



H E R R I E S D A V I D S O N & C O

CHARTERED ACCOUNTANTS

**Important
Upcoming Dates**

- **26 May –**
*Lodgement & payment
of March quarter BAS for
ELS lodgers*
- **28 May –**
*Fringe Benefits Tax
Annual Returns due*
- **5 June –**
*Lodgement & payment
of 2011 Individual
Income Tax Returns*
- **21 June –**
*Lodgement & payment
of Monthly May BAS for
Monthly lodgers*

**Please Note we have
New Banking
Details**

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Office News

In January this year one of our employees Glenn Clark reached a very special milestone of 40 years of service with the firm. This is a great achievement and we would like to thank Glenn for his contribution to the firm over these past years. The partners took Glenn out for a special lunch to celebrate.

Congratulations goes to Lauren Weatherstone who married Mathew Jones on 3 March this year. Lauren and Mathew have two little boys together and look forward to a very long and happy marriage.

On Thursday 24th of May our office held our 'Australia's Biggest Morning Tea' to raise money for The Cancer Council. If you are visiting the office and would like to make a donation please let one of our friendly staff know, we will be taking donations until Thursday 14th June.

We will be closing our office on Friday 22nd of June to hold our Annual Staff Development Day. This year for something different we are changing our venue and holding it at the Goulburn District Race Club. While our office will be closed that day, if you have an urgent matter please call Shawn Quinton on 0413 626 987 or Graeme Williams on 0412 741 200.

Private Health Insurance

In the 2009-10 Budget, the government announced a proposal to income test the private health insurance rebate.

From 1 July 2012, the private health insurance rebate and the Medicare levy surcharge will be income tested using three income tiers.

Higher income earners will receive less private health insurance rebate or, if they do not have the appropriate level of private patient hospital cover, the Medicare levy surcharge may increase.

Your income threshold calculation is based on the definition of income used to calculate Medicare levy surcharge for individuals or families. The 2012-13 income thresholds are provided in the table below.

	Unchanged	Income	Income	Income
Singles	\$84,000 or less	\$84,001-\$97,000	\$97,001-\$130,000	\$130,001 or more
Families	\$168,000 or less	\$168,001-\$194,000	\$194,001-\$260,000	\$260,001 or more
Rebate				
under 65	30%	20%	10%	0%
65-69	35%	25%	15%	0%
70 or over	40%	30%	20%	0%
Medicare levy surcharge				
Rates	0.0%	1.0%	1.25%	1.5%



Federal Budget 2012/13

Net Medical Expenses Tax Offset

The Government will introduce a means test for the net medical expenses tax offset (NMETO) from 1 July 2012. For people with adjusted taxable income (ATI) above the Medicare levy surcharge thresholds (i.e., \$84,000 for singles and \$168,000 for couples or families in 2012/13):

- the threshold above which a taxpayer may claim the NMETO will be increased to \$5,000 (currently \$2,000); and
- the rate of the tax offset will be reduced to 10% (currently 20%) for eligible out of pocket expenses incurred.

Taxpayers with income below Medicare Levy Surcharge thresholds will be unaffected.

Mature Age Worker Tax Offset

The Government will phase out the mature age worker tax offset (MAWTO) from 1 July 2012 for taxpayers born on or after 1 July 1957. Access to the MAWTO will be maintained for taxpayers who are aged 55 years or older in 2011/12.

Company Loss Carry-back

The Government will provide tax relief for companies (and entities taxed like companies) by allowing them to carry-back tax revenue losses so they receive a refund against tax previously paid, as follows:

- A one year loss carry-back will apply in 2012/13, where tax losses incurred in that year can be carried back and offset against tax paid in 2011/12; and
- For 2013/14 and later years, tax losses can 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 revenue losses each year (providing a cash benefit of up to \$300,000 a year).

The measure will be subject to integrity rules, and limited to a company's franking account balance.

School Kids Bonus

From 1 January 2013, the Government will replace the current Education Tax Refund with the Schoolkids Bonus. Qualifying families will receive \$410 each year for primary school children and \$820 for high school children, with payments made at the start of term 1 and term 3 each year.

The payment will be available to those families that currently qualify for the Education Tax Refund (**families that receive the Part A FTB**) as well as those families that receive income support such as Youth Allowance or Veterans assistance.

In addition, as the Education Tax Refund is to be replaced, the government will pay to families who qualify for the Education Tax Refund, their full 2012 entitlement to the refund. This payment will be made in June 2012 with families not being required to lodge their claim through their Tax Returns – the payment will be made automatically.

Measures Previously Announced that are NOT Going Ahead

Company Tax Cut Not Proceeding

The Government will not proceed with the measure to lower the company tax rate, from the 2013/14 income year, *nor* implement an early start to the company tax rate cut for small businesses from the 2012/13 income year.

50% Tax Discount for Interest Income not Proceeding

The Government will not proceed with the 2010/11 Budget measure to introduce a 50% discount for interest income, which was due to commence on 1 July 2013, as a result of concerns with the complexity involved in calculating the discount and its overall effectiveness.

Standard Work Deductions

Individual taxpayers were going to be entitled to a fixed deduction (irrespective of whether they had actually incurred any such expenses) as an alternative to claiming a deduction for actual amount incurred. This initiative was to take effect from 1 July 2013, and the Government has announced it will not be implemented.

2012/13 Superannuation Threshold

The ATO has released the dollar values of various Superannuation Thresholds which will apply for 2012/13 financial year.

Concessional Contributions Cap

\$25,000 – unchanged from 2011/12. The Government has previously announced that the indexation of the concessional contributions cap will be “paused” for 2013/14 and will remain at \$25,000.

