WESTON WOODLEY & ROBERTSON
Chartered Accountants & Consultants

Local advisors with international connections

WWR e-news

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Here are your Articles for June 6, 2014.

Partners' Message

With the end of financial year rapidly approaching and with the dust still settling on the 2014 Federal Budget, we again extend to you our warmest regards.

Federal Budget

Having recently "competed" in a half marathon, one of our partners in particular understands the battle the Government is facing following the release of the recent budget. Whilst a bit light on in terms of the number taxation announcements, not unlike that partner's preparation, it's those little rises that can cause you all the heartache. In the case of the budget, 2% or an extra five years, depending on your circumstance, to be exact. Whilst there has also been a lot of noise (literally) about cuts and reductions to services, we await the release of the broader taxation "white paper" which is expected toward the later part of this year.

For a more comprehensive review of matters from the budget that may impact you, as well as our always useful year-end tax tips, please refer to our articles contained within this E-newsletter. Whilst this is a busy time for many of you and your businesses, please don't miss the opportunity to consult our experienced, knowledgeable team on any issue which you feel is important to you. We look forward to any enquires you or any of your colleagues may have, particularly leading up to 30 June.

GMN International

On the international front, firm partners Ian Cooper and Joe Ciccia recently returned from the annual GMN Asia Pacific Conference held in the Philippines. The Philippines is an expanding economy and Australia, along with our clients, are well placed to assist in the region's growth. The meeting allowed our representatives to meet new members of the affiliation from countries such as **Vietnam, Taiwan and India**. We look forward to any enquiries you may have about doing business in any of these countries and throughout other parts of the world. With our affiliate connections in around 80 countries worldwide, we are positioned to assist you in attaining your goals.

Firm Appointments

We wish to extend our congratulations to Elizabeth Wong, a senior manager with our firm, for her recent appointment to the Fringe Benefits Tax (FBT) Technical Committee at the Tax Institute of Australia (TIA). The Tax Institute is considered to be the industry's choice for innovation and training. The Committee liaises with the Australian Taxation Office and other stakeholders in respect of FBT issues. This appointment will enable WWR to continue to keep abreast of future developments in the FBT area and deliver to our clients an enhanced level of service in this area.

New Corporate Governance Training Course

The firm, through its former managing partner and now consultant Dennis Robertson, has been developing a governance training program aimed at officers of federal trade unions & registered employer organisations. The training program is a requirement under the Fair Work Commission ("FWC") regulations. Dennis developed the one day course following his joint investigation for the Health Services Union ("HSU"). Dennis has also had over forty years experience in audit and is well placed to deliver a relevant, practical program to both experienced and new officers. Weston Woodley & Robertson's course is one of only six FWC approved courses . Following on from the extremely positive feedback received, we propose to fine tune the governance course to enable delivery to the broader business community, charities & not-for-profit organisations. Please do not hesitate to contact our office if you are interesting in finding out more about this program.

We trust that you'll enjoy and find informative this latest E-Newsletter and we look forward to sharing some of these issues and ideas with a great many of you in the coming weeks.

Here are your Articles for June 6, 2014.

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June 2014 Year End Tax Planning

With the 30 June year end fast approaching, we understand you will be busy with matters to be attended to prior to 30 June and consideration should be made of year end tax planning. We set out in our article some useful year end tax planning tips that should be considered.

Defer Income & Accelerate Deductions

- Legitimately defer the receipt of income and bring forward tax deductible expenditure by looking at the timing of sales and expenditure.
- Possible deferral of income by considering timing of contracts or when income is actually derived. Defer capital gains until the next financial year or crystallise capital losses prior to 30 June.
- Bring forward tax deductible expenditure such as certain repairs & maintenance, prepayments of less than $1,000, committing to staff bonuses or director's fees.
- Review fixed asset register for assets that should be scrapped before year end and check correct depreciation rate is being used for additions.

Trading Stock

- Trading stock can be valued at the lower of cost, market value or replacement value at 30 June.
- Consider any old, obsolete or damaged stock that should be scrapped prior to 30 June or written down to market value.
- Conduct a stocktake on 30 June 2014.

