the levy forward so it is levied and collected in the same year of income.

This will be phased in over 2013/14 and 2014/15, to give SMSFs time to adjust.

New rules for trustees of SMSFs

The ATO has issued a reminder that new regulations apply to self-managed superannuation funds (SMSFs) from the 2012/13 income year. They require trustees of SMSFs to:

- value the fund's assets at their market value for the purpose of preparing financial accounts and statements of the fund;
- consider insurance for their members as part of the fund's investment strategy; and
- review the fund's investment strategy on a regular basis.

Trustees who fail to comply with these requirements may be subject to penalties.

ATO given more powers to deal with non-compliance

Trustees have always been required to keep the money and other assets of the SMSF separate from those held by the trustee personally

A regulation has now made this requirement an 'operating standard', which means the ATO now has the power to enforce compliance. Contraventions may result in a fine of up to 100 penalty units.

New superannuation legislation

The Government has introduced further legislation to implement further 'Stronger Super' reforms. Currently, there are no specific promoter penalties under the superannuation law in relation to illegal early release schemes.

An early release scheme occurs when some people, wrongly, advise members that they can get access to their superannuation earlier, which is illegal, but the promoters can get away scot-free while the member gets penalised.

Under the proposed new laws, promoters of illegal early release schemes will face civil and criminal penalties including a fine of up to $340,000 and/or imprisonment of up to 5 years.

Other reforms introduced include:

- taxing superannuation benefits that are accessed illegally at the rate of 45%;
- giving the ATO effective, flexible and proportionate powers to address wrongdoing and non-compliance by SMSF trustees (e.g., by issuing them with personal fines, or directing them to undertake certain actions); and
- capturing roll-overs to SMSFs as a designated service under the Anti-Money Laundering and Counter-Terrorism Financing Act 2006, to ensure superannuation benefits are not being used for illicit purposes.

End of Year Tax Planning Opportunities

At this time of year, it is a good time to consider methods to reduce profit and the amount of tax to be paid. Following are some suggestions on how to reduce your income and tax payable before the end of the year.

Defer Income and Prepay Expenses

To reduce profit for the year, before year end you should consider:

- Paying creditors before 30 June 2013;
- Delaying the banking and billing of income until after 1 July 2013;
- Purchase new tools, undertake repairs and maintenance etc. before June 30; or
- Pay superannuation liabilities for employees before 30 June.

Purchase of New Assets

The small business instant asset write-off threshold is now $6,500 meaning any asset purchases costing less than this can be claimed in full in the year of purchase.

Also, when buying a motor vehicle, $5,000 of the initial cost can be claimed immediately with the remaining amount being depreciated at 30%

Salary Sacrificing

It can be beneficial to sacrifice your salary for part of June directly to superannuation (assuming your employer allows this). This has the effect of reducing your taxable income in this year while boosting your retirement savings for the future. However, it is important that you review your superannuation contribution limits to ensure they are not exceeded for the financial year.

Offset of Capital Gains Tax Liability

It may be a good time to review investment portfolios and consider realising a capital loss on non-performing assets in order to offset realised capital gains. Capital losses carried forward from previous years can also be utilised.

Superannuation Contributions

Another method of reducing your taxable income for self-employed people is to contribute money to superannuation. If you are drawing a wage from your business, we suggest you contact us first to ensure any contributions are recorded correctly to ensure their deductibility. The maximum deductible contribution that can be made to superannuation is by anyone of any age is $25,000.

Building Industry Reporting of Payments

For clients in the building and construction industry, this is the first year you will need to report the total payments made to each contractor for building and construction services each year to the ATO on the Taxable payments annual report.

Details you need to report

For each contractor, you need to report the following details each financial year:

- Australian business number (ABN), if known
- name
- address
- gross amount you paid for the financial year (this is the total paid including GST)
- total GST included in the gross amount paid.

The details you need to report will generally be contained in the invoices you receive from your contractors.

Payments you do not report

Do not report:

- payments for materials only
- any unpaid invoices as at 30 June each year – e.g. if you receive an invoice in June 2012, but you do not pay that invoice until some time in July 2012, you report that payment in 2012-13 Taxable payments annual report
- payments which are required to be reported in a PAYG withholding payment summary annual report, such as payments to employees
- payments made by home owners for private and domestic projects – e.g. payments made for building or renovating your own home.

When to report

The first Taxable payments annual report is due 21 July 2013 for payments made in the 2012–13 financial year. In this first year if you lodge your business activity statement quarterly, you may lodge by 28 July 2013.

Disclaimer

We suggest that you do not act on the basis of the information in this report as they are general comments only and may be subject to misinterpretation.

Also, changes in legislation occur quickly and we recommend you seek our advice before acting in any of these areas

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