BUSINESS - SOLUTIONS - SUCCESS

2013 CLIENT NEWSLETTER

Welcome to the Patison Partners 2013 Client Newsletter. It has been another year filled with new financial developments at home and overseas.

With the uncertainty prevalent in the local and global economy, it is imperative that all businesses are well prepared for these challenging financial times, and we as a firm are committed to working through these with you.

Treasurer Wayne Swan has delivered another budget and it contains a number of changes. We have summarised the ones which we see as being the most important to you.

We've included a list of some tax planning tips, which may be useful for you to implement prior to 30 June 2013. Please talk to us, to ensure you take advantage of all available opportunities.

With tax time for the 2012/13 year almost upon us we also enclose a year end information checklist to assist us prepare your financial statements and tax returns in the most timely and efficient manner.

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.

In this Newsletter:

STOP PRESS – EMPLOYERS!

Superannuation Contributions

A reminder to all employers that the compulsory superannuation guarantee rate will increase to 9.25% from 1 July 2013, 9.5% on 1 July 2014 and then 0.5% increments until reaching 12% on 1 July 2019.

FEDERAL BUDGET MAY 2013

Personal and families

Individual Tax Rates

There will be no change in marginal income tax rates already legislated for individuals for the 2013, 2014 and 2015 income years. The Government has also indefinitely deferred the previously proposed increase in the tax-free threshold from 1 July 2015.

Tax rates for resident individuals for the 2013 to 2015 years will remain as follows:

Taxable Income ($)	***Tax Payable***
0-18,200	Nil
18,201-37,000	19% of excess over $18,200
37,001-80,000	$3,572 + 32.5% of excess over $37,000
80,001-180,000	$17,547 + 37% of excess over $80,000
180,001+	$54,547 + 45% of excess over $180,000

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Have you checked out our website lately?
www.patison.com.au

CPA

Medicare Levy

The Medicare levy will increase from 1.5% to 2% from 1 July 2014. From 1 July 2012, there will be increases to the income thresholds at which Medicare Levy becomes payable as follows:

	2011-2012	***2012-2013***
Individual	$19,404	$20,542
Single pensioner below age pension age	$30,451	$32,279
Family	$32,743	$33,693
*Additional amount per dependant child	$3,007	$3,094

In addition to the Medicare Levy rise, higher income earners without sufficient private health cover will continue to be assessed to a further 1% surcharge.

The increase in the Medicare Levy brings the effective top marginal tax rate to 47%.

Net Medical Expenses Tax Offset

The Net Medical Expenses tax offset will be phased out. Only taxpayers who claim the offset for the 2013 income year will be eligible to claim in future years.

- Taxpayers who claim for the 2013 year will be eligible to claim for the 2014 year.
- Taxpayers who claim for the 2014 year will be eligible to claim for the 2015 year

From 1 July 2015, the offset will be restricted to medical expenses relating to disability aids, attendant care and aged care expenses. The offset will be removed completely when Disability Care Australia is fully operational.

Self Education Expenses

The allowable deduction for self education expenses by individuals will be limited to $2,000 per annum from 1 July 2014. This limit will apply to all related costs, such as course and tuition fees, textbooks, journals, computers, stationary, travel and accommodation costs.

Employers who provide or fund work-related education and training for employees will not be liable for fringe benefits tax regardless of the amount, unless the employee salary sacrifices to obtain these benefits.

Students – HELP Discounts Removed

Discounts will be abolished for voluntary and up-front payments made on HELP loans from 1 January 2014. Currently a 10% discount applies to up-front payments and 5% to voluntary payments of $500 or more.

Goodbye Baby Bonus

From 1 March 2014, the Baby Bonus will be replaced by an increase to Family Tax Benefit Part A (FTB Part A) payments. The payment increases FTB Part A by $2,000, to be paid in the year following the birth or adoption of a first child or each child in multiple births, and $1,000 for second or subsequent children. The additional FTB Part A would be paid as an initial payment of $500, with the remainder to be paid in seven fortnightly instalments.

Parents who take up Paid Parental Leave (PPL) will not be eligible for the extra FTB Part A payment but should have greater access to PPL on the birth of subsequent children.

Increase to Family Tax Benefits scrapped

The proposed increase in the 2012/13 budget of FTB Part A will now no longer occur.

Working while on Benefits

The amount income support recipients can earn from paid employment before reducing their support payments will increase from $62 per fortnight to $100 per fortnight from 20 March 2014. Annual indexation of the income free area will start from 1 July 2015.

Superannuation

Increasing Concessional Contribution Caps

The new concessional caps announced are:

	$25,000 p.a.	***$35,000 p.a.***
1 July 2013-30 June 2014	<60 years old as at 30 June 2014	60 or older as at 30 June 2014
2014/15 year onwards	<50 years old as at 30 June	50 or older as at 30 June

The proposed $35,000 cap is not subject to CPI indexation, whereas the $25,000 cap is. This cap is expected to catch up to $35,000 for all ages due to CPI adjustment by 2018.

Tax on Pension Fund Earnings

Currently all earnings on pension accounts are tax free. From 1 July 2014, there will be a tax on investment earnings of pension accounts in excess of $100,000 for each individual indexed to CPI in $10,000 increments. The first $100,000 will remain tax free.

The following transitional arrangements will apply for capital gains on assets purchased before 1 July 2014:

- For assets the fund held at 5 April 2013 only the capital gains that accrue after 1 July 2014 count;
- For assets purchased between 5 April 2013 and 30 June 2014 the Trustee must include the lower of the total gain, or the gain accrued after 1 July 2014 and;
- For assets purchased from 1 July 2014 the entire gain will be included.

Excess Contributions Tax

Excess contributions have proven to be a large problem due to inadvertent breaches of the limit.

