BAN TACS
National Accountants Group

NEWSFLASH
BOOKLET
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2013/14 Finanical Year End Tax Strategies

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Please note this booklet is updated in May each year. Until the budget is released our strategies for the year are not certain. This booklet is provided to give you some guidelines in planning but please check again in June before you commit.

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Introduction

If your tax bracket is going to be higher next year it may be a mistake to draw tax deductions into this year. The problem is that we really don't know what next year's tax rates will be for high income earners. There appears to be enough dissension in the senate that the budget will not get through unchanged. On the other end of the income scale, many parents, who are entitled to part B from Centrelink this year will not be entitled to it next year because their child is over 6 years of age so they may as well draw deductions into this year to make sure they get the maximum they can. Centrelink recipients should consider that increasing investment losses will not help because these are added back.

A three year temporary levy of 2% will be imposed on individuals' taxable income in excess of $180,000 pa, from 1 July 2014 until 30 June 2017. Note that is only 2% on the amount over $180,000. This means that high income earners should delay expenses this year and pull forward income if they can, though for 2%, it might not be worth their effort, definitely not worth running around trying to get tax deductions before 30th June.

The important thing to remember with bringing forward deductions, is that you lose them for the following year so then you will have to bring more forward just to bring yourself into your normal tax position. You will have to bring similar deductions forward every year or have a year you miss out on the deductions and pay more tax. You become locked in, the benefit will only really affect the first year. Accordingly, bringing forward deductions such as paying interest in advance is best saved for an unusually high income year.

Generally the best tax planning is to keep your tax rate around the same bracket each year and of course, make sure that is the minimum possible on average. One of the most effective tax planning strategies is to level out your income over each year and each member of your financially dependent family over 18. It does not particularly matter that the amount of income is the same each year and the same for each family member all that matters is that the tax bracket is the same.

Other laws that are based on the maximum tax rate will take the 2% deficit levy into account. With the FBT rate it will not consider whether the person receiving the benefit is on $180,000 or $20,000 this rate will increase to 49% regardless so it is even more important than ever to make sure you cancel out the FBT by making employee contributions even if you have to give the employee a pay rise to cover it.

This 30th June is unprecedented in the level of taxpayer uncertainty, even with the new senate in July the government is unlikely to have the numbers to get its legislation through. This includes many changes, some of which will be back dated to the beginning of this calendar year. For example with the uncertainty of whether the threshold for the small business plant and equipment write off concessions will be $1,000 or $6,500 back dated to 1st January, 2014 small businesses will not even be able to complete their tax returns in July. Further some of the following has to be a best guess but this in made clear in the relevant article.

Tax Rates for the 2013/2014 year:

Tax Free Threshold $18,200

Due to LITO no tax if your total taxable income is Under $20,542

Taxpayers are entitled to LITO when their income is under $66,667 but it starts to shade out after $37,000 at the rate of 1 and a half cents per dollar. Accordingly, if your total taxable income is Under $66,667

19% tax rate between $20,543 and $37,000

34% tax rate between $37,001 and $66,667

If your total taxable income is above $66,667 then LITO does not affect you at all. Your tax brackets are:

Between $66,668 and $80,000 32.5%

Between $80,001 and $180,000 37%

Over $180,000 45%

Note all the above excludes the Medicare levy, which is 2% in most cases.

So for example in 2013/2014 if you earn $37,000 then the last $16,458 you earn will be taxed at 19% plus Medicare but if you earn another dollar that dollar will be taxed at 34% plus Medicare.

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Tax Rates for the 2014/2015 year and possibly the 2 years following.

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19% tax rate between $20,543 and $37,000
34% tax rate between $37,001 and $66,667
If your total taxable income is above $66,667 then LITO does not affect you at all. Your tax brackets are:
Between $66,668 and $80,000 32.5%
Between $80,001 and $180,000 37%
Over $180,000 47% if the government gets its 2% deficit levy through the senate
Note all the above excludes the Medicare levy, which is 2% in most cases.
So for example in 2013/2014 if you earn $37,000 then the last $16,458 you earn will be taxed at 19% plus Medicare but if you earn another dollar that dollar will be taxed at 34% plus Medicare.

