

## TAX FACTS JUNE 2018

## INDIVIDUALS

<b>Capital Gains Tax</b>	<ul style="list-style-type: none"> <li>▪ 50% discount applies if assets were held for longer than 12 months.</li> <li>▪ <b>CONTRACT</b> date is relevant for capital gains, not the settlement date.</li> </ul>
<b>Centrelink – Age Pension</b>	<ul style="list-style-type: none"> <li>▪ Entitlement is based on Assessment under an Assets and Income Test – whichever Test provides the lower entitlement will apply.</li> <li>▪ Income above a basic fortnightly Income Threshold (\$168 for singles &amp; \$300 for couples) reduces Pension by 50c for each dollar over the threshold. Cut-out point is income per fortnight of \$1,983.20 for singles &amp; \$3,036.40 for couples.</li> <li>▪ A Work Bonus test with up to \$250 of employment income exempt each fortnight also applies.</li> <li>▪ Assets above a threshold (for homeowners) of \$253,750 for singles &amp; \$380,500 for couples incur a payment taper of \$3.00 per fortnight for each \$1,000 over the threshold. Cut-out point is \$556,500 for singles &amp; \$837,000 for couples.</li> <li>▪ The basic pension rate is \$826.20 for singles &amp; \$622.80 each for couples per fortnight.</li> <li>▪ An increase in starting age from 65 to 65.5 took effect 1/7/2017, moving up 6 months every 2 years to reach 67 by 1/7/2023.</li> </ul>
<b>Child Care Rebate (CCR) / New Child Care Subsidy</b>	<ul style="list-style-type: none"> <li>▪ Rebate of 50% of Out-Of-Pocket Child Care expenses up to maximum of \$7,613</li> <li>▪ CCR is paid directly by Centrelink fortnightly, quarterly or at the end of Financial Year, or can be made direct to the service provider.</li> <li>▪ From 1 July 2018, CCR and Child Care Benefit will be replaced by a new single Child Care Subsidy</li> <li>▪ Three factors will determine a family's level of Child Care Subsidy. These are: <ul style="list-style-type: none"> <li>○ Combined Family Income</li> <li>○ Activity Test – the activity level of both parents</li> <li>○ Service Type – type of child care service</li> </ul> </li> <li>▪ The Child Care Subsidy will be paid directly to providers to be passed on to families as a fee reduction.</li> <li>▪ The payment is means tested and is as high as 85% for lower income families, phasing out to NIL for families earning over \$351,248</li> <li>▪ There are also hourly caps on rates, depending on the service type.</li> <li>▪ Make sure you're registered with Centrelink!</li> </ul>
<b>Depreciation – rental properties</b>	<ul style="list-style-type: none"> <li>▪ Depreciation is available on rental properties as a tax deduction.</li> <li>▪ Quantity surveyors reports for this purpose are highly recommended.</li> <li>▪ Capital Expenditure up to \$300 is fully deductible – TIP – This applies to your ownership interest, so it is possible for a jointly owned property to have expenditure of up to \$600 treated as a full deduction.</li> <li>▪ Note the depreciation is now no longer available on existing residential properties when purchased, however building write-off is still allowable.</li> </ul>
<b>Family Tax Benefit</b>	<ul style="list-style-type: none"> <li>▪ Family Tax Benefit (FTB) is a means tested benefit for families with children.</li> <li>▪ Claimed direct from Centrelink.</li> </ul>

**HELP & HECS repayments**

- Repayments are based on “repayment” income which includes:
  - Taxable income, plus
  - Net investment losses, plus
  - Total Reportable Fringe Benefits shown on your payment summary, plus
  - Reportable Super Contributions, plus
  - Exempt foreign employment income shown in your tax return.
- This can mean insufficient tax has been withheld to cover the years' repayment – a potential trap resulting in an unexpected tax bill at year end.
- From 1/1/2018 the repayment threshold is \$42,000 per annum
- Overseas residents are now liable for repayments and must report their income each year for assessment.

