

NEWSFLASH

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Welcome to the BAN TACS News Flash. Our aim is to provide short but succinct updates on all tax issues

Noel Whittaker's Column

A common question is "how much do I need to retire?" Unfortunately, it's impossible to give a simple answer because the amount of money needed depends on a wide range of variables that include how long you will live, the state of your health, the rate of inflation, the earnings on the assets you own and how often your children put their hands out for help.

A good rule of thumb is that you need capital of 15 times your planned expenditure. For example, if you require \$40,000 a year when you retire, you should be trying to accumulate \$600,000 in financial assets.

One of the best ways to boost the money you will have in retirement is to work a little longer - because of the way compounding works the benefits can be dramatic.

Consider a person who is aged 58 and who has \$300,000 in superannuation. If they retired immediately they would be lucky if their superannuation lasted to age 66 if they withdrew \$40,000 a year from it and it earned 7%. However, working just two more years full time to age 60 would mean two more years of growth and contributions - by age 60 the balance could be \$400,000. Their money may then last till age 72.

That is probably still way short of what they will need, so let's recalculate the numbers on the assumption they will work to age 65. If they started with \$400,000 at age 60, and salary sacrificed the maximum allowable of \$35,000 a year they should have \$750,000 at age 65. This would probably last them for life.

There is a growing consensus that working longer is not just good for your pocket, it's also good for your health.

Noel Whittaker is the author of Making Money Made Simple and numerous other books on personal finance. His advice is general in nature, and readers should seek their own professional advice before making any financial decisions. Email:

noelwhit@gmail.com.

Have You Paid Yourself Too Much In Wages?

If you are in your own business but operating through a trust or company and pay yourself a wage, before the year end you should consider checking whether the business is profitable after it has paid your wages. If your wages push the business into a loss, at best it will be carried forward for next year but you will be stuck with extra taxable income in your tax return. If there is any risk of this happening it may be better for you to stop paying yourself a wage for the rest of the year. If the business does make a profit you can still pay it to yourself as a profit distribution.

CGT on Boats and Jewellery

It is that time of year again when many people consider selling their boat. Just bear in mind that unlike cars, boats are subject to CGT if they cost you more than \$10,000 reference section 100-25(2) ITAA 1997. They are a personal use asset which means if you make a capital loss on the sale you cannot offset that against other capital gains other than those made on other personal use assets.

If an item of jewellery cost you or the person who gifted it to you, more than \$500 then you will be subject to CGT on its sale. Reference section 100-25(2) ITAA 1997

Why Super Is So Important To Your Retirement Planning

One of the most important things to consider when planning your retirement is that once you are over 60 and retired your superannuation fund does not have to pay tax on its earnings and capital gains on your investments and you do not have to pay any tax when you receive the income. This is once the fund goes into pension phase. Now a couple can receive around \$56,000 a year in income from outside of superannuation tax free once they reach aged pension age so you don't have to have all your money locked away in superannuation but it should be the main thrust of your retirement saving if you want to minimise your tax both now and in retirement.

If you are over 55 years of age you can choose to take a transition to retirement pension while you are still working. This will allow you to put your current superannuation savings into pension phase so there will be zero tax payable by your super fund. The only down side is you must take out a minimum of 4% in pension and while you are under 60 there may be some tax to pay on this amount, that is where the financial planning comes in. A transition to retirement pension could allow you to draw enough out of your superannuation to be able to afford to live while contributing up to \$35,000 a year (after 1st July, 2014) into the superannuation fund from your wages before tax and employer contributions. These will only be taxed at 15% which is no doubt less than your marginal tax rate.

Turning 65 is a bit of an issue. Once you are over 65 you cannot put large sums into superannuation. This is not the \$35,000 concessional taxed contribution I talk about above. These are large contributions that you don't get a tax deduction for but you move into super so that its earnings will become tax free. So if you have any large amounts of cash sitting around make sure you get it into super before you turn 65.

Another issue with turning 65 is that you can't make even the concessional contributions unless you pass a work test of at least 40 hrs over a 30 day period. So once you stop work you lose any chance of increasing your super balance other than a spouse transfer which does nothing to help the overall family situation. Once you get to 75, as the law currently stands you will not be able to salary sacrifice into super even if you are working; though that threshold is bound to increase over the years.

Body Corporate Issues – Michael Teys To The Rescue

The owner of 3 dogs signed a contract for her new home unaware that there was a clause stating she could only keep one dog. By the time she found out it was too late. They were not even allowed to stay with her while she found two of them a new home.

Michael Teys from Teys Lawyers the strata plan specialist pointed out that the body corporate just can't do that. They must be reasonable in their response to requests from owners and that there was already a precedent that it would be unreasonable for a body corporate to limit the number or size of pets kept by the owners. Apparently all these rules are just bluff. If you think your body corporate is being unreasonable please contact Michael. The Teys website is <http://www.teyslwers.com.au/>

Warning If You Have A SMSF or Are An Employer

Employers – If you have an employee who does not give you their superannuation fund membership details and you need to pay superannuation contributions for them you need to put the contributions into a MySuper account. The big superannuation funds offer MySuper accounts. It is worth finding out the details of how you can make these deposits so that, when racing to meet the deadline to avoid the guarantee levy, you can act quickly.

SMSF Trustees – From 31st May, 2014 SMSFs are required to provide employers with a super choice form that includes the SMSF's funds ABN and bank account details as well as a compliance letter with an electronic service address. The ATO form and a template for the compliance letter are available on our web site at <http://www.bantacs.com.au/smsf.php> As an SMSF trustee you will need an electronic service address to be able to receive data messages associated with employer contributions sent using SuperStream from 1 July 2014. There are service providers that can provide you with an electronic service address for a fee. A list is available at <https://www.ato.gov.au/super/superstream/in-detail/contributions/smsf-messaging-service-providers/#Register>

Doing Your Tax Return On Line

Now before you start thinking this is a sales pitch I would like to point out that if your tax return is simple enough for you to do on line then we are all for it because when it comes to simple returns we have trouble with our conscience just billing you enough to cover our overheads.