As for company tax rates, while the intention to reduce them to 28.5% was mentioned in the budget introduction there were not changes factored into the budget numbers so at this stage it is still 30%.

Timing Strategies

Bringing Forward Expenses

Bearing in mind the reasons why you may not want to do this, that were covered in the introduction, here are some ways that deductions can be pulled into this year from next year.

Payments in advance:

You can only pay a maximum of 12 months in advance. In the case of interest payments check if the bank will let you do this and that they do take it as an interest payment not just let it reduce the loan balance.

If you have recently purchased a property consider organising your quantity surveyors report before the end of the year so that you get a tax deduction for the cost in your 2014 tax return.

If you pay rates, insurance or body corporate fees in advance think carefully about the no more than 12 months in advance rule. For example if your body corporate fees are already paid up to 31st December then you can go and pay another 12 months worth, you need to just pay 6 months extra.

Repairs and maintenance:

You need to make sure you at least incurred the expense before the end of this financial year. This means organising for the work to be done even if you have not paid for it yet. This is particularly important if your tenants have moved out and you do not intend re letting the property. If you don't "incur" the repairs now you will not be entitled to a tax deduction next year because the property has not earned any rental income in that year.

So just what is classed as a repair? Initial repairs are not deductible. If the house needed painting when you bought it then painting it would be an improvement. On the other hand if during the time of your ownership the paint starts to peel and you repaint, these expenses would be a deduction.

A repair can become an improvement, which is not deductible, if it does not restore things to their original state i.e. replacing a metal roof with tiles. But a change is not always an improvement. The ATO says the cost of removing carpets and polishing the existing floorboards is a deductible repair yet underpinning due to subsidence is considered to be an improvement.

Tree removal is claimable if the trees have become diseased or infested during the time of ownership. Removal is also claimable if the tree is causing damage such as roots interfering with pipes and the damage was not present when you purchased the property. If a tree is removed because it may cause damage in the future or you are fed up with the leaf litter that has always happened since you bought the property, then you are making an improvement which is not tax deductible, it will only be useful in your CGT calculation.

Take care to perform repairs only when the premises are tenanted or in a period where the property will be tenanted before and after with no private use in the middle. It is better not to make repairs in a financial year during which you may not receive any rental income. If a property is used only as a rental property during the whole year then a repair would be fully deductible even though some of the damage may have been done in previous years when the property was used for private purposes.

Don't replace something in its entirety. For example replace a worn fence a bit at a time over a few years rather than all at once. Replacing all the cupboards in a kitchen so they match rather than just the damaged one will mean that none of the expenditure is deductible on the other hand replacing a vanity can be deductible as a repair if the pipes from the old vanity are used.

Buying plant and equipment:

As these items are usually depreciated over many years buying them towards the end of the financial year could mean you only qualify for one month's depreciation which would be a very small fraction of what you have spent.

For rental properties and work related expenses items costing $300 or less can be written off immediately. Like items must be added together when applying the $300 test so it may be better to buy one set of curtains this year and wait until July before you buy the next set. Items costing under $1,000 will qualify for depreciation of 18.75% in the first year, regardless of when you purchase them. Both these thresholds are per owner so a $1,900 hot water system for a property owned by 2 people would qualify as under $1,000, likewise if a range hood cost $500 yet there are two owners of the property then it can be written off immediately.

Businesses with a turnover of less than $2million can claim an immediate deduction for any plant and equipment they buy that costs less than $6,500 purchased before the 1st January 2014. T there is no certainty regarding items purchased after that date because the legislation has not yet passed through the senate and may not be passed even when the senate changes in July. Nevertheless if passed the government intends to apply the law retrospectively. If the legislation does get through the $6,500 threshold will be reduced to $1,000 for purchases after 31st December, 2013.