Concessional Contributions Cap for people 50 years or more

The Government will defer the start date of the measure to increase, by \$25,000, the concessional contributions cap for individuals over 50 with superannuation balances below \$500,000, to 1 July 2014.

The two year deferral means that, for 2012/13 and 2013/14, the concessional contributions cap will be \$25,000 per year for *all* individuals.

In 2014/15, the general cap is likely to increase to \$30,000 through Indexation, and the higher cap would then commence at \$55,000.

Non-Concessional Contributions Cap

\$150,000 – unchanged from 2011/12. This cap will remain unchanged for 2013/14 as the Government will “pause” for one year, the indexation which would have otherwise most likely have occurred.

Pension Minimum Drawdowns

These drawdowns are discounted by 25% for the 2012/13 financial year from the normal rate.

Under age 65	3%	(normally 4%)
Age 65-74	3.75%	(normally 5%)
Age 75-79	4.5%	(normally 6%)
Age 80-84	5.25%	(normally 7%)
Age 85-89	6.75%	(normally 9%)
Age 90-94	8.25%	(normally 11%)
Age 95 +	10.5%	(normally 14%)

Reduction of Higher Tax Concessions for Contributions of High Income Earners

The Government will reduce the tax concession which people with Income over \$300,000 receive on their concessional contributions.

From 1 July 2012, individuals with income greater than \$300,000 will have the tax on concessional contributions doubled from 15% to 30%.

Payslip Reporting Requirements 2012/13

From 1 July 2012, the government has proposed all employers will report an ‘expected payment on or before date’ for superannuation contributions on an employee’s payslip. In many cases, this will be the super guarantee due date, or a due date under a workplace agreement or award. Some employers may need to update their employees’ payslips. This will give employees more timely information and encourage them to take a greater interest in their superannuation.



Audit Reviews for employers not complying with super obligations

Each year the ATO identifies several industries where employers have a higher risk of not complying with their super guarantee obligations.

After running an education campaign aimed to help employers in these high-risk industries, the ATO will undertake audit reviews of employers who continue not to comply.

In 2012, the ATO will focus on the following high risk industries:

- Cafes and restaurants
- Real estate services
- Carpentry services

Common mistakes include:

- Paying insufficient super contributions
- Missing the quarterly cut-off dates (28 October, 28 January, 28 April, 28 July)
- Not understanding that in some circumstances they may have to pay super for contractors, even if the contractor quotes an Australian Business number.
- Not keeping accurate records
- Not passing an employee’s tax file number on to their super fund.

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Currently our HDC website is in the process of a complete overhaul and we will let you know when it is updated.

Audit Insurance

Audit Insurance renewal letters will have been received recently by clients that have participated in prior years. If you haven't received a letter but would be interested in finding out more about audit insurance please contact either Graeme or Shawn.

Year End Tax Planning

As we approach the end of the financial year it might be prudent to review your year to date results and have us prepare a tax plan. The preparation of a tax plan allows for a number of opportunities to defer or reduce tax.

Personal tax changes (clean energy)

On 10 July 2011, the Australian Government announced changes to the personal income tax system as part of the plan for a clean energy future. The tax changes will reform the structure of the personal tax system, making it simpler and more transparent.

From 1 July 2012, the Government will deliver tax cuts to low and middle-income individuals by increasing the tax-free threshold and adjusting the first two marginal tax rates over two phases.

From 1 July 2012, the tax-free threshold will rise from \$6,000 to \$18,200, and the maximum value of the Low-income tax offset (LITO) will be reduced from \$1,500 to \$445.

The first marginal tax rate will be increased from 15 per cent to 19 per cent, and will apply to that part of taxable income that exceeds \$18,200 but does not exceed \$37,000.

The second marginal tax rate will be increased from 30 per cent to 32.5 per cent, and will apply to that part of taxable income that exceeds \$37,000 but does not exceed \$80,000.

From 1 July 2015, the tax-free threshold will rise from \$18,200 to \$19,400, and the LITO will be reduced from \$445 to \$300.

The second marginal tax rate will increase from 32.5 per cent to 33 per cent and will apply to that part of taxable income that exceeds \$37,000 but does not exceed \$80,000.

Tax rates 2012-13

The following rates for 2012-13 apply from 1 July 2012.

Taxable income	Tax on this income
0 - \$18,200	Nil
\$18,201 - \$37,000	19c for each \$1 over \$18,200
\$37,001 - \$80,000	\$3,572 plus 32.5c for each \$1 over \$37,000
\$80,001 - \$180,000	\$17,547 plus 37c for each \$1 over \$80,000
\$180,001 and over	\$54,547 plus 45c for each \$1 over \$180,000

The following rates for 2015-16 apply from 1 July 2015.

Taxable income	Tax on this income
0 - \$19,400	Nil
\$19,401 - \$37,000	19c for each \$1 over \$19,400
\$37,001 - \$80,000	\$3,344 plus 33c for each \$1 over \$37,000
\$80,001 - \$180,000	\$17,534 plus 37c for each \$1 over \$80,000
\$180,001 and over	\$54,534 plus 45c for each \$1 over \$180,000

Conservation Tillage Refundable Tax Offset

As part of the government's Clean Energy Future Plan, they have introduced for three years, a refundable tax offset (RTO) for eligible new depreciating assets used in conservation tillage farming practices. (These practices use methods that reduce soil disturbance, increase soil nutrients, reduce water loss and protect against wind erosion and land degradation).

Qualifying primary producers may be entitled to (RTO) of 15% of the cost of a new eligible no-till seeder ('eligible seeder'). The Offset is only available for eligible seeders installed and ready for use between 1 July 2012 and 30 June 2015. After 1 July 2015, the refundable tax offset will be repealed.

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