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FinCare Accounting

Caring for your Future

FEDERAL BUDGET BRIEFING 2012-2013

FEDERAL TREASURER WAYNE SWAN HAS HANDED DOWN HIS 5TH BUDGET PROMISING TO DELIVER A SURPLUS OF $1.5 MILLION IN THE 2013 FINANCIAL YEAR.
BELOW IS A BASIC OVERVIEW OF WHAT WE BELIEVE TO BE IMPORTANT TO OUR CLIENTS

SUPERANNUATION

Individuals with a taxable income greater than $300,000 will now have their concessional contributions taxed at 30% rather than 15% in their superfund. This will apply from 1 July 2012. There has also been an adjustment to the concessional contribution caps from 1 July 2012 (year ending 30 June 2013). The general concessional cap is now $25,000 for everyone. For the year ending 30 June 2012, if you were over 50, you were allowed to make concessional contributions of $50,000. The non-concessional contributions are at the same rates as the 2011 year.

TAXATION

Means testing of net medical expenses tax offset (NMETO) from 1 July 2012

The net medical expenses tax offset (NMETO) from 1 July 2012 will be subject to income testing. Essentially single individuals with adjusted taxable incomes greater than $84,000 or couples with combined adjustable taxable income greater than $168,000 will be means tested. Those who have adjusted taxable incomes greater than the threshold will need to have net medical expenses greater than $5,000 before accessing any tax offset. The reimbursement rate will also be reduced to 10% for eligible out of pocket expenses. People with income below surcharge thresholds will be unaffected.

Consolidation of dependency offsets for 1 July 2012

The Government will consolidate eight dependency tax offsets into a single, streamlined and non-refundable offset that is only available to tax payers who maintain a dependant who is generally unable to work due to carer obligation or disability.

This new consolidated offset will be based on the highest rate of the existing offsets it replaces and will result in an increased entitlement for many of those eligible.

Mature age workers tax offset (MAWTO) to be phased out from 1 July 2012

MAWTO will be phased out for workers born on or after 1 July 1957. Access to this offset will be maintained for taxpayers who are aged 55 or older in 2011-2012.

Increased Medicare levy low income thresholds from 1 July 2012

The Government will increase the Medicare levy low income threshold to $19,404 for individuals and $32,743 for families for 2011-2012. The additional amount of threshold for each dependent child or student will also increase to $3,007.

The Medicare levy threshold for single pensioners below age pension age will also increase to $30,451.

Limit on Employer Termination Payment (ETP) tax offset for 'golden handshakes' from 1 July 2012

Under this measure, concessional tax rates on ETP's will only be available where the person's total annual taxable income (including the ETP) is no more than $180,000. Amounts above this whole-of-income cap will be taxed at marginal rates.

Existing arrangements will be retained for certain ETPs relating to genuine redundancy (including to those aged 65 and over), invalidity, compensation due to an employment related dispute and death.

School kids bonus from 1 July 2011

The Government will replace the Education Tax Refund (ETR) with a new School Kids Bonus. Eligibility for the payment will remain open to families with children enrolled and attending school who are in receipt of FTB A (Family Tax Benefit Part A) or other qualifying income support payments or allowances under a prescribed educational scheme that precludes the family from receiving FTB A.

The School Kids Bonus will be made in two equal instalments in January and July each year commencing January 2013.

As transitional arrangement, a one-off lump sum payment to eligible families will be paid in June 2012 to replace the ETR for the 2011-2012 financial year. From January 2013, these payments will be automatic and every family with a child at school will be guaranteed $410 per annum for each primary school student and $820 per annum for each secondary school student.

Company loss carry-back from 1 July 2012

Companies will be allowed to carry back tax losses and receive a refund against tax previously paid. Tax losses incurred in 2012-2013 will be able to be carried back and offset against tax paid in 2011-2012. From 2013-2014 onwards tax losses will be able to be carried back and offset against tax paid up to two years earlier. Companies will be able to carry back up to $1 million of losses each year, providing an annual cash benefit of up to $300,000.

Company Tax Rate

The company tax rate for the 2013 year will remain at 30%, the proposal of reducing it to 28% has been shelved.

FinCare's Final Comments

The 2012 financial year is almost at an end: this time should be used to put in place any tax planning strategies to reduce tax in the 2012 year and possibly the 2013 year.

Some of the changes listed above are substantial and will affect some clients more than others. Please feel free to give your Client Manager a phone call to discuss a suitable tax planning strategy on (02) 9542 4655.

FEDERAL BUDGET BRIEFING

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