PINNACLE ACCOUNTING SOLUTIONS

EDITION 2

MAY 2013

Let's talk *tax*

PROPOSED SUPER REFORMS

Reforms to Australia's super system have been announced that will be considered by Parliament after the Federal election in September 2013.

If legislated, the proposals will impact many super fund members before and after retiring. Below is an overview of the key proposals and how they could affect you.

Increased concessional (tax deductible) contribution cap

Proposed date of effect: 1 July 2013 and 1 July 2014

Currently, pre-tax and other concessional super contributions are capped at $25,000 pa, regardless of your age. This cap will increase to $35,000 pa from:

- 1 July 2013 for people aged 60 and over, and
- 1 July 2014 for people aged 50 and over.

Concessional contributions include, but are not limited to, all employer contributions (including salary sacrifice) and personal deductible contributions.

This measure is good news if you're closer to retirement, as it will give you the option to put more into your super and save on tax.

Excess contribution refunds

Proposed date of effect: 1 July 2013

If you make concessional super contributions that exceed the cap (see above) from 1 July 2013, you'll be allowed to withdraw the excess amount.

These withdrawals will then be taxed at your marginal rate, plus an interest amount. This may result in some significant tax savings, particularly for lower to middle income earners, as excess concessional super contributions are currently taxed at 46.5%.

Tax on pension earnings over $100,000

Proposed date of effect: 1 July 2014

Currently, all earnings from assets held in a super pension are tax-free. From 1 July 2014, only the first $100,000 in earnings per member will be tax-free and earnings above this threshold will be taxed at 15%.

More details from the Government will be required before the complete impact of this measure can be determined. But it will generally only impact you if:

- you have a large amount invested in a super pension (approximately $2 million), or
- your fund makes a capital gain when selling assets that takes the fund's income above $100,000.

Note: This proposal relates to income earned by assets in a super pension and not to income payments received from a super pension.

Social security changes to account-based pensions

Proposed date of effect: 1 July 2015

Currently, income payments received from an account-based pension are concessionally treated under the social security income test. However, the Government has proposed that, from 1 July 2015, account-based pensions will be treated the same as other financial assets and be deemed to earn a particular rate of interest, regardless of the income actually earned.

This measure could impact age pension payments if introduced, but will not apply to account-based pensions started before 1 July 2015.

30 June 2013

is fast approaching...

As the current financial year draws to a close it is an important time to consider what you need to do to ensure the best taxation result for you and your family.

The Federal Government will hand down their budget on 14 May 2013 and we will provide you with our summary of the important issues affecting you going forward before we reach 30 June 2013.

In the meantime, there are some very basic matters that you should look at before-hand.

Listed on the next page for individuals, families and those who operate a business, are some pointers for things to review prior to 30 June.

30 June 2013 is fast approaching… (cont…)

Individuals

- Check to make sure you have appropriate records (invoice copies, receipts of payment, log book records for car usage, etc.) for expenses you intend claiming as a tax deduction, this is critical if your total claims exceed $300.
- Medical expenses paid out of pocket are often overlooked at tax time. A rebate for medical costs paid out of pocket and exceeding $2,060 for the "individual or family unit" can be claimed. If you are close to this limit consider bringing forward expenditure to before 30 June as the effect will be a 20% saving where you exceed this threshold.
- Where you have disposed of assets that are subject to capital gains tax have these reviewed so that you are aware of the tax payable. In addition, make an assessment of whether or not there are other assets you could dispose of that may cause capital losses as these can be used to reduce the overall tax payable.
- Consider incurring the costs of tax deductible expenses (e.g. tools of trade, professional references or fees, etc.) to reduce your taxable income. If self-employed consider making superannuation contributions up to the allowed limit of $25,000.
- If you have had income protection insurance in place in the past, review the renewal date and pay the new premium before 30 June or as a first time insurer get your cover in place before this date.

Families

- Assess the likely taxable income of the "family" (mum and dad) to estimate your entitlement to Family Tax Benefits (you may wish to contact the Family Assistance Office once you have your estimated income). This is important not only to determine your entitlement but ceasing it if you have exceeded the allowable threshold.
- Refer above to the comments on medical costs. In the case of a family it is the out of pocket medical costs met for all members of the family – mum, dad and their dependent children.

Business Operators

- Review the financial position of your business, complete tax planning processes and where necessary/appropriate bring forward spending on what you consider to be vital expenditure that you would have incurred in the next year anyway. Seek advice on which costs to meet as some may not be fully deductible and subject to the pre-payment provisions.
- Look at your existing list of depreciable items of plant & equipment and scrap any items that are no longer operational or no longer used in your business and replace them with new items especially where the tax depreciation concessions can be utilised (call us on this if you are unclear).
- Ensure your obligations to the ATO and other bodies for employee entitlements (e.g. PAYG withholding, superannuation contributions, union and professional bodies) are up to date or will be at 30 June.
- As you work through this pre-30 June process consider your existing banking arrangements and determine if they are meeting your needs and expectations. Remember if your "house is in order" you will not only be informed but also be in the best position to make changes to your banking arrangements that should benefit you and your business.

We would be pleased to assist you with any queries you have from the above comments.

Gary Matheson—CPA

Principal

Pinnacle Accounting Solutions (PAS) was established under the guidance of Gary Matheson in conjunction with the principals of Pinnacle Wealth Management.

PAS has a strong work ethic that aims to deliver suitable outcomes to clients with an effective and efficient approach while remaining completely focussed on maintaining compliance with regulatory requirements for all clients and their business activities.

Our qualified people are able to provide sound and accurate advice or direction as required.

PINNACLE ACCOUNTING SOLUTIONS

Pinnacle Accounting Solutions (SA) Pty Ltd
Level 1, 309 Angas Street
Adelaide SA 5000
PO Box 7095, Hutt Street
Adelaide SA 5000

Phone: 08 8312 0050
Fax: 08 8312 0051
Email: gmatheson@pinnacleas.com.au
Website: www.pinnacleas.com.au