# ADAM HUNTER PTY LTD

JUNE 2013

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# CLIENT NEWSLETTER

Adam Hunter Pty Ltd

CERTIFIED PRACTICING ACCOUNTANTS

Professional Practices Network

### Congratulations!

We would like to announce that Paul Samulkiewicz became a Director of Adam Hunter in February 2013.

### Welcome to New Staff

Sarah Sheppard—Bookkeeper

Leo Jiang—Accountant

### Accountancy Audit Insurance

Adam Hunter Pty Ltd provides an Audit Shield Service; an insurance to cover the professional fees incurred in preparing documentation and responses to the ATO, or the relevant Government Agency conducting an audit, review or investigation. The ATO and other Government Agencies are getting tougher and often conduct audits on Business Activity Statements and Tax Returns. This small annual fee, which is 100% tax deductible, will cover any accounting fees incurred in what is normally a very costly process. Should you have any queries in respect to this offer please contact Alicia France at our office on 9923 1174.

### Adam Hunter Website

We are very pleased to announce the launch of our official website, www.adamhunter.com.au which has a range of information and features tailored to meet the needs of all our clients. Two fantastic features available on our website are:

1) An upload tool that gives our business clients the ability to upload their data files directly to our website.

2) A Team Viewer application which enables us to offer the highest level of support to our clients by remotely and securely accessing their computer.

If you would like further information regarding these features, please visit our website www.adamhunter.com.au or contact Sarah Sheppard at our office on 08 9923 1174.

Our website also contains a range of information regarding the services that we now offer which include, but are not limited to:

- Tax advice and tax planning for individuals and businesses.
- Advice and assistance in starting up a new business.
- Advice and assistance in establishing a self managed superannuation fund.
- Financial Planning advice in partnership with Indian Ocean Financial Services.
- Bookkeeping services.
- Accounting software support and training for MYOB, Quickbooks, Agrimaster, Cash Flow Manager and BankLink .

### New Taxable Payment Reporting for the Building & Construction Industry

From 1st July 2012 a new reporting requirement for businesses in the building and construction industry was introduced. Businesses are required to report to the ATO the total payments made to each contractor throughout the financial year.

For each financial year, businesses will be required to complete a "Taxable Payments Annual Report" with the following details; each contractors' ABN, name, address, gross amount paid for the financial year (including GST) and total GST included in the gross amount you paid.

This report is due by 21st July each year. If you lodge a quarterly BAS then this report can be submitted with the BAS by 28 July each year.

# SUPERANNUATION CHANGES

## Employer Contributions

From 1 July 2013, the Government is introducing a new requirement obliging employers to report on employee payslips the amount of superannuation contributions, as well as the date that the employer actually pays them. This change has been brought about to ensure employee superannuation entitlements are being met.

## More Super For Your Future

From 1 July 2013 three key changes are being implemented to assist in the growth of the superannuation funds of all Australians.

1) Low income earners who earn $37,000 or less per year may be eligible to receive a payment of up to $500 per year from the Government to help increase retirement savings.

2) The compulsory superannuation rate is increasing in each of the next seven years from 9% to 12% as per the table to the right.

3) The former upper age limit for compulsory super is being removed; this means no matter how old you are, if you are working and eligible, you can still grow your superannuation.

| Year | Rate |
|---|---|
| 2012/13 | 9% |
| 2013/14 | 9.25% |
| 2014/15 | 9.5% |
| 2015/16 | 10% |
| 2016/17 | 10.5% |
| 2017/18 | 11% |
| 2018/19 | 11.5% |
| 2019/20 | 12% |

## Complying With Superannuation Changes

If you are an employer who uses either MYOB, Quickbooks, Agrimaster, Cash Flow Manager or Banklink to process your employee wages, and would like information on how you can ensure that you are meeting the new employer requirements, please contact your software provider or Georgina Grimley at our office on 9923 1174.

