

DFK ANZ BUSINESS & TAXATION BULLETIN
keeping you informed winter 2014



SUPERANNUATION CO-CONTRIBUTION

The superannuation co-contribution scheme for low income earners is still in action for the 2014 income year. The entitlement is 50% of any personal after-tax superannuation contributions up to a maximum of \$500. The lower income threshold is \$33,516 and the higher income threshold is \$48,516 with a sliding scale of entitlement.

INCOME AMOUNT	IF YOUR PERSONAL SUPER CONTRIBUTION IS:			
	\$1,000	\$800	\$500	\$200
	YOUR SUPER CO-CONTRIBUTION WILL BE:			
\$33,516 or less	\$500	\$400	\$250	\$100
\$36,516	\$400	\$400	\$250	\$100
\$39,516	\$300	\$300	\$250	\$100
\$42,516	\$200	\$200	\$200	\$100
\$45,516	\$100	\$100	\$100	\$100
\$48,516	\$0	\$0	\$0	\$0

There are no forms or applications required to receive the government co-contribution. It will be automatically calculated and paid to your superannuation fund if you are eligible.

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TIME TO START TAX PLANNING!

As the end of the financial year approaches, it's time to examine potential tax planning opportunities to help minimise the overall tax liability facing a business or family group.

Defer Income

As long as your business cashflow permits, you may wish to defer raising invoices in the month of June and instead raise them on 1 July 2014. As most businesses operate on an accrual system, tax is paid on the value of invoices raised rather than cash received. By deferring invoices, this will defer the subsequent tax liability to the following tax year.

Accelerate Deductions

A business can claim a tax deduction for any expenses it has incurred and has a legal liability to pay, even if the actual payment has not yet been made. A common example is employee bonuses that have been communicated to staff, but not yet paid at 30 June 2014. You may also ensure supplier invoices are dated in June 2014, rather than being held for the next financial year.

There are some expenses, for which the bringing forward of the deduction does not apply, these being:

- Unpaid superannuation contributions at year end.
- Purchases of Trading Stock.
- Purchases of Depreciating Assets.

Small Business Instant Asset Write Off & Simplified Depreciation

If your consolidated business turnover is less than \$2million, you are eligible for concessional treatment on the purchase of some depreciable assets.

Assets purchased and installed between 1 July 2013 and 31 December 2013 costing less than \$6,500 or, assets purchased between 1 January 2014 and 30 June 2014 costing less than \$1,000 can be immediately written off. The remaining balance of assets must be pooled and depreciated at 30% per year.

Capital Allowances & Depreciation on Buildings

If you or your business has recently purchased a commercial or residential building, you may want to consider obtaining a quantity surveyors report that will entitle you to a 2.5%pa deduction on the construction costs, depending on the date the construction was completed, along with depreciation for certain fixtures in the premises.

Superannuation – Minimum Pension Payments

A reminder that all self-managed superannuation funds which are in pension phase are required to make minimum pension payments by 30 June 2014.

The minimum pension amount is calculated by taking the pension account balance at 1 July 2013 and multiplying it by the ATO prescribed rate as determined by the member's age. The minimum pension rates for the 2014 financial year are as follows:

AGE	% OF ACCOUNT BALANCE
Under 65 years	4%
65-74 years	5%
75-79 years	6%
80-84 years	7%
85-89 years	9%
90-94 years	11%
95 years or more	14%

Superannuation Contribution Limits

Before making any large superannuation contributions in June 2014, please check that you have not exceeded the relevant superannuation contributions caps for the 2014 financial year, as detailed below.

AGE OF MEMBER	CONCESSIONAL CAP	NON-CONCESSIONAL CAP
Under 59 years old	\$25,000	\$150,000*
Aged 59 years or older at 30 June 2013	\$35,000	\$150,000*

Concessional contributions include employer contributions (including salary sacrificed super) and any personal contributions claimed as a tax deduction for a self employed person. Members who are over 65 years old must pass a work test in order to be able to make a super contribution.

*Members who are less than 65 years old have the option to bring forward 3 years worth of non-concessional contributions, increasing the cap to \$450,000.

GIC & SIC RATES

The ATO has published general interest charge (GIC) and shortfall interest charge (SIC) rates for the fourth quarter of the 2013-14 income year. The GIC annual rate for April – June 2014 is 9.63%, and the SIC rate is 5.63%.

PRIVATE HEALTH INSURANCE REBATE & MEDICARE SURCHARGE

The ATO has released the rates and thresholds for the private health insurance rebate from 1 April 2014. The updated rates are as follows:

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INCOME

Single	\$88,000 or less	\$88,001- 102,000	\$102,001 - 136,000	More than \$136,001
Families	\$176,000 or less	\$176,001-204,000	\$204,001 - 272,000	More than \$272,001

REBATE

	STANDARD	TIER1	TIER 2	TIER 3
< Age 65	29.04%	19.36%	9.68%	0%
Age 65-69	33.88%	24.20%	14.52%	0%
Age 70+	38.72%	29.04%	19.36%	0%

MEDICARE LEVY SURCHARGE

All ages	0.0%	1.0%	1.25%	1.5%
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You can claim the rebate through your private health insurance provider or directly from the ATO when you lodge your income tax return. If you have incorrectly elected the applicable income tier with your private health insurance provider, this will result in additional tax payable or refundable when you lodge your income tax return.