For motor vehicles costing more than $6,500 and purchased before 1st January, 2014 the business will be allowed a depreciation deduction of $5,000 in the first year plus 15% of the balance left after deduction the $5,000 from the cost. The next year the depreciation rate will be 30% of the remaining un-depreciated balance. Motor vehicles include cars, 4wds, trucks, vans, utes, motorbikes and scooters. The vehicle can be second hand. The price of the vehicle may need to be apportioned between business and private use, if the business use portion is $5,000 or less then it can be completely written off but when it is sold the business portion of the sale proceeds must be added back to the pool. None of this will apply to motor vehicles purchased after 31st December, 2013 if the government manages to get their legislation through the senate.

For other plant and equipment costing more than $6,500 purchased before 31st December the depreciation rate is 15% in the first year and 30% diminishing rate after that. Now after that date it may well be the same if the senate does not let the legislation through. If they do it may well be changed but a best guess would be that the threshold will be reduced to $1,000 and the depreciation rate will be 18.75% for the first year then 37.5% diminishing rate.

Of course it is only the business use portion of an asset that can be written off or added to the pool so for example if you were to purchase a computer for $2,000 that was going to be used half for business and half for private use you would only be able to add $1,000 to the pool or write that amount off should the old law remain. There is no grouping provisions for identical items or those forming part of a set. Which effectively means a $10,000 set of spanners purchased before 1st January, 2014 could qualify as under the $6,500 threshold.

If the pool balance drops below $6,500 before 31st December it can be written off. No idea what will happen after that date. These concessions will not work for leased equipment.

Businesses with a turnover exceeding $2million can only put items costing less than $1,000 into a low value pool, which are then depreciated at 18.75% in the first year the 37.5% diminishing rate.

All thresholds mentioned in regard to business are after deducting the GST if the business qualifies to claim GST input credits.

Manipulating Income

If you place money on term deposit and the interest is not payable until the next financial year there is no requirement to accrual interest earned in this financial year.

Be careful, some tenants for their own tax planning strategy may want to pay rent in advance. Unless you can apply the Arthur Murray principle and claim that there is a risk that you may have to refund that income, then you are stuck with declaring it as income in the year received.

Superannuation

Superannuation Concessions for Low Income Earners

The government will make a co contribution of up to $500 into your superannuation fund if you contribute $1,000 out of your after tax pay that you don't claim a tax deduction for. Neither yours nor the government's contributions are taxed going into the superannuation fund. The $500 is reduced by 3.333 cents for every dollar that the taxpayer's total income exceeds $33,516 so people with a total income of $48,516 will not qualify for any co contribution.

Total income for co contribution purposes is your assessable income plus reportable fringe benefits and reportable superannuation contributions (ie those salary sacrificed). Assessable income is your taxable income before deductions. This means if you own a rental property with someone else then only the profit after deductions is included in your assessable income but if you solely own it in your own name then none of the deductions are taken into account and all the rental income is included in your assessable income. In the case of self employed their assessable income is not reduced by any superannuation contributions for which they claim a tax deduction. Sole traders are allowed to reduce their assessable income by business deductions. In the case of partnership or trust income it is only your share and the net amount (income less deductions) that is included as assessable income, regardless of whether it is business or passive income.

You need to be less than 71 years of age at the 30th June, the work test applies between 65 and 70 (40 hours in 30 days). Further, you need to receive at least 10 per cent of your income from being employed including self employed. When doing this calculation sole traders can ignore business expenses which will make it quite easy to pass the test. Note trust income, even if from a business is still considered passive so you may need to consider having the trust pay you a wage.

The following table provides some examples of how total income is counted for co-contributions and the 10% test.