## Preparing Your Individual Tax Return

Below is a list of items that you should consider when gathering your 2012/13 taxation information. If you have incurred any of the deductible items below, please provide our office with adequate substantiation so that we may maximise your return.

**INCOME ITEMS**
- Payment summaries.
- Lump sum termination payments.
- Government pensions and allowances.
- Payment summaries for super income streams or other pensions.
- Payment summaries for super lump sum payments
- Interest earned from bank accounts.
- Dividend statements.
- Details of investment assets sold, e.g. shares & real estate.

**DEDUCTIBLE ITEMS**
- Income protection insurance.
- Details of use of personal motor vehicle for business travel.
- Travelling expenses.
- Receipts for purchase of protective clothing or uniform.
- Receipts for purchase of sun protection expenses.
- Details of work related self-education expenses.
- Home office running expenses.
- Telephone expenses.
- Receipts for tools of trade.
- Subscriptions to trade magazines.
- Details of union fees paid.
- Details of donations made.

**ADDITIONAL INFORMATION**
- Bank account details must be provided if a refund is due (BSB, Account Number & Account Name).
- Spouse/de facto/dependent details (date of birth, taxable income, fringe benefits & reportable super contributions).
- Private health insurance.
- Details of medical expenses that exceed $2,120 for single's who earn under $84,000, or couples who earn under $168,000.
- Details of medical expenses that exceed $5,000 for single's who earn over $84,000 or couples who earn over $168,000.

# END OF FINANCIAL YEAR BOOKKEEPING TIPS

With the end of another financial year almost upon us, it is time to consider what we will need for the 30th June. The following is a list of requirements. Check with your accountant if anything further is required.

- Stock-take of all stock on hand as at 30th June 2013 (this includes animals where appropriate)
- Take odometer readings for vehicles. This is a **must** for taxpayers who claim a percentage or all of their motor vehicle costs
- Review accounts receivable and accounts payable. If you are using a cashbook program, ensure they are current and correct. Write-off any bad debts

## Logbook Method

Is your log book up to date or do you need to start a new log book? If so, then please note the following ATO requirements:

- Must be kept for a minimum of 12 continuous weeks and must be renewed every 5 years
- States when the log book begins and ends
- The total number of kilometres travelled during the logbook period
- The number of kilometres travelled for work activities
- Details of each business trip including the date, odometer reading at the start and end of the trip, and the reason for the trip
- If you want to use the logbook method for two or more cars, the logbook for each car must cover the same period.

Log books for Internet, Computer and Telephone use must be maintained for 4 weeks minimum.

## One Third Method

This method allows you to claim one-third of each car expense. Car expenses do not include capital costs, such as the initial cost of your car or improvements to your car.

To be eligible you must:

- Have travelled more than 5,000 business km's.
- Have written evidence/receipts for all expenses.
- Record the odometer reading at the start and end of each period.
- Record the cars engine capacity, make, model and registration number.

You may also be required to show how you have worked out your business kilometres and any reasonable estimates you might have made.

## Cents per Kilometre Method

You can use this method to claim up to a maximum of 5,000 business kilometres per car, even if you have travelled more than 5,000 business kilometres.

For example, if you travelled 5,085 business km's, you can only claim the cost of travelling 5,000 km's with this method, you cannot claim for the extra 85 km's.

You do not need written evidence, however you may need to be able to show how you worked out your business kilometres.

The rates for the 2012-13 year are presented in the table below:

| Ordinary | Rotary Engine | Rate p/km |
|---|---|---|
| 1,600cc<br>1.6 L or less | 800cc<br>0.8 litre or less | $0.63 |
| 1,601-2,600cc<br>1.601 L - 2.6 L | 801cc -1, 300cc<br>0.801 L - 1.3 L | $0.74 |
| 2,601cc<br>2.601 L or more | 1,301cc<br>1.301 L or more | $0.75 |

## Employee's vs. Contractors

Having an ABN doesn't necessarily mean a worker is a contractor.

