

TAX UPDATE JUNE 2014

GENERAL TAX TIPS

- ✓ Bring forward deductions into this financial year
- ✓ Prepay interest on rental properties & other investments
- ✓ Prepay 12 months Income Protection Insurance & any other expenses such as subscriptions
- ✓ Salary Sacrifice to super
- ✓ Consider Transition to Retirement Income Streams if you are over 55.



- ✓ Defer income into 2015 if your income may be lower next year
- ✓ If you're not already, look at investing tax effectively to create an asset for the future while saving tax now
- ✓ Capital Gains - consider crystallising unrealised losses to offset current year capital gains / Defer Asset Sales until next financial year. Particularly worth considering this year while investment values are lower.

FEDERAL BUDGET 2014 - HIGHLIGHTS

- Company tax rate will drop to 28.5% from 1/7/15. For large companies, the reduction will offset the cost of the Government's 1.5% Paid Parental Leave levy.
- R&D Tax Incentive Offset will drop by 1.5% from 1/7/14 (to 43.5% for the Refundable Offset).
- A temporary (3 year) 2% Budget deficit levy (tax), known as the Temporary Budget Repair Levy, for incomes above \$180,000.
- Further progress on announced but enacted measures eg. exempt income of charities, no decision yet on s 25-90 foreign source income measure, principal asset test and foreign residents.
- Medicare levy surcharge and private health insurance offset thresholds to be frozen.
- Most dependent offsets to be abolished.
- A tax receipt for individuals will be introduced from 1 July 2014.
- Super guarantee rate to go to 9.5% on 1 July 2014.
- Option to be given to withdraw excess non-concessional superannuation contributions.
- ATO staff reductions to be brought forward.
- Family Tax Benefit changes: 2-year freeze on rates; other changes.
- Fuel excise indexation to recommence

VOLUNTARY ENTRY INTO PAYG INSTALMENTS

New businesses and some individuals can now enter the Pay as you go (PAYG) instalments system on a voluntary basis.



SCHOOL KIDS BONUS

The Education Tax Refund was replaced from the 2011-12 Financial Year with the Schoolkids bonus which is paid regardless of amounts spent. Payments for 2012-13 are \$410 for each child in primary school and \$820 for each child in secondary school. Eligibility is based on receipt of Family Tax Benefit Part A. The Bonus was due to be cancelled, however, this is dependent on the Repeal of the Mineral Resource Rent Tax (Mining Tax).

ATO COMPLIANCE PROGRAM

Each year the ATO releases its key priorities and activities for the forthcoming year. For the different taxpayer segments for 2013-14, they are:

- **Large business**
 - Income tax (tax consolidation issues, capital gains tax outcomes, complex structuring and scrutiny of financial arrangements).
 - Profit shifting – large business and medium enterprises.
 - Trusts Taskforce and trust lodgment compliance.
 - Activity related to tax havens.
- **Medium enterprises**
 - Income tax (including capital gains tax, consolidation, trusts, private company schemes and fraudulent phoenix activity).
- **Individuals and small enterprises, incl. contractors**
 - Wealthy individuals (income greater than 5m).
 - GST – checking business systems taxpayers use to determine GST.
 - Property developers failing to report the sale of developments.
 - Fringe benefits tax
- **Self-managed super funds**
 - Omitted income
 - Contractor agreements
 - Compliance Regime changes 1/7/14

In addition, the ATO has announced that this year rather than focusing on individual occupations, it will instead target work-related claims and substantiation of these, specifically computer, mobile & internet use (as these are rapidly growing), as well as overnight travel, and claims for transporting bulky tools & equipment.



PROPERTY TAX DEPRECIATION

If you have an investment property, it can potentially receive depreciation allowances — which are non-cash deductions against your assessable income. Houses, units and commercial properties all qualify.

By using an ATO recognised full Tax Depreciation Schedule, investors can claim thousands of legitimate tax dollars back on their investments each year — the big benefit of course being conserving cash flow by increasing tax deductions now.

Something to consider when purchasing a property!

SUPER CO-CONTRIBUTIONS SCHEME

The Co-Contribution Scheme for personal contributions made from 1 July 2013:

Year of Entitlement	Maximum Entitlement	Matching Rate	Lower Threshold	Higher Threshold
2013-2013	\$500	50%	\$31,920	\$46,920
2013-2014	\$500	50%	\$33,516	\$48,516

SUPER CHANGE:
9.5% RATE FOR SUPER GUARANTEE APPLIES FROM 1/7/14.

If you have any questions or would like further clarification of any of the items contained within, please do not hesitate to contact us. Thank you for your continued support which is much appreciated. We welcome all referrals so if you know of anyone who may need our assistance, please do not hesitate to pass on our details.

Regards David & the IAS team.