Small Business Simplified Depreciation Rules

- Small businesses can claim an immediate deduction for relevant assets costing up to $6,500 for assets installed ready for use prior to 1 January 2014.
- There is uncertainty whether the threshold for immediate deduction of relevant assets will be $6,500 or $1,000 from 1 January 2014. The Federal Government proposed to reduce the threshold to $1,000. However, this Bill was defeated in the Senate in March 2014. We will keep you updated with developments in this area.
- The depreciation rate for assets allocated to the general business pool rate is 15% for in the first year for new assets and 30% in subsequent years.

Work Related Self Education Expenses

- The Federal Government has announced that it will not proceed with the proposal from previous government of $2,000 cap deductions for work related self education expenses from 1 July 2015.

Business Records

- Ensure your accounting software package allows you to print reports after year-end or print at 30 June.

- Maintain records for capital gains tax and ensure record substantiation expenses (receipts) are kept.

Capital Gains Tax

- Hold investments / assets for at least 12 months to access the 50% capital gains tax discount concessions for individuals and 33% concession for superannuation funds.

- Beware of 'wash sale' arrangements when disposing and reacquiring capital gains tax assets (over short periods of time). The ATO has issued a ruling on the application of Part IVA of the Income Tax Assessment Act 1936 (anti avoidance legislation) to 'wash sale' arrangements. These may be considered a scheme to reduce income tax and may be subject to penalties.

- To be entitled to franking credits, you must own shares for at least 45 days (90 days for preference shares) (applies to investors with $5,000 or more in franking credits).

Bad Debts

- Review your trade debtors ledger for any bad debts and write off before 30 June. You must have declared it as income in a prior year tax return to claim a bad debt deduction. Other tests may apply.

- The Federal Government has announced that it will not proceed with the previous government proposal of denying deductions for bad debts written off owing from a debtor who is a related party (but is not part of the same tax consolidated group).

Prepayments

- Bring forward deductions by prepaying certain business or investment related expenses by 30 June. If you prepay interest, ensure that the financial institution also charges the interest to your loan account.

Dividends

- The Corporations Act requires companies to pass several requirements to declare dividends to shareholders. Dividends are not restricted to being paid out of profits (subject to the company's constitution).

- The company's ability to frank dividends is affected by these new rules. If a company intends to declare a dividend, please contact our office.

Private Company Loans to Shareholders or their Associates and Certain Trust Loans – Division 7A

- If private companies have made loans to shareholders, the loans need to be put under a written loan agreement or repaid prior to the actual lodgement or due date of the company's tax return.

- Ensure minimum repayments have been made by 30 June for existing Div 7A loan agreements.

Unpaid Present Entitlements

- Unpaid present entitlements (UPEs) occur when a trust makes a beneficiary entitled to trust income, but has not physically paid it to the beneficiary and it is showing as a liability owing to the beneficiary on the trust's balance sheet.

- The ATO requires a UPE to a corporate beneficiary be repaid by 30 June of the following year or covered by a Division 7A loan agreement by the lodgement date of the corporate beneficiary's income tax return for the year that the UPE relates to. Please contact us if this affects you.

Discretionary Trust Distribution & Streaming

- Trustees need to prepare minutes resolving the distribution of income to beneficiaries for the year ending 30 June 2014 by the earlier of 30 June 2014 or the date specified in the trust deed. Trustees should take the below points into consideration when making the resolution:
    - Children under 18 years old can only receive $416 tax free (if they have no other income).
    - The tax legislation enables trustees to stream net franked dividends and capital gains to specific beneficiaries (subject to the trust deed). The other income of the trust will be distributed to the beneficiaries on a proportionate basis.
- Advice should be sought when making trust distributions for the year ending 30 June 2014. Please contact our team for assistance.

Franking Credits and Trusts

- Franking credits can only be passed onto beneficiaries where trust income includes at least $1 of income.

- Where a trust derives franked dividends and costs are incurred in deriving these franked dividends, these costs must be offset against that income if you are intending to stream this income to specific beneficiaries. If the net franked income is negative, the franking credits cannot be streamed but will still be distributed to those beneficiaries who are entitled to the other income of the trust.

Motor Vehicle Claims

- If the log book method is used to claim motor vehicle deductions, ensure that you retain a current log book (a log book can be used for 5 years for the same vehicle). A declaration can be made if a new car is purchased so that the log book for the original car is valid for the replacement car. Conditions apply.

- Record closing odometer readings at 30 June 2014.

