PRICE ROBERTS + CO

Chartered Accountants

June Newsletter

Federal Budget 2012/13

Drop in Concessional Cap for those over 50

From 1 July 2012, all individuals will be subject to a concessional superannuation contributions cap ("cap") of $25,000 per annum ("p.a.").

Those 50 or over (but less than 75 if when 65 or over satisfying a work test) have had a higher cap of $50,000 p.a. and were due to have the cap drop to $25,000 p.a. unless they had a superannuation balance of less than $500,000. The government will delay the ability of those aged 50 or over but less than 75 with below $500,000 in super balances to maintain a cap of $50,000 p.a. until 1 July 2014.

The deferral has implications for employees making additional salary sacrifice contributions, individuals making personal contributions, or those employing transition to retirement (TTR) pension strategies. Contributions must be reviewed by 1 July 2012. From 1 July 2012 an employee at the top marginal tax rate, who currently contributes the full $50,000 p.a. allowed under the current cap, will pay an estimated extra $7,875, due to the reduction in contribution cap to $25,000.

Contributions tax doubles on incomes over $300,000 pa

Extra revenue will be raised by the doubling of the 15% contributions tax to 30% for Australians with pre-tax income of over $300,000. The government estimates this will impact 128,000 people in 2012-13. This only affects contributions tax, not tax on superannuation earnings, which will remain at 15%.

Income is defined for this purpose to include taxable income, concessional super contributions (e.g. SG and salary sacrifice), notional contributions to defined benefit funds, adjusted fringe benefits, total net investment losses, target foreign income, and tax-free government pensions and benefits, less child support. However, tax free income from superannuation pensions (e.g TTR) are not included.

If an employee's income (excluding their concessional contributions) is under the $300,000 threshold, but including their concessional contributions pushes them over that threshold, the increased 30% tax will only apply to the part of the contributions which are in excess of the threshold.

It is estimated that from 1 July 2012, an employee earning over $300,000 and contributing at the maximum concessional cap of $25,000 will pay an additional $3,750 in contributions tax and therefore require an additional $7,010 in salary compensation.

Government super contribution for low income earners

The government has announced that, from 1 July 2012, it will provide income earners with taxable income below $37,000 with a $500 contribution into their super account. This will effectively refund the 15% contributions tax they pay on their compulsory superannuation guarantee contributions.

Changes to personal income tax rates

In order to assist low and middle income earners with the expected cost of living increases resulting from the introduction of the Carbon Tax personal income rates will change from 1 July 29012. The tax free threshold will increase from $6,000 to $18,200 meaning that up to one million Australians will not need to lodge a tax return. The new tax rates from 1 July 2012 are:

Taxable Income	Tax on this Income
0 - $18,200	Nil
$18,201 - $37,000	19c for each $1 over $18,201
$37,001 - $80,000	$3,572 plus 32.5c/$ over $37,001
$80,001 - $180,000	$17,547 plus 37c for each $1 over $80,001
$180,001 and over	$54,547 plus 45c for each $1 over $180,001

Other announcements

Company tax rate cut:

The proposed company tax rate cut from 30% to 29% has been dropped, although there is more recent talk of trying to reduce it to 25%.

Interest income discount:

The previously announced 50% discount for interest income due to start from 1 July 2013 has been dropped.

Standard tax deductions:

The government has also dropped the standard tax deduction for work related expenses which was due to start from 1 July 2013.

Elderly recruitment incentives:

The government will provide a $1,000 Jobs Bonus to 10,000 employers who recruit and employ a worker who is over 50 for more than 3 months. However, the mature age worker tax offset will be phased out from 1 July 2012.

Company 'Carry –Back' tax measure:

From the 2013/14 financial year, incorporated companies (non-incorporated companies, trusts, sole traders and partnerships are not eligible) can offset a current year's tax loss (up to $1 million) against previous year's tax paid on profits made in the previous 2 years, up to a refund amount of up to $300,000.

Asset write off measure:

Allows businesses with less that $2 million in annual turnover to write off all eligible assets up to $6,500 as well as the first $5,000 of the cost of a new car/utility vehicle.

40,000 new home care packages:

There will be an additional 40,000 home care packages available over 5 years to help pensioners remain in their homes.

Supplementary Allowance to Newstart, Youth Allowance and Parenting Payment:

An extra yearly payment of $210 for singles and $350 for couples will be paid to recipients of these allowances.

Private Health Rebate:

The private health insurance rebate and Medicare levy surcharge will be income tested against the income thresholds in the table below.

	Unchanged	Tier 1	Tier 2	Tier 3
Singles	$84,000 or less	$84,001-97,000	$97,001-130,000	$130,001 or more
Families*	$168,000 or less	$168,001-194,000	$194,001-260,000	$260,001 or more
Rebate				
Aged under 65	30%	20%	10%	0%
Aged 65-69	35%	25%	15%	0%
Singles	$84,000 or less	$84,001-97,000	$97,001-130,000	$130,001 or more
Aged 70 or over	40%	30%	20%	0%
Medicare levy surcharge				
Rate	0.0%	1.0%	1.25%	1.5%

* The family income threshold is increased by $1,500 for every child after the first child.

Tax Planning

As the current financial year draws to a close it is worth considering the usual tax planning strategies of:

- Deferring income, particularly if income is expected to be lower next year;
- Bringing forward deductions, unless income significantly higher next year; and
- Putting up to $1,000 into super as an undeducted or non-concessional contribution if eligible for the government superannuation co-contribution.

Additional tax planning specifically from the recent Federal Budget may include prepaying private health insurance premiums if having high income and reviewing superannuation contribution limits.

Please contact the team at Price Roberts & Co with any queries on these or other taxation, superannuation and business matters.