Visit www.ato.gov.au/employeecontractor to determine the status of your workers and find out if you are fulfilling your taxation and superannuation obligations. Visit www.abr.gov.au select "Help" and search "ABN entitlement" to find out whether your workers are entitled to an Australian Business Number

# INDIAN OCEAN FINANCIAL SERVICES

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## CLIENT NEWSLETTER

## BUDGET TIMES

INDIAN OCEAN
financial services

**Mick Steffan,**
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Certified Financial Planner™
Professional & Specialist SMSF Advisor™,
Registered Taxation Agent,
Authorised Representative of AFSL 34766

Federal Treasurer Wayne Swan has handed down his sixth Budget, which confirms a range of recently announced proposed changes to superannuation, income tax and the Medicare Levy. It also announces a range of proposed changes to the social security and tax systems.

In summary, the key reforms announced in the federal budget 2013 for financial planning clients are:

1) The Medicare levy will increase from 1.5% to 2.0% from 1 July 2014.

2) The superannuation concessional contribution cap will increase from $25,000 pa to $35,000 pa from:

   - 1 July 2013 for people aged 60 and over, and

   - 1 July 2014 for people aged 50 and over.

3) From 1 July 2014, all pension asset earnings above $100,000 will be taxed at 15%.

### Proposed Key Reform 1: Increase in Medicare Levy by 0.5%

**Mick's comment:** The Governments' claim that the increase of the Medicare levy is only a temporary measure, remains to be seen. Low income earners will continue to receive relief.

However, the bad news is that the increase of the levy will not only impact your personal tax rates but also a range of other taxes including:

- Excess non-concessional contribution tax
- Tax on the taxable component of a superannuation lump sum benefit received by a tax payer under age 60
- Tax on the taxable component of a superannuation lump sum death benefit paid to non-death benefit dependent.
- Withholding tax on financial investments when no TFN is provided
- Fringe benefits tax

Some tax planning opportunities that we will discuss with our ongoing clients to reduce their tax liability are:

- Implementing salary sacrifice arrangements to reduce your taxable income
- Maximising personal deductable contributions to super
- Delaying withdrawal of any taxable component of a super lump sum benefit until after 60.
- Ensuring that member's death benefits which are to be paid to a non-death benefits dependents are paid through a member's estate.

### Proposed Key Reform 2: Change in Superannuation Concessional Contribution Caps

**Mick's Comment:** The change in contributions caps for older Australians is positive news; however this should be seen in perspective with the past.

- Back in 2008 and 2009, Australians aged 50 years or over were allowed to make $100,000 of concessional (tax deductable) contributions, whilst up to the year ending 30 June 2012, this was $50,000.
- The concessional contribution cap was about to rise to $30,000 on 1 July 2014 and $35,000 by 1 July 2018 for everyone regardless.
- The government initially proposed to give those aged 50 or above, with super balances below $500,000 a higher contribution cap but have now shelved this.

However the increase to $35,000 does make the Transition to Retirement strategies (TTR) more effective, as a larger concessional cap means clients can reduce their personal taxable income further, and a potential tax savings of up to $11,200 may be achieved by implementing a TTR strategy.

### Proposed Key Reform 3: Taxing of Pension Assets Earnings Above $100,000

**Mick's comment:** The proposed taxing of pensions will affect only a limited number of our clients as the earnings are only taxed once above the $100,000 threshold. In other words, if the income of a pensioner is for example, $110,000, then only $10,000 will be taxed at 15%.

Furthermore, the Government is talking about income from investments, not growth. Consequently, only income such as interest, rent and dividends will be assessed as income, but the growth of investments are not. Saying that, when a growth asset is sold, 67% of the capital gain is included as income and this may trigger certain clients to exceed the tax free threshold of $100,000.

## OTHER PROPOSED CHANGES

### Removal of Tax Concessions for High Income Earners

The federal government has used a technical change within the Federal Budget to widen the number of Australian upper income earners likely to be hit by its move to remove superannuation tax concessions to those earning over $300,000.