- Ensure all necessary documentation is maintained to support your claims.

Farm Management Deposits (FMD)

- The FMD scheme allows primary producers with non-primary production income of less than $65,000 to claim a deduction for FMD's made before 30 June.

- When the FMD is withdrawn the amount is included in assessable income in the repayment year.

- Primary producers affected by natural disasters can access FMD's within 12 months of making the deposit and still retain tax concessional treatment (note eligibility criteria applies).

Superannuation Planning

- Employers must make the superannuation contributions by the 28th day of the month after the end of the quarter.

- From 1 July 2014 employers will be required to contribute additional Superannuation Guarantee Contributions for their employees in accordance with the following rates:

Financial Year	Super guarantee charge percentage	New proposed charge percentage
1 July 2014 – 30 June 2015	9.50%	9.50%
1 July 2015 – 30 June 2016	10%	9.50%
1 July 2016 – 30 June 2017	10.50%	9.50%
1 July 2017 – 30 June 2018	11.00%	9.50%
1 July 2018 – 30 June 2019	11.50%	10.00%
1 July 2019 – 30 June 2020	12.00%	10.50%
1 July 2020 – 30 June 2021	12.00%	11.00%
1 July 2021 – 30 June 2022	12.00%	11.50%
1 July 2022 – 30 June 2023	12.00%	12.00%

- The Government has proposed to freeze the new Super Guarantee Contribution rate at 9.50% commencing 1 July 2014 until 30 June 2018 and then increase by 0.5% each year until it reaches 12%.

- In order to obtain an income tax deduction for superannuation contributions paid, the superannuation contribution must be received by the nominated superannuation fund on or prior to 30 June 2014.

- The table below summaries concessional caps (including proposed changes) for the current and future financial years:

	2013-14	2014-15	2015-16
Concessional cap – for up to 48	$25,000	$30,000	$30,000
Concessional cap – aged 49 to 58	$25,000	$35,000	$35,000
Concessional cap – aged 59 +	$35,000	$35,000	$35,000

- The limit for non-concessional (undeducted) contributions is $150,000 for the 2013/14 tax year. For the 2014/15 tax year, the non-concessional contributions cap is $180,000. You may be able to bring forward two years of non-concessional contributions and contribute up to the cap of $450,000 for the 2013/14 tax year and $540,000 for the 2014/15 tax year (please contact our office for more information).

- Individuals aged between 65 and 74 are required to pass the work test in order to make contributions.

- To claim a deduction for personal concessional contributions, your employment income (including reportable fringe benefits and reportable superannuation contributions) must be less than 10% of your total income.

- If you are still working and reached preservation age, you may be eligible to commence a non commutable transition to retirement income stream. If eligible, consider receiving a pension from your superannuation fund.

- Income amounts that are derived by a superannuation fund from assets used to pay a pension are exempt from income tax. Minimum pension amounts must be paid from the fund to be eligible.

- Consider the tax offset entitlement for contributions made in respect of a spouse.

- Ensure that all minimum and maximum (if applicable) pension payments are made prior to 30 June 2014.

Tax Savings on Superannuation Contributions

- Salary sacrificed superannuation contributions are taxed in the super fund at a maximum rate of 15%, rather than at marginal rates of tax (up to the concessional contributions cap).

Donations

- If you are planning to make a donation to a charitable organisation, you should consider making it prior to 30 June to be able to claim a tax deduction in your 2013-14 tax return. Only donations made to deductible gift recipients can be claimed as a deduction. Please ensure that you maintain receipts to support your claims.

- Our firm supports a number of charities including The White Ribbon Foundation, The Wolanski Foundation, CanAssist, The Children's Hope Foundation, The Sax Institute, Endometriosis Australia, Karen Lynch Foundation and The Mill House Foundation.

Here are your Articles for June 6, 2014.

2014 Federal Budget Highlights

The Coalition's 2014 Federal Budget included a number of tax, superannuation and welfare measures. The legislation for one of the key tax measures; the 2% budget deficit levy, has already been passed by the House of Representatives and has been passed to the Senate for consideration.

The key measures announced in the Budget included:

- Temporary Budget Deficit Levy of 2%;
- Changes to Superannuation Guarantee rates;
- Proposed Company income tax cuts;
- Increase to eligibility age for Age Pension; and
- Option to withdraw excess non-concessional superannuation contributions.