**Imputation credits**

- Excess imputation credits on dividends received are **REFUNDABLE** - even if your income is below the tax free threshold.
- Work very well in Self Managed Super Funds.

**Land tax**

Threshold of \$549,000 for 2017 and \$629,000 for 2018.

- Rate is 1.6% of the amount exceeding the threshold + \$100. A premium rate of 2% is payable on total taxable land value over \$3,846,000 for 2017.
- Surcharge applies to foreign persons of 0.75%
- Office of State Revenue (OSR) must be notified of any property that is potentially liable for land tax. This will generally be any property that is not your main residence.

**Low Income Tax Offset (LITO)**

- LITO is \$445 and commences reduction at \$37,000.
- It phases out at the rate of 1.5% and has an upper limit for a partial offset of \$66,667.
- Minors are no longer able to access this for unearned income.
- **\*\* NEW LOW & MIDDLE INCOME TAX OFFSET \*\*** from 1 July 2018. In addition to the low income tax offset –
  - Income up to \$37,000, entitlement is \$200
  - Income over \$37,000 up to \$48,000 amount is \$200, plus 3% for each dollar over \$37,000
  - Income over \$48,000 up to \$90,000, amount is \$530
  - Income over \$90,000, the \$530 entitlement reduces by 1.5% and ceases at income of \$125,333

**Medical expenses**

- From 2015-16 to 1 July 2019, the offset is only available for out-of-pocket medical expenses relating to disability aids, attendant care or aged care.

**Private Health Insurance**

- Rebate: Percentage depends on age & income as summarised in the table below.
- To be effective for Medicare Levy Surcharge purposes, ALL dependants must be covered with hospital cover.
- Medicare Levy Surcharge : Income thresholds & percentages apply and could be 1%, 1.25% or 1.5%

	<b>Base Tier</b>	<b>Tier 1</b>	<b>Tier 2</b>	<b>Tier 3</b>
<b>Income Thresholds</b>				
Singles	Up to \$90,000	\$90,001— \$105,000	\$105,001— \$140,000	\$140,001 and above
Couples /families	Up to \$180,000	\$180,001— \$210,000	\$210,001— \$280,000	\$280,001 and above

Since 1 April 2014, all rebate percentages are adjusted annually by a rebate adjustment factor. The factor is a percentage of the increase in the consumer price index (CPI) and the average annual premium price increase. It will be calculated by the Department of Health each year.