Income source	Total income	Eligible income for the 10% test
Salary or wages, including employment income through a company or trust	Yes	Yes, where you are treated as an employee for the purposes of the *Superannuation Guarantee (Administration) Act 1992*
Director fees as a company director	Yes	Yes, where you are treated as an employee for the purposes of the *Superannuation Guarantee (Administration) Act 1992*
Business income as a sole trader	Yes	Yes
Other income from individually held assets (including interest, rent and dividends)	Yes	No
Business partnership distribution	Yes	Yes
Non-business partnership distribution	Yes	No
Distribution from a trust	Yes	No

Timing of Superannuation Contributions

Employers have until the 28th July to make the superannuation contributions they are obligated to pay for the June period, under the superannuation guarantee. But if the contribution is made after the 30th June, 2014 the employer will not be entitled to a tax deduction for it until the 2014/2015 financial year even though the liability fell in the 2013/2014 financial year.

If you are contributing salary sacrificed contributions or have employees who are close to their cap you should also take a careful look at their particular circumstances. The amount contributed for the purposes of the cap is also based on the date it is received by the fund, providing the fund allocates the amount immediately to the members account. If an employer delays making the contributions relating to the June quarter until after 30th June it could result in the employees missing out on maximising their cap this year and possibly exceeding their cap next year.

On the other hand if last year you made the June contribution in July but this year you are making it in June your employees will have 5 quarters' worth of contributions in the 2013/2014 financial year. So before you do this make sure you will not be pushing anyone over their cap.

In Peaker 2012 AATA 140, the employer posted the contribution on 28th June but it was not recorded as income of the fund until 5th July. This meant that the employee exceeded his cap for the following year. The AAT upheld the ATO's assessment of excess contributions tax as there were no special circumstances which would allow the amount to be allocated to another year.

On the other hand in ID 2012/16 The ATO accept that a member of a SMSF who only qualifies for a $25,000 cap can claim a tax deduction of $50,000 by making two $25,000 contributions in the same financial year. In this case the last contribution was received by the SMSF on 28th June and the SMSF trustee (the member in another hat) put it into an unallocated account until the 4th July so it counted towards the following years cap yet the tax deduction was allowed on the basis of the time the SMSF received the income. Take care to read the ruling in detail before implementing this strategy, for example the governing rules of the fund must allow contributions to be placed in an unallocated account and there must only be one member's contribution in that account.

Due to data matching the ATO will always be informed should your cap be exceeded.

Employees when negotiating their salary package should consider including a clause requiring their employer to physically make the superannuation contribution in the month that it is sacrificed.

The limits or caps on deductible (concessional) superannuation contributions are:

	2013-2014	2014/2015
Under 50	$25,000	$30,000
50 to 59	$25,000	$35,000
60 or more	$35,000	$35,000

Spouse Contribution

The other low income concession is for taxpayers on any income level who have a low income spouse. If the low income spouse has assessable income plus reportable FBT and reportable superannuation contributions of less than $10,800 their spouse can make a superannuation contribution for them of up to $3,000 and receive a tax offset of 18%. A tax offset reduces the amount of tax the higher income spouse has to pay. It can mean that you will receive a refund of any tax you may have paid during the year because the offset is used to pay the tax instead but if the higher income spouse's income is so low that they do not have any tax liability then the offset is wasted. So this arrangement is only beneficial when the spouse making the contribution has a taxable income above $18,200. As the superannuation contribution for a low income spouse is not actually claimed as a tax deduction it is not taxed in the hands of the superannuation fund. If the low income spouse's assessable income plus reportable fringe benefits and reportable super contributions is more than $10,800 but less than $13,800 the higher income spouse will still qualify for some tax offset the shade out rate is 18%.

The work test applies between 65 and 70. Once the spouse reaches 71 no spouse contributions can be made. There is a nice little trick if the low income spouse is between 55 and 65 and retired. The contribution can be made and then withdrawn, tax free, a few days later yet the high income spouse will still qualify for the tax offset.

In all cases above make sure the money is actually in the superannuation fund before 30th June, 2014.