We discuss below the key measures from the Coalition's first Federal Budget. These have yet to be legislated.

Personal Tax

1. Temporary Budget Repair Levy

The Treasurer announced the introduction of a Budget deficit levy (ie tax), which will apply for three years from 1 July 2014. This temporary levy will apply at 2% for incomes over $180,000 (ie 2% on taxable income in excess of $180,000).

The new levy is expected to affect a relatively small number of people (around 400,000 taxpayers). When taking into account this new levy and the Medicare levy (which is already legislated to increase from 1.5% to 2% from 1 July 2014), the top marginal tax rate will be 49% from 1 July 2014 to 30 June 2017.

As a result of the new deficit levy, the government will also increase the FBT rate.

We set out below a table showing the levy payable at different levels of taxable income:

	Levy Payable		
Taxable Income	2014-15	2015-16	2016-17
$180,000 or below	0	0	0
$200,000	400	400	400
$250,000	1,400	1,400	1,400
$300,000	2,400	2,400	2,400
$350,000	3,400	3,400	3,400
$400,000	4,400	4,400	4,400
$450,000	5,400	5,400	5,400
$500,000	6,400	6,400	6,400

2. Individual Income Tax Rates

As a result of the introduction of the Temporary Budget Repair Levy, the individual income tax rates (excluding Medicare Levy) will be as follows:

Taxable Income	2013-14	2014-15
$0 - $18,200	0	0
$18,201 - $37,000	19% of excess over $18,200	19% of excess over $18,200
$37,001 - $80,000	$3,572 + 32.5% excess over $37,000	$3,572 + 32.5% excess over $37,000
$80,001 - $180,000	$17,547 + 37% excess over $80,000	$17,547 + 37% excess over $80,000
$180,001 & above	$54,547 + 45% excess over $180,000	$54,547 + 47% excess over $180,000

Taxable Income	2015-16 & 2016-17
$0 - $19,400	0
$19,401 - $37,000	19% of excess over $19,401
$37,001 - $80,000	$3,344 + 33% excess over $37,000
$80,001 - $180,000	$17,534 + 37% excess over $80,000
$180,001 & above	$54,534 + 47% excess over $180,000

3. Increase to Medicare Levy Thresholds for Families

From 2013–2014, the Medicare levy low-income threshold for families will be increased to $34,367 (up from $33,693 for 2012–2013). The additional amount of threshold for each dependent child or student will also be increased to $3,156 for 2013–2014 (up from $3,094).

The low-income threshold for individuals will remain at $20,542 for 2013–2014 (unchanged from 2012–2013). Likewise, the low-income threshold for senior Australians will remain at $32,279 for 2013–2014 (unchanged from 2012–2013). This threshold applies to those entitled to the seniors and pensioners tax offset (SAPTO).

4. Abolishment of Dependant and Mature Age Worker Tax Offsets

The Treasurer announced that the following tax offsets will be abolished from 1 July 2014:

- nearly all of the dependant tax offsets, including the dependent spouse tax offset, for all taxpayers; and
- the mature age worker tax offset, which will effectively be replaced by new incentives to employ older works (see Other Changes).

Business Tax

1. New Fringe Benefits Tax Rate

The Treasurer said that in order to prevent high income earners from utilising fringe benefits to avoid the levy, the FBT rate will be increased from 47% to 49% from 1 April 2015 until 31 March 2017.

The cash value of benefits received by employees of public benevolent institutions and health promotion charities, public and not-for-profit hospitals, public ambulance services and certain other tax-exempt entities will be protected by increasing the annual FBT caps.

In addition, the fringe benefits rebate rate will be aligned with the FBT rate from 1 April 2015.

2. Reduction in Company Tax Rate

From 1 July 2015, the company tax rate will drop to 28.5% (from 30%).

For large companies, the reduction will offset the cost of the Government's 1.5% Paid Parental Leave levy (effective tax rate for large companies will remain at 30%).

<u>Superannuation Changes</u>

1. Changes to Superannuation Guarantee Rate

The super guarantee rate will rise to 9.5% on 1 July 2014 and will remain at this rate till 30 June 2018. Employers need to ensure that their payroll packages will cater for the rate change and increase their contributions on behalf of employees from the current 9.25% rate.