This reform will allow excess contributions to be refunded from 1 July 2013 and made subject to tax at the individuals marginal tax rate. An interest charge will also be applied to the tax payable to account for any time delays in assessing the excess.

Extra 15% Contributions Tax where Income >$300,000

While this was announced in the 2012/13 Budget, this measure has yet to be legislated. Minor changes have been incorporated into the exposure draft legislation giving "income" a similar definition to that used in determining medicare levy surcharge.

Only contributions that cause the income threshold to exceed $300,000 are counted.

Tax Planning Strategies

Business Income and Expenses

1) Trading Stock

If you have any stock that is old, damaged or obsolete, then write if off pre 30 June. Ensure you complete a stock take and value your stock at the lower of cost or net market value.

2) Bad Debts

Write them off prior to June 30 to obtain a tax deduction. They should be written off in your debtors ledger to substantiate this.

3) Depreciation and your Fixed Asset Register

Review Fixed Asset Register and write off any plant and equipment that has been scrapped. This will ensure you receive the tax benefit in the 2012/13 year.

4) Bonuses and Directors Fees

Make sure that Bonuses and Directors Fees are declared prior to 30 June. They don't need to be paid, but the company needs to be committed.

5) Prepayment of Expenses

If you are a small business for tax purposes (turnover less than $2 Million), then you can make a prepayment for expenses with a duration of no greater than 13 months, and received the full tax deduction.

6) Superannuation

Ensure you make your superannuation payments before June 30. The funds need to be received by the fund to be eligible for a tax deduction. Make these payments as early as possible, to ensure this occurs.

The ATO are using data matching, and where contributions have not been received by the fund, are denying the tax deduction in that year.

If you make superannuation payments for staff, then ensure you pay these prior to 30 June, so as to obtain a tax deduction in the current year.

7) Defer Income

If you are able to, defer income into the 2013/14 financial year. This can work for service based businesses or where you are billing clients on a work in progress basis.

8) Log Book for Motor Vehicles

Changes to the Statutory rate for Car Fringe Benefits, mean that we are moving to a flat rate of 20% for all cars purchased after 10 May 2011.

Consider keeping a log book, where you have a car with substantial business use, to ensure your Fringe Benefits Tax liability is minimised as much as possible.

9) Trust Distributions

If you operate as a Trust, you need to make sure that you are determining and minuting your Trust Distributions prior to 30 June 2013, to ensure this is effective. This is an area under the ATO spotlight at the moment. We will be writing to all our clients to ensure this occurs.

Personal Income, Deductions and Tax Offsets

Set Term Deposits to mature in July rather than before 30 June .

Consider realising capital losses, if you have already realised capital gains on other assets in 2012/13. Also, if you have realised capital losses, or anticipate higher income in 2013/14, then consider realising capital gains.

Ensure you account for all substantial out of pocket medical expenses to be grouped in the current financial year. This may enable you to meet the annual threshold for the Net Medical Expenses Offset, given the changes which were announced in the budget.

Arrange for any deductible donations to be grouped in the name of the higher income tax earner to ensure maximum tax benefits.

Taxpayers making mandatory HELP repayments and/ or those close to paying off their debt should consider bringing repayments forward to before 1 January 2014 to benefit from the discount.

Where you have a negatively geared rental property or share portfolio, consider the prepayment of interest to bring forward any potential tax deductions.

Contact us for advice if you have or are considering moving to or from Australia for an extended period. You may need to review your residency status for tax purposes.

Questions for your Accountant

END OF YEAR TAX CHECKLIST

The best way to ensure that your tax return is completed in the most efficient manner is to provide all information to your accountant from the outset. We have detailed below the documents and information that should be provided upon visiting your accountant.

- ◇ Backup copies of any relevant computer files. Please advise us of what version of software you are using and any password.

  <u>NOTE:</u> Even if supplying your information electronically, we also ask that you provide the following supporting information.
- ◇ Bank statements for the period 1 July to 30 June. Alternatively, if a bank reconciliation has been prepared the statement at 30 June should be sufficient.
- ◇ Term Deposit notices.
- ◇ Dividend slips for dividends received during the year. Alternatively, a summary of dividends received should be provided detailing franked, unfranked and imputation credit amounts.
- ◇ Copies of contract notes for listed or unlisted shares or units in unit trusts purchased or sold during the year.
- ◇ Closing stock on hand values at year end.
- ◇ List of trade creditors and trade debtors at year end.
- ◇ Livestock numbers held at 30 June.
- ◇ Details of any debts, which are bad or considered doubtful.
- ◇ A copy of the Payment Summary Statement and individual Payment Summaries for employees.
- ◇ A copy of your Private Health Insurance Annual Tax Statement.
- ◇ Copies of monthly or quarterly Business Activity Statements.
- ◇ Any new hire purchase, lease agreements or loans entered into during the year.
- ◇ Details of any private portion of expenses (telephone, travel, motor vehicle expenses, light and power, etc.)
- ◇ Copies of Log Books kept for motor vehicles.
- ◇ Copies of legal expenses invoices paid during the year to determine their tax deductibility.
- ◇ Details of any donations made during the year to determine their tax deductibility.
- ◇ Details of insurance expenses paid during the year.
- ◇ Details of any capital asset additions or disposals.
- ◇ Details of any business expenses paid personally by directors either by cash or credit card.
- ◇ Copies of any recipient generated invoices that relate to your income.

WE ARE HERE TO HELP

- ✓ Make Good use of us! This guide is merely a starting point to assist you in identifying areas that may have a significant impact on your tax planning
- ✓ TALK TO US BEFORE 30 JUNE 2013 TO MAXIMISE YOUR OPPORTUNITIES!