So by all means go ahead and do your tax return on line but please make sure you use the ATO web site for the following reasons.

- 1) This will give you the advantage of the return being pre filled with any information the ATO already have on you.
- 2) There will be no charge for doing your tax return that way
- 3) You can be confident that your personal details are safe
- 4) You can be sure your tax refund will actually come to you.

It is a bit of a no brainer really yet these dodgy web sites persist. There is at least one that has the word ATO in its domain name. It is a sure sign that they are trying to rely on something other than their own credibility. The ATO web address is www.ato.gov.au

Budget Rant

Didn't have room for this last edition and tried to keep to the point but I have just got to say:

This budget is nothing more than taking advantage of the deficit and fear mongering to exploit the workers and the poor and that is why they didn't touch super. Strange how the deficit tax is temporary but the reduction to social security benefits is permanent. By taking away the Part B payment from families with children over 6 years of age they have deprived them permanently of \$3,018.55 a year. Now to raise this much off a high income earner through the deficit tax in a year they would have to earn \$330,927.50 i.e. \$150,927.50 over the 180,000 at the rate of 2%, yeah that is really sharing the load. And then in a few years' time it will be thanks all you nice high income earners you can have a break now while we continue to flog parents. Interesting that you can guarantee more than 2/3rds of the high income earners will be men and more than 2/3rds of the parents receiving Part B will be women. Greed Greed Greed.

The budget is a disgrace when Gina Rinehart reaches 60 loans to her superannuation fund could mean that she will never have to pay tax again while labourers will be forced to work until they are 70. The budget would be better off if we increased pensions and took away all the superannuation concessions.

The cost of pensions as the population aged was used as an excuse by Howard to bring in the GST, 14 years ago.

Discretionary Trust Minutes Before 30th June, 2014

If you haven't already done so please make sure you have written up your discretionary trust's distribution minute before 30th June, 2014.

Year End Tax Strategies Booklet

The 2014 year end tax strategies booklet is now available on the web site at

<http://www.bantacs.com.au/booklets/Year%20End%20Tax%20Strategies%20Booklet%202014.pdf>

Seminar

How To Claim Your Trip Around Australia As A Tax Deduction - 6.30pm 2nd July, 2014 Speaker Julia Hartman To be held at the Mackay City Bowls Club on the corner of Shakespeare and Shaw streets Mackay. No charge but please phone (07) 4957 8340 to tell us you are coming so we know how many chairs to put out.

Skype Julia

Skype has become a very effective way of consulting. Skype allows me to see the client's face so that I know they are following what I am saying; most people who have used this service to date just want to talk about their overall strategy or get a straight answer to a difficult question. It is not intended to replace your current Accountant but it is an excellent method of getting specialist advice on property from investing to developing or just a second opinion. <http://www.bantacs.com.au/shopping.php>

Where is Julia?

Back in SEQ but heading north for the winter very soon. I will be in Mackay by the end of June.

Ask BAN TACS

For \$69.95 at [Ask BAN TACS](#) you can have your questions regarding Capital Gains Tax, Rental Properties and Work Related Expenses answered by Julia. I will include ATO references to support our conclusion, answer are generally 300 to 700 words long depending on the complexity.

Winning Property Tax Strategies – The Book

Once again a brilliant combination of Noel Whittaker's easy reading style with Julia Hartman's mind numbing attention to detail. Lots and lots of new stuff plus updated basics for the first time reader so it is much bigger, 300 pages but still the same price. New chapters including young investors, SMSFs, renovators, granny flats, investment and budgeting strategies, fires and floods, mass marketing spruikers, commercial properties, subdividing and development. You can also purchase it online by going to www.bantacs.com.au/book_winning-property-tax-strategies.php The cost is still a low low \$29.95 plus \$5.95 postage – tax deductible of course!

What Is New on www.bantacs.com.au

Want more? Please go to bantacs.com.au/publications.php for back issues of newsflash or download our free booklets where past newsflash articles are collated according to their topic. There are over 30 topics, for example How Not To Be A Developer, Claiming Your Trip Around Australia As A Tax Deduction, Claimable Loans, Rental Properties, Overseas, Fringe Benefits Tax, Claiming a Motor Vehicle, GST etc.

With the [forum](#) and the [Ask BAN TACS Notice Board](#) the information on the site regularly change. Some very generous askbantacers have allowed their question and answer to be placed on the notice board. <http://www.bantacs.com.au/QandA/index.php?q=545> Is about borrowing to undertake renovations before a property becomes a rental.

<http://www.bantacs.com.au/QandA/index.php?q=553> Working out the cost base of a subdivided a block.

<http://www.bantacs.com.au/QandA/index.php?q=554> Subdividing and building a house, CGT GST etc.

<http://www.bantacs.com.au/QandA/index.php?q=555> Praise for the quality of the answers on askbantacs, unfortunately the question was marked private.

<http://www.bantacs.com.au/QandA/index.php?q=560> Juggling main residence exemptions when a relationship breaks down.

Disclaimer: Please note in many cases the legislation referred to above has only just passed through parliament. The full effect is not clear yet but it is already necessary to make you aware of the ramifications despite the limited commentary available. On the other side of the coin by the time you read this information it may be out of date. The information is presented in summary form and intended only to draw your attention to issues you should further discuss with your accountant. Please do not act on this information without further consultation. We disclaim any responsibility for actions taken on the above without further advice as to your particular circumstances.