The Medicare Levy Surcharge is only payable when an individual or family exceeds the thresholds and does not hold an eligible private health insurance policy.

FEATURE ARTICLE:

WHY IS ESTATE PLANNING IMPORTANT?

The key to your Estate is to ensure that your money and assets are inherited by the people you want to receive them, all while attracting as little tax as possible in that process. Safeguarding your assets and ensuring that intergenerational transfer of wealth is maintained makes estate planning a vital part of your overall plan.

Prepare a Will

The first step in Estate planning is to have a will drawn up. This is a legal document that clearly sets out how you want your estate to be distributed when you die. Without a will, your assets may be distributed according to a prescribed formula set by state legislation.

Make a Power Of Attorney

A Power of Attorney is a legal document where you appoint an Attorney to manage your financial and certain legal affairs on your behalf. An attorney cannot make decisions about your lifestyle, medical treatment or welfare. A Power of Attorney ceases when you die. It is important to choose someone you trust and who understands your wishes. Note that you do not lose control of your finances. The appointment of an Attorney gives formal authority for the chosen individual to manage your financial and legal affairs, according to your instruction.

Appoint an Enduring Guardian

An Enduring Guardian is a person you choose to make decisions on your behalf in areas such as lifestyle and health. They only come into play if you can no longer make decisions for yourself due to incapacity. The Enduring Guardian cannot alter your will or make decisions about your money or assets.

Superannuation

Superannuation is treated separately from your will. You need to make a binding death nomination (BDN) to indicate who will receive your super and insurance on your death. If you do not make a BDN, the decision as to where your money goes will be left to the trustee of the superfund, and will usually be paid to your Estate.

The person(s) you nominate in your BDN must be one or more of the following at the time when benefits are paid:

- Your current spouse or defacto.
- Your children (including step, adopted or ex-nuptial).
- Anyone financially dependent on you.
- Your legal personal representative, which means the executor or administrator of your estate.
- Someone with whom you have an interdependency relationship.

There may be tax payable at the rate of 15% plus Medicare on a death benefit super payment (In taxed Schemes). The level of tax payable to 'non dependant' nominees depends upon the components that make up the death benefit; which can be made up of:

- Taxable components and /or
- Tax-free components.

Your accountant can help you with a strategy to maximise the tax free component of your member balance.

Review Items Not Covered By The Will

It is important to consider that not all items will be covered by your will. Below are a few examples:

- Super is covered above.
- Interest in small businesses or partnerships. Normally subject to a buy / sell agreement with the other partners.
- Do you need a Testamentary Trust?

Procrastination is the biggest enemy to Estate planning. Whilst none of us like to think about death, the fact is that improper or no planning can lead to family disputes, assets going into the wrong hands, and loss of money in legal fees and taxes.

FOR MORE INFORMATION & FUTURE NEWSLETTERS

For more information on anything contained in this bulletin please telephone or email us.

UPCOMING KEY DATES & DEADLINES

28 MAY 2014	2014 Fringe Benefits Tax Return due for lodgement and payment
5 JUNE 2014	2013 Income Tax Returns due for entities in a refund position per last year's return and refund current year who have not been required to lodge earlier
21 JUNE 2014	May Monthly Activity Statement due for lodgement and payment
30 JUNE 2014	Last day for payment of superannuation contributions to claim a deduction in the 2014 year
30 JUNE 2014	Trustees to have signed distribution minute for all discretionary trusts for 2014 income
30 JUNE 2014	End of the Financial Year
14 JULY 2014	PAYG Payment Summaries to be issued to employees
21 JULY 2014	Annual Taxable Payments report for Building and Construction Industry businesses due for lodgement
28 JULY 2014	April – June Business Activity Statement due for paper lodgement and payment
28 JULY 2014	Superannuation Guarantee Contributions due for payment for April – June quarter
31 JULY 2014	Trusts required to lodge a TFN report for any new trust beneficiaries in the 2014 year
14 AUGUST 2014	Due date for lodging PAYG Withholding Payment Summary Annual Report for 2014 year
21 AUGUST 2014	July Monthly Activity Statement due for lodgement and payment
25 AUGUST 2014	April to June 2014 Business Activity Statement due for electronic lodgement and payment

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For more information on anything contained in this bulletin please telephone or email to our details below.

DFK AUSTRALIA NEW ZEALAND

For further information or enquiries about any of the latest business and taxation topics discussed in this newsletter, please contact the Directors and team at DFK ANZ.

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