

CLIENT NEWSLETTER - JUNE 2015

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Dear Client,

This is an **IMPORTANT DOCUMENT**. It is **GENERAL (but not specific) TAX ADVICE** to existing Clients, being **OUR TIMELY ADVICE TO YOU** of Taxation Law as it now stands. **IT IS MOST IMPORTANT THAT EVERY CLIENT READS THIS NEWSLETTER**. If you do not **FULLY UNDERSTAND** any section that may be relevant to you, then please seek more information.

TAX RATES

Again there has been no change in the personal taxation rates and thresholds. The combined **Medicare and NDIS Levy of 2.0% needs to be added to the rates below**.

However, Medicare Levy is not payable by individuals with income under \$20,896, or \$33,044 for Seniors and Pensioners. There is a higher income threshold before Medicare Levy applies to Sole Parents.

Tax Thresholds for 2014/15 and 2015/16		
Low Threshold	High Threshold	Tax Rate %
0	18,200	0
18,201	37,000	19
37,001	80,000	32.5
80,001	180,000	37
180,001 and above		45*

* Plus Budget Repair Levy of 2.0%.

The **Low Income Tax Offset** for this financial year and next is due to stay at **\$445** for those with incomes of \$37,000 or below, with this benefit shading out to Nil at \$66,666. The application of LITO means an **effective Tax Free Threshold of \$20,542 for 2014/15**.

MOTOR VEHICLE RATES FOR 2014/15 AND 2015/16

There has been no change to the way we can claim motor vehicle expenses for 2014/15. However, for **next year there will be a significant change** in that both the 12% of Cost and One Third of Actual Expenses methods are to be removed. The **"cents per kilometre" method will be "modernised"** by replacing the three current rates, which depend on engine size, with just a **single rate of 66 cents per kilometre**.

CHANGES IN CENTRELINK ASSETS TEST

From 1st January 2017 the assets value threshold for determining full Pension eligibility will be significantly raised, thus ensuring an increase in Age Pension for many whose assets, other than the family home, are relatively low, but just enough to prevent a full Pension being received.

At the other end of the scale, many people with significant assets, excluding the family home, and getting a small part Pension entitlement, might lose their Pension eligibility. One consolation is that they will be ensured a Commonwealth Seniors Health Card, if they do not already have one.

For those with assets at the upper end, there are likely to be some Pension planning opportunities over the next 18 months. If you are likely to seek Age Care in the next 18 months, then you should consider how you might minimise Accommodation Deposits and Daily Care Fees.

On the other hand, the **rental income exemption** applicable to the former home is going to be removed for new residents entering Age Care from 1st January 2016. (This has been a very good strategy to minimise Age Care fees).

MAWTO AND DEPENDENT OFFSETS NOW ABOLISHED

Most Dependent Tax Offsets, and the Mature Age Worker Tax Offset, have been **scrapped as from 1st July 2014**. This will see an increase in tax liabilities (or reduced refunds) for some with a spouse aged 63 or more, as well as for a substantial number of mature age working Australians.

NET MEDICAL EXPENSE OFFSET BEING PHASED OUT

The **Net Medical Expense Tax Offset** is still available for the 2014/15 year, but only for those who were eligible to receive the offset in the 2013/14 year. However, prior year eligibility is not required when out of pocket medical expenses relating to disability aids, attendant care or age care expenses exceed the qualifying threshold. In these circumstances the threshold should still be available until 1st July 2019.

ZONE TAX OFFSET TO BE RESTRICTED

As from 1st July 2015, those who have a normal place of residence outside a remote "zone" will be ineligible for the Zone Tax Offset. However, the Zone Offset should still be available for those who spend quite some time of the year living continuously in a remote zone.

DEDUCTIBILITY OF POLICE CHECKS

Where an employee has to meet the cost of obtaining a Police Check, **no deduction is available if the Check has been obtained so as to allow you to enter a particular industry**.

On the other hand, if you are simply renewing a "Suitability Notice", whilst working for the same employer, then a deduction is allowed. The same applies for someone who is already in an industry, but simply changing jobs, eg a teacher going from one school to another.

SUPER CO-CONTRIBUTION BENEFIT STILL AVAILABLE

Those who make a **voluntary personal Non Concessional contribution to Super** before the end of June can potentially receive up to **\$500 of benefit**. The maximum benefit is available at "Total Income" of \$34,488 eventually shading out to Nil at \$49,488. **NB: Total Income is before tax deductions are applied**, and at least 10% of income has to come from either employment or self-employment.

This is a very attractive incentive, effectively "money for jam". To take advantage of it, ensure contributions are made by early in last full week of June.