Donations

Before you make a donation make sure the charity is tax deductible. This can be done very simply by going to http://www.abn.business.gov.au/ putting in the charity's name and checking it has "deductible gift recipient status"

While I have your attention, can I interest you in making a tax deductible gift to The Tabitha Foundation Australia which builds houses and wells for the poor in Cambodia. This is a project supported by Margaret Lomas where 100% of the money received goes directly into the project. Margaret and her group will all be paying their own expenses and also contributing to the materials as well. To find out more please go to http://www.tabitha.org.au/cms/the-property-people-house-builders--oct-2013

Capital Gains

If you have a capital gain analyse your share portfolio for a capital loss that you intend to realise soon. Better it be realised this financial year then next as it can only be offset against your capital gain if it is realised in this year.

Tax Minimisation Products

This refers to investments specifically designed to reduce your tax. Firstly these products generally shift the tax to their pockets as they carefully arrange the investment so it is only marginally better then the tax saving and then only if the forecasts are correct. Secondly do not enter into these arrangements unless you have a product ruling from the ATO and make sure the arrangement is in accordance with that ruling.

Danger Zones

This section is not so much about how to plan for the best tax outcome at year end. It is more a warning about the simple slip ups that can completely stuff it for you.

1) Make sure you do a minute for your Discretionary Trust profit Distribution before 30th June. Note children under 18 are only allowed to earn $416, in passive income a year before being subject to tax at the top marginal rate. If you intend distributing some of the trust profits into a bucket company make sure you consult your accountant first.
2) If your Discretionary Trust has received franking credits make sure it makes a profit so the franking credits can be distributed. The profit must exist before including the franking credits as income.
3) Make sure any super contributions have been deposited into the fund's bank account before 30th June
4) If you personally contributed to superannuation in 2012/2013 make sure you have notified your fund if any of that contribution has been claimed as a tax deduction, before 30th June, 2014 even if you have still not lodged your tax return
5) Take your car speedo reading at 30th June, just in case.
   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.

Start Diaries Before the End of The Year

For a diary to apply to the 2013/2014 financial year it must be started before 30th June, 2014.

Phone - A detailed phone account statement analysing each phone call will substitute for a diary on a mobile phone and for the STD and mobile calls on the home phone but unless your local calls from home are itemised you will have to keep a diary for them. Just divide a piece of paper into two, one side for business and the other side for private. Tick the relevant column when you make a local call. Do this for 1 month to work out the ratio of business to private calls and apply this percentage to the local calls on your phone statement. Phone rental is apportioned on the total dollar value of the business calls as a percentage of all calls. The ATO is getting very pedantic about diaries as it recently was successful in persuading a court to disallow a taxpayer any claim for mobile phone calls because the taxpayer did not have a diary yet the taxpayer used the phone 95% for business.

Electricity - You can claim electricity based on the number of hours you have used a room solely for work related purposes. The rate is 34 cents an hour which also covers the other costs associated with the room such as furniture and carpet wear. You will need to keep a diary for a month to substantiate this claim.

Cars - You can use the kilometre rate if you only want to claim 5,000 kms per car you own. The 5,000 kilometres is per car per owner so if you rotate cars with your spouse and you both use your car for work purposes you can claim up to 10,000kms each. The 2013/14 kilometre rates are; up to 1.6 litre 64 cents a kilometre, between 1.601 and 2.6 litres 75 cents and over 2.6 litre 76 cents.

You may be able to claim for your car if you transport bulky equipment to and from work, if there is no secure storage at work. A claim is also allowable for travel to an abnormal workplace if you have a normal workplace. Also consider travel during the day after you have reached work i.e. banking or travel to another job. In order to be able to make these claims you must have a detailed reasonable estimate of the kilometers travelled and which car you used. This is simply a diary of the trips you did and the kilometres travelled. If the distance is the same every day record the days travelled. A one month diary is ok if this is reflective of the rest of the year but don't forget those one off trips at other times during the year. If you are going to travel

considerably further than 5,000km per car consider keeping a log book for 3 months that is started before 30th June. Also keep receipts for all expenses all year and take the speedo reading each 30th June. More details on the record keeping requirements are in our Claiming A Motor Vehicle Booklet.