**Mick's comment:** In the 2013 budget, it been announced that a similar definition of income for the measure to that used for calculating whether an individual is liable to pay the Medicare levy surcharge will apply to assess if the income exceeds the $300,000 mark. The applicable definition now takes into account reportable Fringe Benefit Tax (FBT) and income losses and is likely to impact those high income earners with exposure to negative gearing. The legislation is currently in draft and was one of the 2012 Government budget proposals.
**If legislated it will apply from 1 July 2012.**

### SMSF Off-Market Share Transfer Ban Commences on 1 July 2013

In December 2010 the government proposed to ban all off-market share transfers; this measure is designed to stop a loop hole, where shares and other listed securities can be transferred to an SMSF, and from an SMSF, without a broker by simply filling in a standard form, allowing for tax effective strategies to time and or offset or defer a capital gain.

**Micks Comment:** This strategy is particularly interesting to our farming clients that are considering moving some of their Wesfarmers shares to the SMSF. Off-market transfers are used to avoid brokerage fees and time the sale of the shares in their personal name as conveniently as possible, with the potential to reduce any capital gain. The government tried to implement the ban in 2012 but failed and is rushing to try to make it law before the federal election later in Spring. The ban will mean that those tax opportunities will be closed. However, it's still possible to transfer any existing shares to the SMSF through a broker.

## Impact of Increase of Superannuation Guarantee Rate (SG) to 9.25% from 1 July 2013

The Superannuation Guarantee rate is increasing to 9.25% from 1 July 2013. Combined with the proposed increase of the concessional contributions caps to $35,000 for people age 60 and older, this is likely to impact a number of our clients.

**Micks Comment:** For clients younger than 60, the concessional contributions cap remains at the same level of $25,000. However due to the increase in SG rate to 9.25% the amount clients can salary sacrifice into super will reduce. For clients aged 60 and older, the concessional cap is proposed to increase to $35,000. As such an increase in the SG is offset by the increase in contribution cap. For those clients there may be extra benefits of salary sacrificing more. We therefore ask all our clients that have salary sacrifice arrangements in place to contact our office to review their situation.

## Change to Minimum Percentage Limits of Income Payments for Account Based Pensions

From 1 July 2013 the minimum percentage limits for clients in a pension phase receiving an allocated pension or a transition to retirement pension is going up as per the following table:

| | **Minimum Annual Payment** | |
|---|---|---|
| | 2011/12 | 2012/13 |
| Younger than 65 years of age | 3% | 4% |
| Clients aged between 65-75 | 3.75% | 5% |

**Mick's Comment:** The dollar amount of the account based pensions are determined by multiplying the relevant percentage displayed above by the account balance of the pension on the 1st of July each year. As such, all clients that have such a pension should contact our office to review their pension payments, in order to ensure they remain compliant with the Superannuation Laws.

## Cost of Advice Explained

Many of our clients come to our office as they have heard about our non-commission policy, meaning that we provide independent advice, investment and insurance solutions on an hourly rate basis. Although this means that initial advice may be more costly as it's based on our time, long term the advice is much cheaper and most of those ongoing fees are tax deductable as well. Furthermore, our ongoing service fees are fixed to the time we take to provide you the service, rather than a percentage of your investments; this ensures that all of our advice is given in the best interest of our clients.

## How can Indian Ocean Financial Services Help you?

Mick Steffan CFP is an Authorised Representative of AFSL 32766 and is the senior financial adviser of Indian Ocean Financial Services (IFSWA), a business that charges a fee for service only. Mick is a Certified Financial Planning Professional and a Specialist Self-Managed Superannuation Fund and Tax Adviser

Mick can be contacted on 08 9950 0349 and offers a free initial consultation for all new clients. Come and have a chat and see if we can add value to your financial position and or lifestyle.

Yours Sincerely,

*Michel Steffan*

**Mick Steffan**