

Tax Time 2013

There goes another year, and that means it is time to start gathering the records for your income tax return preparation. To ensure speedy preparation of your income tax return – try to make sure that you have documents supporting all of your income (employment, investments and Centrelink). It is also important where possible to make sure you have a receipt or invoice for any amount which you are claiming as a tax deduction.

Income Tax Rates

Listed below are the tax rates for the 2013 and 2014 financial years, of which there is no change:

| Tax rates for 2012/13 year Income range (\$) | Tax rate % | Tax rates for 2013/14 year Income range (\$) | Tax rate % |
|--|---------------|--|---------------|
| 0 – 18,200 | 0 | 0 – 18,200 | 0 |
| 18,201 – 37,000 | 19 | 18,201 – 37,000 | 19 |
| 37,001 – 80,000 | 32.5 | 37,001 – 80,000 | 32.5 |
| 80,001 – 180,000 | 37 | 80,001 – 180,000 | 37 |
| 180,000+ | 45 | 180,000+ | 45 |

Substantiation Reminder

In order to claim a deduction for work related expenses which you have incurred, you must have written evidence to verify your claim where the **total** amount of all your tax claims exceed \$300.

Written evidence can be in a variety of forms, with both electronic and written versions equally acceptable.

Common types of such written evidence include:

- Bank and credit card statements
- BPay reference numbers
- Email receipts
- Other paper or electronic copies of documents
- Tax invoices or receipts

2013 Car Rates

| Ordinary cars | Rotary engine cars | Cents per kilometre |
|-----------------|--------------------|---------------------|
| 0cc – 1600cc | 0cc – 800cc | 63.0 |
| 1601cc – 2600cc | 801cc – 1300cc | 74.0 |
| 2601cc + | 1301cc + | 75.0 |

These rates are applicable to claims where the vehicle has travelled a maximum of up to 5,000 employment related kilometres for the year.

Do you receive taxable payments from Centrelink?

From 1 July 2013 Centrelink will no longer be issuing payment summaries for any pensions or allowances received. If you receive age pension, youth allowance, newstart allowance or parenting payments you need to print off your payment summary from Online Services and bring it along for your tax appointment.

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Safe Tax

We are again offering our safe tax audit fee protection cover. This small tax deductible cost covers **all** types of audits that taxpayers can be subjected to, and provides you with the **peace of mind** that it will not cost you any extra in accounting fees to have us manage your audit.

History shows that the cost to prepare the required audit documentation can range anywhere from \$600 to \$2,000, and this may be more depending on the complexity and type of audit involved.

It is to your advantage to take up Safe Tax as soon as possible. Cover begins from the date of payment through to 30th June 2014. Please contact Trish at our office if you wish to take up safe tax or ask your accountant when your income tax return is prepared.

In addition to this, there are also a number of measures which you can take to minimise the risks and costs in the event of an audit including:

- Keeping all work related expense receipts in a secure place for five years.
- Remember to inform us if you own shares which have dividends that are reinvested under a dividend re-investment plan. These dividends are taxable as income.
- If you are claiming work related travel up to 5000 kilometres, keep a written record of trips which you have undertaken during the year to substantiate your claim.



Superannuation Co-Contribution

The superannuation co-contribution has continued in the 2012-13 year. The maximum government co-contribution being \$0.50 for every \$1 personally contributed. The full co-contribution of \$500 is available to taxpayers who earn less than \$31,920 and contribute \$1,000. Above this income amount, the maximum co-contribution will be reduced by 3.333 cents for each dollar of income earned and to phase out completely when income reaches \$46,920.

Medical expenses tax offset reforms

Where a taxpayer's adjusted taxable income exceeds the relevant income test (\$84,000 for singles, \$168,000 families) threshold both of the following changes will apply:

- Can only claim rebate on eligible medical expenses exceeding \$5,000; and
- The rate of the tax offset will be reduced to 10% for each \$1 above \$5,000.

Those taxpayers who have an adjusted taxable income below the thresholds will still be able to claim the rebate at 20% for medical expenses exceeding \$2,120.

On budget night the Government advised that they will be phasing out the net medical expense offset.

From 1 July 2013, those taxpayers who received the offset in their 2012-13 income tax assessment will continue to be eligible for the offset for the 2013-14 income year if they have eligible out-of-pocket medical expenses above the relevant claim threshold.

Similarly, those who receive the tax offset in their 2013-14 income tax assessment will continue to be eligible for the offset in 2014-15.

The changes mentioned above will not apply to all taxpayers - the offset will continue to be available for taxpayers with out-of-pocket medical expenses relating to disability aids, attendant care or aged care expenses until 1 July 2019.

New government superannuation contributions for low income earners

The new payment, called Low Income Super Contribution (LISC), became legislation on 1 July 2012. Individuals are eligible for the LISC if they earn \$37,000 or less per year and the scheme is designed to help low income earners to save for their retirement.