Non Commercial Losses (Div 35)

Division 35 prevents business losses being claimed against other income unless certain conditions are met but there is opportunity in the detail with some of these conditions, for example:

a) If the loss is primary production and your total gross assessable non primary production income is less than $40,000 the loss may be offset against your other income. This concession also applies to a professional arts business. Note the $40,000 does not include capital gains. If the other income is from a partnership, it is only your share of the net profit of the partnership that is added to your assessable income if the partners are natural persons. This makes forming a partnership a very attractive option even if APSI requires you to return the net profit as 100% yours because if you were a sole trader your assessable income would be the total sales of the business before deductions.

b) Losses can also be offset against other income if the assessable income from the business activity is at least $20,000. The assessable income is sales plus the increase in stock i.e. closing stock less opening stock. Therefore if you purchase more trading stock you will increase the closing stock and therefore increase the assessable income. Note the trading stock has to be on hand for it to be included in closing stock. So you cannot just order it and bring it into account as a creditor. Buying and selling will also increase assessable income so there are plenty of ideas to work with here. There is also a concession for the first year of trading. If a "reasonable estimate" would conclude that had you been trading for the full year you would have made $20,000 worth of sales plus closing stock (no opening stock in first year) then you are considered to have turned over the $20,000. This also applies to the last year of trading but in that year there will be opening stock.

Note none of these exceptions will help you if your taxable income exceeds $250,000

Wash Sales

TR 2008/1 is the relevant ruling on when the ATO will apply Part IVA (scheme with the dominant purpose of a tax benefit) to a share transaction that creates a capital loss in a year that loss would be very handy in offsetting a capital gain. Not a problem unless you somehow retain the benefit of the shares. So effectively all you have done is triggered a capital loss but still hold the shares in the hope of making a future capital gain.

A key quote from the ruling:

“The term wash sale does not have any precise meaning. In commerce the term wash sale is used to describe the sale and purchase of the same, or substantially the same, asset within a short period of time of each other. The sale and purchase cancel each other out with the result that there is effectively no change in the economic exposure of the owner to the asset. More generally, the expression wash sale is used to describe arrangements where a disposition of an asset occurs without an intention of ceasing to hold an economic exposure to the asset.”

Examples in the ruling are:

(a) The taxpayer disposes of, or deals with, the asset and at the same time, or within a short period after, acquires the same or substantially the same asset,

(b) Shortly prior to, or at the time of disposing of, or dealing with, the asset the taxpayer acquires the same, or substantially the same, asset;

(c) Shortly prior to, at the time of, or shortly after disposing of or dealing with the asset the taxpayer enters into an arrangement to acquire the same, or substantially the same, as asset at a future point in time at a price that is substantially the same as the sale proceeds received on disposal of the original asset and acquires that asset under the arrangement

(d) Shortly prior to, at the time of, or shortly after disposing of, or dealing with, the asset the taxpayer enters into derivatives or financial instruments that substantially provide continued exposure to the risks and opportunities of the asset, as if the taxpayer had continued to hold the asset,

(e) Shortly prior to, at the time of, or shortly after disposing of , or dealing with, the asset the taxpayer enters into arrangements under which the taxpayer is entitled to, relative to the taxpayer’s prior interest, the future income produced by the asset and/or any capital appreciation in the asset, or to a reimbursement for any future income produced by, or capital appreciation in the asset,