<p><b>Super *</b></p> <p><b>* Contributions Must be paid prior to 30 June.</b></p>	<p>Spouse contributions</p> <ul style="list-style-type: none"> <li>▪ Maximum tax offset of \$540 can be claimed if your spouse earned less than \$37,000 (ATI) - phasing out to income of \$40,000 - and spouse super contributions were made of \$3,000.</li> <li>▪ Note for 2017-18 onwards, contributions are also subject to the non-concessional contribution cap and transfer balance cap not being exceeded.</li> </ul> <p>Co-contributions</p> <ul style="list-style-type: none"> <li>▪ \$500 co-contribution available for <b>employed / self employed</b> persons who make personal contributions up to \$1,000 into super with assessable (note <b>NOT</b> taxable) income up to \$36,813, phasing out to Nil above \$51,813).</li> <li>▪ Need to be under 71 at the end of the financial year to qualify.</li> </ul> <p>Contribution Deduction limits</p> <ul style="list-style-type: none"> <li>▪ Flat deduction limit of \$25,000 regardless of age</li> <li>▪ From 1/7/2017 personal contributions can be deductible (<b>even for employees</b> – quite a significant change)</li> </ul> <p>Personal (Undeducted) Contributions</p> <ul style="list-style-type: none"> <li>▪ A cap of \$100,000 per annum applies.</li> <li>▪ For those under 65, 3 years of contributions (\$300,000) can potentially be made at one time by bringing forward the following 2 years contributions.</li> <li>▪ Work tests apply for those over 65 wishing to contribute to super.</li> <li>▪ To claim a tax deduction for personal super contributions (if eligible), you must advise the Super Fund and have an acknowledgment from them for the amount being claimed.</li> </ul> <p>Downsizer Contributions</p> <ul style="list-style-type: none"> <li>▪ From 1 July 2018, people over 65 who are selling their main residence may contribute up to \$300,000 (per person) into their superannuation</li> <li>▪ These contributions will not count towards the non-concessional contribution cap or the total superannuation balance test</li> <li>▪ Available where a property has been held for 10 years or longer</li> </ul>
<p><b>Super changes 2017- 18</b></p>	<p>The following changes took effect from 1/7/17:</p> <ul style="list-style-type: none"> <li>▪ A cap of \$1.6 million on the amount that can be transferred into retirement (pension) phase when earnings are tax free – known as the Transfer Balance Cap</li> <li>▪ The threshold which high-income earners pay Division 293 tax on their concessional taxed contributions to super has been reduced to \$250,000 from \$300,000.</li> <li>▪ The Low Income Super Tax Offset (LISTO) will replace the Low Income Super Contribution. The LISTO refunds up to \$500 of the tax paid on concessional super contributions for low-income earners with a taxable income of up to \$37,000.</li> </ul>
<p><b>Senior and Pensioner Tax Offset (SAPTO)</b></p>	<ul style="list-style-type: none"> <li>▪ Provides effective Tax Free Threshold for retirees of \$32,279 for singles &amp; \$28,974 for members of a couple (2017-18 – unchanged since 2013-14).</li> <li>▪ Phases out at 12.5c per dollar above these income amounts.</li> <li>▪ Offset amount is a maximum of \$2,230 for Singles &amp; \$1,602 for members of a couple.</li> </ul>
<p><b>Shares</b></p>	<ul style="list-style-type: none"> <li>▪ Almost everyone holds shares of some kind. Ensure good records are kept as it will be important for capital gains tax purposes when the shares are sold.</li> <li>▪ Dividend Reinvestment Plans (DRP) – dividends are taxable even though you have bought more shares rather than receiving a payment, so they need to be included in your taxable income.</li> </ul>

### Super Pensions

- Since 1 July 2007, withdrawals and pensions from super are tax free for those over 60.
- Death benefits paid to non-dependants however may attract tax.
- A condition of release must still be satisfied in order to withdraw your money from super before 65.
- Preservation age for super is still 55, which means super can be accessed from age 55 (if born prior to 1/7/1960), however, between 55 & 60, tax is payable on withdrawals and pensions.

### Tax Rates & Thresholds

- Resident Adult Tax rates / thresholds

2017-18		2018-19	
Income range (\$)	%	Income range (\$)	%
0 – 18,200	0	0 – 18,200	0
18,201 – 37,000	19	18,201 – 37,000	19
37,001 – 87,000	32.5	37,001 – 90,000	32.5
87,001 – 180,000	37	90,001 – 180,000	37
180,001+	47	180,001+	47

- Medicare Levy is additional (as applicable) at the rate of 2%.

### Termination Payments

- Employer Termination Payments (ETP's) (i.e. Ex-gratia payments made by employers on leaving employment) - Tax Rates:

Component	Age	Threshold	Tax Rate
Tax Free Component	Any	N/A	Tax free
Taxable Component	Before Preservation Age	Up to ETP Cap Above ETP Cap	32.0% 47.0%
	After Preservation Age	Up to ETP Cap Above ETP Cap	17.0% 47.0%

- From 1/7/12 the ETP Tax Offset is limited to either a whole-of-income cap or an ETP cap. Only that part of an affected ETP that takes a person's annual income to no more than the applicable cap will receive the ETP tax offset. Amounts above the cap will be taxed at marginal rates. The cap amounts are \$180,000 for the whole-of-income cap & \$205,000 2018-19 for the ETP cap.

FOR MORE INFORMATION PLEASE CONTACT

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