You will receive a government superannuation payment that equates to 15% of your employer superannuation contributions, up to a maximum of \$500. For example, if your employer paid \$3,240 of superannuation guarantee, your super fund would receive \$486 under the LISC scheme.

The payment will be calculated by the ATO based on your tax return information, and then deposited into your superannuation account.

It is important that your superannuation fund has your tax file number to receive a LISC.



Employer Superannuation Guarantee increases from 1 July 2013

As part of the Governments Smarter Super initiative, your employer will have to start paying you compulsory super at an increased rate.

From 1 July 2013, your employer will be paying 9.25% superannuation on your gross wages. This superannuation guarantee amount will increase by 0.25% per year until it reaches 12% by July 2019.

Removing the claim period for Family Assistance claims

Families that choose to wait until the end of the financial year to claim their FBT entitlement or Child Care Benefit will now have a grace period of 1 year instead of 2. The change will start from the 2012/13 entitlement year, meaning families have 12 months from the end of the year (e.g. until 30 June 2014) to claim their payments. This means that you will have to have your 2013 return lodged by the 30/6/2014.

Inactive bank accounts at risk of being seized

From May 31, 2013 the Australian Government will be able to transfer all money from accounts that have not been used for three years into their own revenues.

This means that accounts with anything from \$1 upwards that have not had any deposits or withdrawals in the past three years will be transferred to Australian Securities and Investment Commission (ASIC).

You need to be aware that you face having accounts frozen and could face months of delays trying to reclaim your money from ASIC.

If you have any accounts that have been lying dormant for 3 years – perhaps money put away for children's education, or for retirement – you need to consider moving the funds to another account or making an annual deposit or withdrawal to ensure that your funds don't get confiscated by the Australian government.

Bring your bank account details with you to your appointment...A MUST

The Australian Taxation Office has advised us that from 1 July 2013, no Income Tax Returns will be processed unless valid bank account details are included on the return.

To avoid any delay with receiving your tax refund, please bring your BSB and account number so that the refund can be directly credited into your account.

New concessional (tax deductible) contributions cap from 1 July 2013

Under the Governments super reforms there have been changes made to the superannuation concessional contributions cap from 1 July 2013.

- Taxpayers under 60 years of age from 1 July 2013 will be eligible for the \$25,000 concessional contributions cap.
- Taxpayers who are aged 60 or more from 1 July 2013 will be eligible for the \$35,000 concessional contributions cap.

If you have a salary sacrifice agreement with your employer make sure that you will not go over your appropriate cap in the 2012/13 or 2013/14 years otherwise excess contributions tax at 31.5% will apply for any amount over your cap.

Self education expenses

Costs that you incur to maintain a course of study at a TAFE or university could be deductible in your income tax return.

A tax deduction for your self-education expenses is available if you can satisfy the conditions below:

- You are upgrading your qualifications for your **current employment**
- You are improving your knowledge or skills for your **current employment**
- You are employed as a trainee and you are undertaking a course that forms part of the traineeship
- You can show that at the time you were working and studying your study lead to an increase in employment income in the industry you currently work in.

Remember, the costs of studying to get a job in a new career are not claimable.

If you are eligible, you can claim the following self-education expenses as a tax deduction:

- Course fees (only those not paid using HECS-HELP)
- Textbooks and professional journals
- Stationary and photocopying
- Cost of repairing a computer you use for study purposes
- Interest on borrowings to purchase a computer
- Depreciation on a computer
- Student union fees
- Meal costs if participating in your course means being away from home for more than one night
- Running costs if you have a room for work related study
- Allowable travel (including travel from home to place of education and back, work to place of education and back)

When preparing your claim for work-related self-education expenses remember:

- You only claim your repair or depreciation costs that relate to your study.
For example, if you use a computer 40% for study and 60% for personal purposes, you can only claim 40% of repair or depreciation costs.

Low Income Tax Offset (LITO)

For the 2013 financial year, the Low Income Tax Offset will decrease to \$445 and starts to phase out once taxable income reaches \$37,000. The LITO reduces by 1.5cents for every dollar of taxable income over \$37,000 and completely phases out once taxable income reaches \$66,667. Taxpayers who are eligible for the full LITO will not pay any tax until their annual income exceeds \$20,542.

Minors

Minors (children under 18) will not be taxed until their annual income from passive investments (i.e. interest & dividends) exceeds \$416 for the 2012/13 year.

Dependant Spouse Rebate

From 1 July 2012, Dependant spouse tax offset only available to those spouses who were born before 1 July 1952 (60+ years of age). Those taxpayers maintaining a spouse born on or after 1 July 1952 who is unable to work due to invalidity or carer obligations will remain to be entitled to claim the dependant tax offset.

Medicare Levy Low Income Thresholds

The Medicare Levy low-income thresholds for the 2012/13 year are \$19,404 for individuals and \$32,743 for families. These thresholds increase by \$3,007 per dependent child/student.