The super guarantee rate will rise 0.5% each year from 1 July 2018 until it reaches 12% on 1 July 2022.

2. Option to Withdraw Excess Non-Concessional Contributions

Individuals who have made excess non-concessional superannuation contributions will have the option to withdraw those excess contributions made from 1 July 2013, together with any associated earnings. The associated earnings will be taxed at the individual's marginal tax rates.

Currently, superannuation contributions that exceed the non-concessional contributions cap are taxed at 46.5%. The proposed new measure will bring the tax treatment of excess non-concessional contributions in line with that for excess concessional contributions, for which taxpayers already have a withdrawal option.

<u>Welfare/Pension Measures</u>

1. Age Pension Age to increase to 70 by 2035

The government will raise the eligibility age for the Age Pension to 70 years by 2035.

From 1 July 2025, the qualifying age will continue to rise by six months every two years from the qualifying age of 67 years (which will apply by that time) to gradually reach a qualifying age of 70 years by 1 July 2035. Individuals born before 1 July 1958 will not be affected by this measure.

2. Family Tax Benefit Changes: two-year freeze on rates and other changes

The government will freeze the current Family Tax Benefit (FTB) payment rates for two years from 1 July 2014. Under this measure, indexation of the maximum and base rates of FTB Part A and the rate of FTB Part B will be paused until 1 July 2016.

The Treasurer also announced other changes to FTB, including a reduction in the FTB Part B primary earner income limit from $150,000 per annum to $100,000 per annum, with effect from 1 July 2015.

3. Freeze on eligibility thresholds for Australian Government payments

The government will freeze the eligibility thresholds for Australian Government payments for three years. This will apply to:

- non-pension payments (Family Tax Benefit, Child Care Benefit, Child Care Rebate, Newstart Allowance, Parenting Payments and Youth Allowance) for three years from 1 July 2014; and
- pension and related payments (Age Pension, Carer Payment, Disability Support Pension and the Veterans' Service Pension) from 1 July 2017.

Other Changes

1. New Incentive for Employers to Hire Australians aged 50 Years or Over

From 1 July 2014, employers will be able to receive up to $10,000 in government assistance if they hire a job-seeker aged 50 years or over. This program will replace the Seniors Employment Incentive Payment.

Under the program, eligible employers will receive an initial $3,000 if they hire a full-time mature-age job seeker who was previously unemployed for six months and they employ that person for at least six months. The employer will then be eligible to receive further payments as the employee meets certain further service periods.

2. Increase to Fuel Excise

The government will secure funding for additional road infrastructure projects by re-introducing biannual indexation by the CPI of excise and excise-equivalent customs duty for all fuels except aviation fuels. This will commence from 1 August 2014.

The diesel fuel rebate is unchanged, meaning it will continue to apply to excise, including the excise increase.

3. New Assistance for Small Businesses

The government will establish:

- the "Small Business and Family Enterprise Ombudsman" to act as a one-stop shop and a single entry point as a means for small businesses to find out about government services and programs; and
- a unit in the Department of Finance to provide specialist advice on contracts and to ensure small businesses are not disadvantaged as part of Commonwealth departments' tendering and procurement processes.

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WWR Has Corporate Governance Training Course Approved

The Fair Work Commission ("FWC") regulations require officers of federal trade unions and registered employer organisations to undertake an approved training course in corporate governance. Weston, Woodley & Robertson's corporate governance training course is one of only 6 FWC approved courses.

Dennis Robertson developed the one day course following his joint investigation for the Health Services Union. Details of the course can be seen on our website.

The course is currently offered to officers of federal trade unions and registered employer organisations. We propose to fine tune the governance course for general application to general business, charities and not-for-profit organisations.

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SMH Half Marathon

On Sunday 18 May 2014, the Sydney Morning Herald Half Marathon was held. Lance and Joe were brave enough to conquer the 21.1km race proudly wearing their Endometriosis Australia running shirts. The course spans the city streets including Pyrmont and the Botanical Gardens.

This was the first time either Joe or Lance had attempted a Half Marathon and the results were admirable with a finish time of just under 2.5 hours.

Weston, Woodley & Robertson are proud of their efforts and will be encouraging staff to participate in the upcoming City2Surf race.

The SMH Half Marathon medals

Course Map

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