

2014 CLIENT NEWSLETTER

Welcome to the Patison Partners 2014 Client Newsletter. It has been a highly eventful year, with a new government topping the long list of events which have occurred.

We are pleased to announce two new partners will be joining our Warragul Office, Frank Monacella and John-Paul D'Amico, both bringing a breadth of experience, energy and new ideas to us.

Also provided is information on a few topics and changes which may impact upon many of you.

Treasurer Joe Hockey has delivered his first budget as well, which has been a cause of much discussion. Whilst many of the measures are yet to be passed as law, we provide a summary of those which we see as being the most important to you.

If you have any queries which arise from any part of this newsletter, then please don't hesitate to contact us.

Lastly from all of us at Patison Partners, we thank you, our valued clients for your ongoing support and look forward to working with you in the coming year.

New Partners

We are pleased to introduce you to our new partners Frank Monacella and John-Paul D'Amico.

Frank grew up in Morwell and was educated in Traralgon before completing his accounting degree at Monash University. Frank spent twelve years with a large regional accounting practice followed by seven years in industry in a senior accounting and management role.

Frank joined us in 2009, where he has been working on many of our tax and business clients. He also has extensive experience in the areas of budgeting, strategic planning, tendering and business valuations.

Frank lives in Newborough with his wife Ann-Marie and children Brent and Britney. Away from work, Frank enjoys running and triathlons.



Frank Monacella

John-Paul grew up in Melbourne where he was educated prior to completing his commerce degree at Melbourne University. He spent eight years working in large city firms, made the tree change four and a half years ago and has never looked back.

John-Paul joined us at the start of 2012 working on a large range of our tax and business clients. He has experience in the areas of budgeting, cashflow forecasting and business benchmarking.

John-Paul lives in Warragul with his partner Merryn and son William. John-Paul is a team captain and secretary of Western Park Cricket Club and treasurer of the Warragul Business Group.



John-Paul D'Amico

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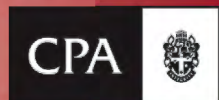


Partners

Michael Vick
Wayne Heale
Ron Hogan
Andrew Dalrymple
Katrina Magyar
Frank Monacella
John-Paul D'Amico
Michael Sheppard

Have you checked out our
website lately?

www.patison.com.au



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Personal Properties Securities Register (PPSR)

The PPSR is a national online register for consumers, businesses and the finance industry.

Consumers and business operators can search the PPSR when they need to know whether certain personal property has a security interest registered against it.

The PPSR is available for many uses including:

- Finance companies can register security interests on an item of personal property on the PPSR
- Business operators who supply goods on credit, consignment or retention of title arrangement can now register their interest on the PPSR; and
- Consumers who are about to purchase valuable second-hand goods, can search the register before buying to make sure that the property is free of registered security interests.

What is Personal Property?

Personal property is any property other than land or buildings. It includes physical goods such as artwork, furniture, electrical goods, jewellery, cars, trailers and boats, machinery and crops, as well as intangible property (eg, intellectual property).

What are Security Interests?

Generally, a creditor takes a security interest to enforce its rights against particular items of collateral in case the debtor defaults on the loan. If the debtor is declared bankrupt, a secured creditor will generally take precedence.

A creditor is considered to be a secured creditor if they have met certain requirements, which will generally include registering their security interest on the PPSR.

What Does it Mean for You?

The PPSR is now the single authoritative record of registered security interests in all types of personal property. It replaces all Commonwealth, state and territory registers of security interests in personal property.

The PPSR is available 24 hours a day, seven days a week, allowing financiers and suppliers to register their security interests and potential purchasers to search whenever convenient.

ATO Stopping Paper BASs!!

As part of the ATO's move to more online services, from **1st July 2014**, once an activity statement is lodged electronically that taxpayer will no longer receive a paper activity statement.

In the event that you lodge your BAS electronically for one quarter for whatever reason, you will be able to contact the ATO and request that you continue to receive a paper activity statement for future quarters.

The ATO however will be reviewing those who continue to receive paper activity statements to determine a suitable time for all activity statements to be issued electronically.