Medicare Levy Surcharge Thresholds

For the year ending June 2013, the Medicare levy surcharge (additional 1%) will apply to singles earning over \$84,000 and \$168,000 for those who are members of a family. These thresholds apply to taxpayers who do **not** have private health insurance that includes **hospital cover** – see the table on page 6 for the rate of Medicare levy surcharge for high income earners.



Home office expenses

Where part of your home is used for income earning activities, you may be eligible to claim home office expenses. Individuals who have a home office can claim running expenses for that office. To claim this, there is a standard rate of **26 cents per hour** of usage. This rate is designed to cover the basic home office operating expenses of electricity, gas and depreciation of office furniture.

Bucket donations claimable

The Government has announced that the ATO will allow tax deductions without a receipt for donations up to \$10 made to "bucket appeals".

For donations over \$10 make sure you keep your receipts so you can claim the deduction in your tax return. For donations made via the web, a bank or credit card statement will be enough evidence to claim the deduction.

Self-education expenses capped at \$2,000 from 1 July 2014

From 1 July 2014 the Government will introduce an annual \$2,000 per person cap on the amount of self-education expenses that can be claimed as a tax deduction.

The ATO's \$2,000 deduction cap seems broad and within the legislation looks like it will not only relate to self-education expenses (course fees, text books etc.) but also for costs related to attending seminars, conferences and self-organised study tours.

Do we have your email address?

Here at Adams Accounting, we like to look after the environment.

We would like to collect your email address so that we can email you our newsletter and any other information, doing our bit for the environment along the way.

If you wish to receive future newsletters from us electronically, please provide your email address during your appointment.

HELP (HECS) repayment rates

The following repayment income and rates for the Higher Education Loan Programme (HELP) apply for the 2012/13 income year:

| Tax payer's repayment income | Applicable repayment % |
|------------------------------|------------------------|
| \$49,096 - \$54,688 | 4% |
| \$54,689 - \$60,279 | 4.5% |
| \$60,280 - \$63,448 | 5% |
| \$63,449 - \$68,202 | 5.5% |
| \$68,203 - \$73,864 | 6% |
| \$73,865 - \$77,751 | 6.5% |
| \$77,752 - \$85,564 | 7% |
| \$85,565 - \$91,177 | 7.5% |
| More than \$91,778 | 8% |

There is no requirement to repay any of your HELP debt until your income exceeds \$49,095 for the 2012/13 year.

The ATO are no longer issuing paper HELP debt statements, if you wish to receive such statements you need to contact the ATO.

HELP voluntary repayment bonus removed

From 1 January 2014, the Government will remove the current discounts applying to upfront and voluntary payments made towards HELP debts.

This means the removal of the 10% discount for students who choose to pay fees upfront rather than accumulating a HELP debt and the 5% bonus on voluntary payments over \$500 paid to the ATO.

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Private Health Insurance (PHI) rebate means tested from 1 July 2012

From 1 July 2012, the Government will introduce a new 3 tier PHI system which will affect people with private health cover in the following ways:

- a) This will effectively means test eligibility for the PHI rebate for:
 - o Single individuals whose income for surcharge purposes is at least \$84,000; and
 - o Couples/families with a combined income for surcharge purposes of at least \$168,000
- b) An increase in the rate of Medicare Levy Surcharge for individuals and families without private health insurance.

The new income tiers will effectively means that higher income earners will receive less PHI rebate and can be explained as below:

| Income Tiers | Income level | PHI Rebate | | | Medicare levy surcharge |
|----------------|--|--------------|-------------|---------|-------------------------|
| | | Below age 65 | Age 65 – 69 | Age 70+ | |
| No tier | Singles \$0 - \$84,000 Families \$0 - \$168,000 | 30% | 35% | 40% | NIL |
| Tier 1 | Singles \$84,001 - \$97,000 Families \$168,001 - \$194,000 | 20% | 25% | 30% | 1% |
| Tier 2 | Singles \$97,001 - \$130,000 Families \$194,001 - \$260,000 | 10% | 15% | 20% | 1.25% |
| Tier 3 | Singles \$130,001+ Families \$260,001+ | 0% | 0% | 0% | 1.5% |

Note: for those with more than one dependent child, the relevant threshold is increased by \$1,500 for each child after the first. In future years, all of the above thresholds will be indexed to average weekly ordinary time earnings (i.e. wages).

You need to advise your PHI organisation of your estimated income for 2013-14 so that the correct rebate amount is taken from the premium. Once the ITR is lodged, if the ATO see that you have overestimated your income, you will receive a refund for the overpaid premium amount via your notice of assessment (NOA).

If you have underestimated your income (and therefore received more of a PHI rebate than you should have) you are liable to pay the excess to the Commonwealth via your tax refunds and it will show on your NOA of funds paid for underpaid premiums.