(f) The taxpayer disposes of or deals with the asset to a company which the taxpayer is a member of, or to a trustee of a trust the taxpayer is a beneficiary or an object of, and the taxpayer controls or influences the company or trustee, or is the trustee or appointor,
(g) The taxpayer disposes of or deals with the asset to a company which the taxpayer controls or has influence over but is not a member of, or to a trustee of a trust which the taxpayer controls or has influence over or is the trustee, or appointor or, but is not a beneficiary or an object of. The financial benefits of the asset are not distributed to the members or beneficiaries/objects but rather the company or trustee disposes of the asset to the taxpayer or enters into arrangements to provide the financial benefits of the asset to the taxpayer,
(h) The taxpayer disposes of the asset or otherwise deals with the asset in circumstances where there is a significant overlap in the individuals who had direct or indirect interest in the asset before and after the disposal or dealing. For example, the asset is transferred from one wholly owned company to another, or between two trusts with the same trustee and class of beneficiaries or objects, or
(i) The taxpayer disposes of the asset to family members and an arrangement or understanding exists between the parties to the effect that the asset will be reacquired by the taxpayer, the future income produced by the asset and or any capital appreciation in the asset will be provide to the taxpayer or applied for the benefit of the taxpayer or there is otherwise no change in how the financial benefits produced by the asset are utilised by the taxpayer when compared to what occurred prior to the disposal.

In paragraph 6 it states "Where a taxpayer disposes of shares in one company, and purchases shares in a competitor company that carries on a similar business, the shares in the two companies do not constitute substantially the same assets". So at least you can still stay in the same industry and recognise a capital loss. The ruling also targets sales to associates, so selling the shares to your spouse or selling your shares and your spouse buying the same may be caught

Of course you do not have to worry if the sale does not result in a loss. I have particular trouble with this attitude because the taxpayer is making a simple choice and Part IVA is not supposed to interfere with taxpayers simply choosing a course of action that is readily open to them. The ATO uses its usually elusive naughty thoughts argument. The scheme is supposed to be, thinking about, maybe even discussing future purchase prices with a broker, selling the shares to trigger the capital loss, with thoughts of buying them back. This sounds like, to borrow a concept from Hart's case, how can any rational person not consider this benefit?

2014 Budget Summary

Deficit Levy

A three year temporary levy of 2% will be imposed on individuals' taxable income in excess of $180,000 pa, from 1 July 2014 until 30 June 2017. Note that is only 2% on the amount over $180,000.. Strategy – this means high income earners should delay expenses this year and pull forward income if they can, though for 2%, it might not be worth their effort, definitely not worth running around trying to get tax deductions before 30th June.

Other laws that are based on the maximum tax rate will take the levy into account but with the FBT rate it will not consider whether the person receiving the benefit is on $180,000 or $20,000 this rate will increase to 49% regardless so it is even more important than ever to make sure you cancel out the FBT by making employee contributions even if you have to give the employee a pay rise to cover it.

Help & Hecs Debts

From 1st July 2016 these loans will start to be repaid once income exceeds $50,638 but only at a rate of 2%. The standard 4% will apply to income above $56,264. The big incentive to repay as soon as possible is that instead of increasing the balance owing by just CPI it will now be the bond rate which could be up to 6% so generally it would be better to repay your debt than keep money in a savings account, which has not been the case in the past.

Youth Allowance

From 1st January 2015 Parents will have to support their children until they are 24 previously it was 22. Current recipients will continue to qualify but the income thresholds will be frozen for 3 years.

Family Payments

From 1st July, 2015 families where the primary income earner earns more than $100,000 will no longer qualify for part B payment. Further, Part B payments will be limited to families whose youngest child is

younger than six years of age. A transitional arrangement will ensure families with a youngest child aged six and over on 30 June 2015 remain eligible for the payments for two years.

For sole parents where their youngest child is between 6 and 12 years, their Part B will be replaced with a $750 a year payment but only if they qualify for the maximum Part A payment. Previously sole parent families would have received Part B regardless of income. This means that two parent families will lose $3,018.55 in Part B and sole parent families $2,268.55 a year.

Part A and Part B amounts paid will be frozen for the next 2 years. The income thresholds will be frozen for 3 years except of course the reduction of the income test for the primary income earner in a family, from $100,000 to $150,000 for Part B. Further, the income threshold for Part A will effectively be reduced from 1st July, 2015 because there will be no allowance for the number of children in the family. The large family allowance has been reduce to only be payable for the fourth and subsequent children from 1st July, 2015.

