Client Information Bulletin

BLAZE ACUMEN
CHARTERED ACCOUNTANTS

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Chartered Accountants

Changes to the super guarantee and upper age limit

From 1 July 2013 the super guarantee increases to 9.25% and the upper age limit has been removed. This means employers may need to make super guarantee payments for eligible employees aged 70 years and over.

If you are an employer, you will need to ensure that your payroll and accounting system applies the appropriate increase in the super guarantee rate. Currently the super guarantee rate will increase every year until it reaches 12% in 2019, however the Coalition has announced that if they win the federal election, they will defer any further increases for two years.

If you are an employee salary sacrificing to make additional superannuation contributions, ensure you take into account the increased super guarantee rate to ensure you don't exceed the $25,000 contributions cap.

For more information about these changes please contact us.

Medical expenses - tax offsets

The 2013 Federal Budget announced that the Government intends to phase out the out-of-pocket medical expenses tax offset. Currently, a 20% tax offset can be claimed for eligible out-of-pocket medical expenses in excess of $2,060 per annum. For general medical expenses, only taxpayers who claim the offset for the 2013 income year will be eligible to claim in future years.

Individuals who have expenses relating to disability aids, attendant care or aged care will continue to qualify for an offset up to 2019.

Self-education expenses capped

The Government announced its intention to limit the allowable deduction for self-education expenses by individual taxpayers. From 1 July 2014 it will be capped at $2,000 per annum.

The limit will apply to all self-education expenses such as tuition, books, courses, computer equipment as well as travel and accommodation relating to things such as seminars and courses.

The proposal is far reaching and will impact individuals wanting to improve their professional qualifications. Small businesses can continue to help staff with additional training and skills by offering to pay for any courses or tuition for staff making them exempt from the caps. However if staff salary sacrifice to pay for training courses it will be considered a fringe benefit and subject to fringe benefits tax.

Personal income tax rates

The 2013 Federal Budget contained a number of significant taxation changes that will impact individual taxpayers.

Personal Income Tax Rates

Individual income tax rates have remained unchanged and changes that were due to apply from 1 July 2015 have been deferred until 2017-18. At that point the tax free threshold will increase from $18,200 to $19,400.

Tax rates for non-residents

For the 2013-14 income year, non-residents will pay a flat rate of 32.5% on all taxable income up to $80,000. For taxable income exceeding $80,000, the marginal tax rate for non-residents will be the same as it is for Australian citizens and permanent residents.

Furthermore, proposed legislation to remove the capital gains tax discount for non-residents is expected to come before Parliament shortly. From 1 July 2016 non-residents will be subject to a non-final withholding tax rate of 10% on the proceeds that arise from the sale of certain taxable Australian properties.

Medicare levy increase affects small business

The Medicare levy increase – from 1.5% to 2% – will effectively bring the top marginal tax rate to 47%. This will not only impact individual taxpayers but also small businesses. A number of tax laws that businesses regularly comply with apply the top marginal income rate as a penalty rate of tax.

As a result, the following common tax items will be subject to tax of 47%, up from the previous 46.5%:

- Fringe Benefits Tax (FBT)
- TFN and ABN Withholding Tax
- Family Trust Distributions Tax
- Trusts, where Section 99A of the *Income Tax Assessment Act 1936* (Cwlth) applies to retained income
- Excess non-concessional contributions to super (with tax on excess concessional contributions to increase to 32%).

For more information on how these changes will affect your business please contact us.

New taxable payments reporting

Businesses in the building and construction industry must now report the total payments they make to each contractor for building and construction services each year. This change came into effect 1 July 2012.

These payments are to be reported to the ATO as part of the *Taxable payments annual report*.

Who needs to report

Businesses in the building and construction industry will need to provide the report if all of the following apply to them:

- The business is primarily in the building and construction industry
- Payments are made to contractors for building and construction services
- The business has an Australian business number (ABN).

A business is considered to be primarily in the building and construction industry if any of the following apply:

- In the current financial year, 50% or more of the business income is derived from providing building and construction services
- In the current financial year, 50% or more of the business activity relates to building and construction services
- In the financial year immediately before the current financial year, 50% or more of the business income was derived from providing building and construction services.

Details to report

For each contractor the following details will need to be reported each financial year:

- ABN (if known)
- Name
- Address
- Gross amount paid for the financial year. This is the total amount paid inclusive of GST.
- Total GST included in the gross amount paid.

When to report

The first *Taxable payments annual report* is due 21 July 2013 for payments made in the 2012-13 financial year. In this first year, if the activity statement is lodged quarterly, it can be lodged by 28 July 2013.

Changes to simpler depreciation rules

The small business instant asset write-off threshold has been increased from $1,000 to $6,500 for the 2012-13 income year. As a result, small businesses can claim an accelerated initial deduction for motor vehicles acquired in 2012-13 and in subsequent years.

This means the long life small business pool and the general small business pool have been consolidated into a single pool to be written off at one rate.

These amendments only apply to small businesses that have an aggregated turnover of less than $2 million. The aggregated turnover includes the annual turnover of the small business and the annual turnovers of any connected or affiliated businesses.

The depreciating asset can be written off at the end of the income year when the business either:

- Starts to use it for a taxable purpose; or
- Has it installed ready for use for a taxable purpose.

An accelerated deduction can also be claimed for motor vehicles costing $6,500 or more under the same provisions. The cost of the motor vehicle is added to the general pool but unlike other assets, the deduction is $5,000 plus 15% of the remaining amount.

For example if you purchase a vehicle only used for business purposes for $12,000 in the 2012-13 income year you can claim the following:

$5000 + 15% (12,000 – 5,000) = $6,050

If the motor vehicle costs less than $6,500 it can be immediately written off.

For more information on these depreciation rule changes please contact us.

Budgeting for the 2013-14 Financial Year

The end of a financial year provides an excellent opportunity to prepare Budgets and Cash Flows for the forthcoming year. Budgets and Cash Flows provide a timely resource. They give business owners an opportunity to reflect on their business and also look to the future.

Recently there have been some major developments in the information technology sector that can provide businesses with timely, cost saving applications. These include Cloud Accounting and improved Internet Banking eliminating such things as costly cheque books and labour processing. They also include cost effective marketing using social media such as Facebook and Twitter.

There have also been some very significant changes in the development of equipment that can provide significant savings to a business. This has been particularly evident in the transport, agriculture and manufacturing industries. While interest rates are at a record low, consider replacing ageing and inefficient equipment with new, more effective and efficient technology.

If you do need assistance with preparing Budgets and Cash Flows please contact us.

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