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ClientFocus

Quarter 1, 2013/14

In This Issue

Welcome to the Quarter 1 edition of the 2014 financial year ClientFocus newsletter.

Hopefully a good start to the financial year has been received by all and with a new government in place, hopefully some tax concessions will be made over the coming months and within the next budget for us all. We have discussed below the potential changes currently in the public domain that may affect you.

GOLF DAY – We are pleased to note, once again the golf day applications have been well received and looks like a great day ahead. There are a few spots available and if you would like to be involved, either participating, sponsoring or donating prizes please contact the office. Remembering all proceeds of the day going to the Prostate Cancer Foundation WA.

New government's likely tax and super changes

With a new Government in Canberra, several aspects of the economic environment look likely to change in the near future.

While specific details are still to be formulated and released, there are a few policies that are likely to become a part of our collective tax and super landscape.

Company tax rate reduction

One of the key proposals of the Government tax platform is the promise of a 1.5% cut to the company tax rate, bringing it down to 28.5%, which will be effective from July 1, 2015.

Paid Parental Leave

A flow on affect from the new government's paid parental leave scheme plans to offer 26 weeks at existing pay (up to a salary cap of $150,000) along with superannuation, and will be funded by a 1.5% levy on bigger businesses.

Car fringe benefits

The government also pledged to ditch Labor's proposed toughening of the FBT treatment of salary-packaged cars, which are leased for personal use. Very good news for those in the car industry.

Removal of certain tax concessions

There are also some plans that may have an adverse impact on small businesses.

The Government has pledged to wind back the increased asset write-off threshold, and get rid of the accelerated car depreciation rules as well. The rise in the instant asset write-off to $6,500 allowed for a small business is likely to be wound back to $5,000 under the new Government's plans.

The loss carry-back scheme is also on the Government's chopping block. This was only legislated days before the end of the last financial year, and allows small businesses to "carry back" losses to offset past profits, giving them a tax refund up to a cap of $300,000 each year from tax previously paid.

Discontinuing the loss carry-back will give the Government $900 million over four-years, while discontinuing the instant asset tax write-off will give it $2.9 billion over the same period.

Other new government tax policies include the following:

- Remove the carbon tax, without changing the current income tax thresholds and the current pension and benefit fortnightly rates
- Remove the Minerals Resource Rent Tax (mining tax)

Key Dates

October
21st – September monthly BAS/IAS due
28th – Q1 BAS due (own lodgement)
28th – Super Guarantee Charge Statement due

November
21st – October monthly BAS/IAS due
25th – Q1 BAS due (tax/BAS agent or Business portal lodgement)

December
21st - November monthly BAS/IAS due

Superannuation guarantee

The change in the superannuation rate increasing to 12% by 2019 is set to be made with a slower phase-in. From the 9.25% at present (it was 9% until July 1 this year), the previous government's plan was to increase the compulsory super rate annually until it reached 12% by July 2019. This will now be delayed until July 2021.

Other new government superannuation policies

- develop an appropriate process to address all inadvertent breaches of the contribution caps where the taxpayer can show that their mistake was genuine and the error would result in a disproportionate penalty
- revisit concessional contributions caps and incentives for low income earners
- review the minimum payment rules relating to account based pensions to assess their adequacy and appropriateness
- shift the job of administering superannuation from employers through having compulsory superannuation payments remitted directly to the Tax Office at the same time as employers remit their pay-as-you-go (PAYG) payments.

Proposed measures from the previous govt

Pension earnings over $100,000

It is as yet unclear what the new government plans for Labor's proposal, announced last April, to tax at 15% from next July, the now tax-exempt investment earnings of superannuation assets from which a pension is being paid to an individual where earnings attributable to the pension exceed $100,000 for the year.

Income deeming rules

Under the proposed deeming rules, the government assumes financial assets are earning a certain amount of income for the Age Pension Income Test, regardless of the income they actually earn. Deeming thereby works to reduce the extent that pension, benefit or allowance payments vary. While nothing is set in concrete regarding the above, which are subject to review by the new government, we will keep you informed as details come to hand.

Other proposed measures

The Government's superannuation policy document indicates however that it does not agree with the following changes that the outgoing government made during its term:

- lowering concessional contribution caps to $25,000 and freezing the indexation of the cap
- reducing the maximum co-contribution to $500 and reducing the eligibility thresholds
- introducing a new tax on superannuation for individuals earning more than $300,000.
- The Government had also resolved to abandon the low income superannuation contribution (a $500 yearly government payment to the super funds of people earning less than $37,000) but there has been to date no further word on this.

We will let you know further news on these possible changes as information comes to hand.

Contact Us

If you have any questions regarding any of the above, or any other matter, please do not hesitate to contact the office on 08 9322 5366 or by way of email at the following addresses.

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