From 1st July, 2015 the end of year supplements will be reduced to $600 for each Part A child and $300 for each family that is entitled receive Part B (now only children under 6 or sole parents with a child under 12)

Workers over 50

From 1 July 2014, a payment of up to $10,000 will be available to employers who hire a mature aged job seeker, aged 50 years or over who has been receiving income support for at least six months.

Pension Age

A jump straight from 65 to 70 for the age pension by 1st July 2035. The following table sets out the Age Pension eligibility age by date of birth:

Date of birth between	Age at which eligible for Age Pension
1 July 1952 and 31 December 1953	65½
1 January 1954 and 30 June 1955	66
1 July 1955 and 31 December 1956	66½
1 January 1957 and 30 June 1958	67
1 July 1958 and 31 December 1959	67½
1 January 1960 and 30 June 1961	68
1 July 1961 and 31 December 1962	68½
1 January 1963 and 30 June 1964	69
1 July 1964 and 31 December 1965	69½
1 January 1966 and later	70

Pensions

The government will change how it deems the investment return from a person's financial assets for the purposes of the pension income test. The deeming thresholds will be reset from $46,600 to $30,000 for single pensioners and from $77,400 to $50,000 for pensioner couples from 1 September 2017. That is you will be expected to earn a higher rate of return on income above these amounts regardless of whether you do or not. These thresholds will not increase for 3 years.

From 1 September 2017, pension increases will be linked only to the Consumer Price Index (CPI) not average earnings

Payments of the Senior Supplement will also cease after the June 2014 payment. This was worth $876.20 per year for singles and $660.40 for each member of a couple.

The pensioner education supplement will be abolished from 1st January, 2015.

Medicare System

The Medicare levy surcharge income threshold and private health insurance rebate income threshold will be frozen for 3 years from 1st July, 2015

From 1st July, 2015 the charge will be $5 to $7 on any doctor's visit and on any out of hospital tests that the doctor recommends there is a safety net, after 10 of these charges in a year the rest are free.

Further the restriction on hospitals preventing them charging for emergency room services, will be removed.

NRAS

Funding for new projects will stop but currently tenanted properties and those under construction that meet deadlines will continue to receive all the incentives.

Superannuation

The superannuation guarantee rate will now increase to 9.5% on 1 July 2014 and remain at 9.5% until 30 June 2018. The rate will then increase by half a percent each year until it reaches 12% in 2022/23.

Small Business Depreciation Rates

The budget was silent on the Abbott government proposal, from 1st January, 2014 to remove the $5,000 outright deduction on motor vehicles (then 15% depreciation on the balance) and the immediate write off of equipment purchases under $6,500 (includes motor vehicles) created by the previous Labour government. The repeal legislation did not get through the senate but the government has not given up on the proposal as it is part of removing the mining tax. This means that the law could be changed retrospectively in July, 2014; leaving business with no idea how to complete their tax returns.

More Uncertainty:

Other issues left in limbo because he budget paper was silent on them yet the government is not backing down on trying to get them through the senate. Many of which need answers before 30th June

- The company loss-carry back provisions
- The repeal the low income superannuation contribution – the contribution would be not payable in respect of concessional contributions made after 1 July 2013; so what do low income earners do at 30th June this year?
- repeal the income support bonus;
- repeal the schoolkids bonus;
- While the reduction in the company tax rate to 28.5% was mentioned by Joe Hockey it was not included in the budget calculation so is far for certain.

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How to Make Sure Your Next Property Is a Good Investment

- Do you really know how much the property is going to cost you to hold?
- What name should the property be purchased in?
- Will this property fit your investment strategy and goals?
- What does the contract say about GST?
- How does the price compare with similar sales in the area?
- If it is negatively geared, how much capital growth is required before you breakeven?
- Do you know what records you need to keep and how?
- Are your financing arrangements maximising your tax deductions?
- What happens if interest rates rise?

......and the list goes on!

To ensure you don't make a costly mistake with your next purchase make sure you see a BAN TACS Accountant before you sign

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