As a result of these changes we recommend that clients diarise the due date of their activity statements instead of relying on paper activity statements as a reminder.

ATO Electronic Correspondence

The ATO are making a concerted effort to eliminate as much paper correspondence as possible, and are seeking to liaise with accountants and taxpayers alike electronically.

In light of the above, we are updating our database this coming year with all our clients email addresses. This should enable us to forward correspondence onto you in a more efficient and timely manner.

Super Stream

In continuation with the above theme, The ATO has implemented changes to employer super contributions known as Super Stream. Super Stream is a government reform aimed at improving the efficiency of the superannuation system. Under Super Stream, employers must report super contributions on behalf of their employees by submitting data and payment details electronically in accordance with the Super Stream standard. All superannuation funds, including SMSFs, must receive contribution details electronically in accordance with this standard.

Employers with over 20 staff will need to adhere to this standard by **1st July 2014**. All other employers will need to adhere to this standard by **1st July 2015**.

Superannuation Contributions Rise to 9.5%

A reminder to all employers that the compulsory superannuation guarantee rate will increase to 9.5% from **1st July 2014**.

2014 Federal Budget Update

The 13th May 2014 Federal Budget contained many items. We provide details below of those we see as most critical or relevant to you.

Please note that many of these changes are not legislated at this stage and are only proposed. Most of the changes are as expected, with reduction to company income tax rates, changes to tax rates for higher income earners, medicare contribution charges, removal of offsets, Family Tax Benefit changes and a host of others.

Reduction to Company Income Tax Rate to 28.5%

The government has confirmed it will reduce the company tax rate from 30% to 28.5% from 1st July 2015. For large companies with taxable incomes exceeding \$5 million, the savings from this will be offset by the 1.5% paid parental leave levy. Therefore those companies will remain on a 30% tax rate, with franking credits likely to be recorded at 28.5%.

Budget Repair Levy

The government will introduce a three year temporary Budget Repair Levy on high income individuals from 1st July 2014 to 30th June 2017. The Temporary Budget Repair Levy will apply at a rate of 2% on an individual's income in excess of \$180,000 per annum.

Fringe Benefits Tax

The Fringe Benefits Tax (FBT) rate will be increased from 47% to 49% from 1st April 2015 until 31st March 2017 (to align with the FBT income year). This aligns FBT with the top marginal individual income tax rate due to the Budget Repair Levy.

Abolish Mature Age Worker Tax Offset

The government will abolish the Mature Age Worker Tax Offset (MAWTO) from 1st July 2014. Previously in the 2012-13 budget this was to have been phased out by limiting it to taxpayers born before 1st July 1957.

Abolish Dependant Spouse Tax Offset

The government will abolish the Dependant Spouse Tax Offset from 1st July 2014. Previously in the 2012-13 budget this was to have been phased out by limiting it to taxpayers born before 1st July 1952.

Increase the Medicare Levy Low-Income Thresholds for Families.

The government will increase the medicare levy low income threshold for families. The threshold for couples with no children will be increased to \$34,367, and the additional amount per child will increase to \$3,156 over the 2013-14 income year.

Medicare Levy Surcharge and Private Health Insurance Offset Thresholds Frozen

The income thresholds for the private health insurance offset and the Medicare levy surcharge will be frozen for three years from 1st July 2015.

Reintroduction of Fuel Excise Indexation

The government will re-introduce bi-annual indexation of excise for all fuels except aviation fuels in accordance with the CPI. Indexation will commence on 1st August 2014. This is to secure funding for additional productivity enhancing road infrastructure projects.

Repeal of the Minerals Resource Rent Tax and Carbon Tax

The government will be scrapping both the minerals resource rent tax and the carbon tax.

Change to Schedule for Increasing Superannuation Guarantee Charge to 12%

The government will change the schedule for increasing SGC to 12%. SGC will increase from 9.25% to 9.5% from 1st July 2014 as currently legislated. This rate however will remain at 9.5% until 30th June 2018 then increase 0.5% per year until it reaches 12%.