IMPORTANT: This is not legal advice. Clients should not act solely on the basis of the material contained in this Newsletter. Items herein are general comments only and do not constitute or convey advice per se. Also changes in legislation may occur quickly. We therefore recommend that our formal advice should be sought before acting in any of these areas. The Newsletter is issued as a helpful guide to clients and for their private information. Therefore, it should be regarded confidentially and not made available to any person without our prior approval.

SUPERANNUATION AND TERMINAL ILLNESS

There has been a significant relaxation of the rules regarding being able to **access Superannuation monies by people with a terminal illness**. These rules apply to those who still have "preserved" Super monies.

Currently Super monies can only be accessed when a person has been diagnosed as having less than 12 months to live. **The regulations are to be amended** to change this life expectancy period to 24 months. This change may assist those who are terminally ill in meeting payments for treatment costs and to allow them to have quality of life. **So if you know anyone in this situation, then please make them aware of these changes.**

SMALL BUSINESS TAX INCENTIVES

As announced in the Budget, those who operate their business through a Company will see the **Company tax rate reduced by 1.5%**, to 28.5%, from the 2015/16 financial year. Those who trade through a Family Trust, Partnership, or as a Sole Trader, will be eligible for a **5% discount on income tax** payable on business income received next year, with the discount capped at \$1,000 per person for each income year.

Further, small businesses (with turnover below \$2m) are able to claim an **immediate deduction on assets** costing less than \$20,000 between Budget night and 30th June 2017. For those registered for GST, the \$20,000 limit is GST exclusive, but is GST inclusive for those not registered for GST.

For those who might be looking to **establish a small business**, they will be able to write off the full cost of establishing their business in the first year, rather than having to claim a deduction over five years.

Primary Producers will be able to claim a full deduction for the cost of **new fencing and water facilities**. Further, the cost of any **fodder storage assets**, such as silos, will be able to be claimed over three years. These concessions were due to commence from 1st July 2016, but there has been some discussion about bringing forward the start date.

In addition to the full deductions for new (and used) items purchased after Budget Night, **full deductions can be claimed if the balance of the existing asset pool for small business is less than \$20,000**.

RESTART WAGE SUBSIDY FOR EMPLOYERS

Another incentive for businesses (all businesses this time) is to **make the Restart Subsidy more accessible**. This applies to those employers who employ and retain eligible job seekers who are 50 years of age or older, and have been unemployed and on income support for six months or more. **The subsidy of \$6,000 will be claimable progressively over 12 months.**

ATO DATA MATCHING

The ATO's "**Motor Vehicle Data Matching Programme**" collects details of individuals and businesses that have purchased a vehicle costing \$10,000 or more. **The focus is to identify non-compliance**, eg a business may have sold an old ute and not declared the income, or purchased a vehicle but they are not registered with the ATO.

Individuals are also being targeted with respect to sales of listed shares. This information is being fed to the ATO from the various Share Registries and aims to identify undeclared Capital Gains. **Please ensure you keep records** of when shares were originally purchased and then any subsequent purchases via either share issues or dividends re-invested, not to mention any acquisitions from Deceased Estates.

ATO FOCUS ON WORK RELATED EXPENSES

This year the **ATO is using extensive data analysis to review work related expense claims**, regardless of occupation. However, they will be giving particular attention to claims for overnight travel; transporting bulky tools; work related use of computers, phones and the like.

We therefore very strongly recommend you **religiously keep a diary record sheet**, for about a month or so, to show the business/private use of these items. Please contact us and we can post, fax or email one to you.

DON'T GET SCAMMED

The number of scams being promoted has certainly been significantly increasing in recent times.

Sometimes these callers, or the documentation they send, **can seem very genuine** and indicate they are well aware of your personal financial details, be that with a bank or the ATO.

Fortunately some clients have rung us to check whether a call they have received is likely to be genuine or not. **Remember, you have appointed our firm as your Tax Agent**, so all communications should initially be directed to us so that all genuine matters can be handled on your behalf.

LONGEVITY RISK – LIVING LONGER

The **oldest Australian right now is 112 years old**. Further, it is predicted that **there will be 50,000 Australian Centenarians by 2050**, compared to the 4,000 as of 2014.

For a 65 year old couple there is a 50% chance that at least one of you will be alive at 95 – but how many have funds put aside for that likelihood? If you leave the workforce after age 65, own your own home, Superannuation and other savings need to be at least 10 times what you are likely to want to live on (and this takes into account the Age Pension).

Already 44% of retirees expect they will outlive their retirement savings, so the need to put more aside for retirement while you can is becoming more and more critical.

KEY SUPER THRESHOLDS

Just a reminder that the General **cap for Concessional Contributions** is \$30,000. However, for those aged 49 or more at the start of the financial year it is \$35,000. The Non Concessional Contribution cap is \$180,000, although you can "bring forward" two years of future contributions.

In addition there are higher gaps for getting monies into Super so as to minimise or eliminate a Capital Gain.