Stricter Rules for Job Seekers under 30, and Work for the Dole is to be Reintroduced.

From 1st January 2015 new applicants for Newstart Allowance and Youth Allowance who are under 30 must demonstrate appropriate job search and participation in employment services support for six months before receiving payments. After six months, they will be required to participate in 25 hours per week Work for the Dole to receive income support, and following this may continue to access employment services for a further six-month period.

Newstart Allowance and Sickness Allowance Changes

From 1st January 2015, the government will increase the age of eligibility for Newstart Allowance and Sickness Allowance from 22 to 24. Current recipients of both payments, aged 22 to 24 years of age on 31st December 2014 will remain on those allowances.

Age Pension age to increase to 70 by 2035

The government will raise the eligibility age for the Age Pension to 70 by 2035. From 1st July 2025, the Age Pension qualifying age will continue to rise by 6 months every 2 years — from the qualifying age of 67 years that will apply by that time, to gradually reach 70 by 1st July 2035. People born before 1st July 1958 will not be affected by this measure.

Untaxed Super Income Included in Eligibility for Seniors Health Card

The government will include untaxed superannuation income in the assessment of income to determine eligibility for the Commonwealth Seniors Health Card from 1st January 2015. All super account-based income streams held by CSHC holders before the implementation date will be grandfathered under the existing rules.

Seniors Supplement to End

The government will cease the Seniors Supplement for holders of the Commonwealth Seniors Health Card from 20th September 2014. Eligible seniors who do not receive a pension will continue to be eligible for a concession card. Senior Health Card holders will still receive the range of concessional benefits as they do currently.

Pensions to be Indexed to Consumer Price Index (CPI)

Pension and equivalent payments are now to be linked to the Consumer Price Index (CPI). This commences on 1st July 2014 for Parenting Payment Single and 1st September 2017 for Age Pension, Disability Pension, Care Payment and Veterans' Affairs Pension.

Businesses Hiring over 50s to get Cash Incentive

Businesses could get up to \$10,000 if they hire a job seeker aged 50 or older in a wage subsidy program announced in the Budget. This program is starting on 1st July 2014.

Medicare to Introduce Patient Contributions

The government will be allowing the providers of standard GP consultations, out of hospital pathology and diagnostic imaging services to collect a fee of \$7 per service. For patients with concession cards or children under 16 years this will only be reduced for 10 services after which it will return to the current level.

Medical Research Future Fund

A new medical research future fund is to be established from 1st January 2015. It is envisaged the fund will receive its first investment of \$1.15 billion in January 2015, paid for out of savings

Family Payment Reform

The government has proposed a number of reforms to family tax benefit as follows:

Family Tax Benefit Rates to be Frozen for Two Years:

The government will freeze current Family Tax Benefit payment rates for two years from 1st July 2014. Indexation of the maximum and base rates of FBT Part A and B will be paused until 1st July 2016.

Reduced Threshold Family Tax Benefit Part B

The government will reduce the FTB Part B primary earner income limit from \$150,000 per annum to \$100,000 per annum from 1st July 2015.

Limit Family Tax Benefit Part B

The government will limit FTB Part B to families whose youngest child is younger than 6 years of age from 1st July 2015. As a transitional arrangement, families with a youngest child aged 6 and over on 30th June 2015 will remain eligible for FTB Part B for two years.

Limit Large Family Supplement to Families with Four or more Children

The government will limit the FTB Part A large family supplement (currently \$313.90 per child per annum) to families with four or more children from 1st July 2015. The supplement will be paid in respect of the fourth and each subsequent child in a family.

New Family Tax Benefit Allowance

From the point they become ineligible for FTB Part B, the government will provide \$750 for each child aged between 6 and 12 years old in an eligible family from 1st July 2015.

Reform of End of Year Supplements

The government will revise the FTB end-of-year supplements to their original values and cease indexation from 1st July 2015. The revised supplements will provide \$600 per annum per FTB Part A child and \$300 per family per annum for each FTB Part B family.

Questions for your Accountant