

Important Upcoming Dates

- **21 June –**
*Lodgement & payment
of Monthly May BAS for
Monthly lodgers*
- **21 July –**
*Lodgement & payment
of Monthly June BAS for
Monthly lodgers*
- **21 August –**
*Lodgement & payment
of Monthly July BAS for
Monthly lodgers*
- **25 August –**
*Lodgement & payment
of June Quarter BAS.*
- **21 September –**
*Lodgement & payment
of Monthly August BAS
for Monthly lodgers*

Please Note our Banking Details

Herries Davidson & Co

BSB 082 624

Account No. 125 116 541

**We now accept Visa &
Mastercard. Contact our
office for more details**

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

CHARTERED ACCOUNTANTS

Issue No. 47

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Office News

Jess Webster will be returning to part time work at HDC at the beginning of October 2013.

Congratulations to Lauren and husband Matt who are expecting their third child in early December 2013.

Farm Finance for Aussie Farmers

The Australian Government has recently announced an assistance package for primary producers called Farm Finance.

Farm Finance has four measures:

- Short-term assistance in the form of concessional loans for productivity enhancement projects or debt restructuring
- Funding for up to 16 additional full-time counsellors with the Rural Financial Counselling Service
- Increasing the non-primary production income threshold for Farm Management Deposits (FMDs) from \$65,000 to \$100,000, and allowing consolidation of existing FMD accounts (takes effect from 1 July 2014).
- Establishing a nationally consistent approach to farm debt mediation.

Enhancements to the Farm Management Deposits (FMD) Scheme

The non-primary production income threshold under the FMD Scheme will be increased from \$65,000 to \$100,000 and existing eligible FMD accounts will be able to be consolidated.

FMDs are an important risk management tool for farmers to manage fluctuations in income. Increasing the non-primary production income threshold will allow more primary producers to access the FMD scheme to prepare for and manage future risk. It will also provide primary producers with greater flexibility in managing their finances, while still retaining access to this risk management tool.

The government will introduce legislation to give effect to these changes. It is anticipated that the changes will take effect from 1 July 2014.

The proposed changes will be subject to the passing of legislation through the parliament.

For more information, visit the Department of Agriculture, Fisheries and Forestry website at www.daff.gov.au/agriculture-food/drought/assistance/farm-finance.

SMSF – Minimum Pension Drawdowns

A reminder letter was sent in early June 2013 to all clients drawing pensions from their SMSF's as to the minimum pension they must draw before 30 June 2013. Please note this year the 30 June falls on a Sunday.

If you didn't receive our letter and you are on a pension, please contact our office for details.

Federal Budget 2013/14

Medicare Levy Increase to 2% to fund the Disability Care Confirmed



The Federal Budget confirmed that the Medicare Levy would be increased by 0.50% to 2% with effect from 1 July 2014, to help fund the Government's proposed National Disability Insurance Scheme (NDIS) - now been renamed DisabilityCare Australia.

Low Income earners would continue to receive relief from the Medicare Levy through the low income thresholds for singles, families, seniors and pensioners. The current exemptions from the Medicare Levy would also remain in place, including for blind pensioners and sickness allowance recipients.

Medicare levy low-income threshold for families increased

The budget announced that the Medicare levy low-income threshold for families will increase to \$33,693 for the 2012-13 income year, with effect from 1 July 2012. The individual's threshold will increase to \$20,542. The additional amount of threshold for each independent child or student will also increase to \$3,094.

Personal Tax Rates – 2015/16 tax free threshold increase “deferred”, otherwise no changes

The budget papers confirmed the Government announcement that the already legislated increase in the tax-free threshold to \$19,400 from 1 July 2015 will not proceed – it will be deferred. The deferral of Clean Energy Future personal tax cuts came about due to the lower than originally anticipated carbon price after 1 July 2015.

Tax Rates and thresholds summarised

From 1 July 2012, the tax-free threshold increased to \$18,200, and the first two marginal tax rates increased from 15% to 19% and from 30% to 32.5%, respectively, while the low income tax offset was reduced from \$1,500 to \$445.

Personal income tax rates and thresholds				
	2012-13 to 2014-15		2015-16+	
	Threshold	Rate	Threshold	Rate
1 st rate	\$18,201	19.0%	\$18,201	19.0%
2 nd rate	\$37,001	32.5%	\$37,001	33.0%
3 rd rate	\$80,001	37.0%	\$80,001	37.0%
4 th rate	\$180,001	45.0%	\$180,001	45.0%

Scrapping of planned FTB Part A Increase confirmed

The Government will not proceed with its 2012-13 budget proposal to provide \$1.8bn in funding over 4 years to increase the maximum payment rate of FTB (Family Tax Benefit) Part A by \$300pa for families with one child and \$600pa for families with 2 or more children.

HELP Discounts to be abolished

The Government will remove the discounts applying to up-front and voluntary payments made under the Higher Education Loan Program (HELP) from 1 January 2014. The discounts that will be removed are:

- The 10% discount available to students electing to pay their student contribution up-front; and
- The 5% bonus on voluntary payments to the ATO of \$500 or more.

Self Education expenses to be capped

It has been confirmed that the Government would introduce a \$2,000 cap on tax deduction claims for work-related self-education expenses per person from 1 July 2014.

Taxpayers will be able to claim a tax deduction of up to \$2,000 of education expenses in an income year.

Baby Bonus

The Government announced that it would replace the Baby Bonus from 1 March 2014 with the following arrangements:-

- It will increase Family Tax Benefit Part A (FTB Part A) payments by \$2,000, to be paid in the year following the birth or adoption of a first child or each child in multiple births, and \$1,000 for second or subsequent children. The additional FTB Part A would be paid as an initial payment of \$500, with the remainder to be paid in seven fortnightly instalments.
- Parents who take up Paid Parental Leave (PPL) will not be eligible for the additional FTB Part A component, but will benefit from improved access to PPL as their family expands. As part of this package, parents will be able to count time on Government PPL where it occurs in the work test period for a subsequent child, just like employer funded parental leave can be counted now.

Private Health Insurance – Rebate Income Tested

A reminder that from 1 July 2012, the private health insurance rebate and the Medicare levy surcharge is income tested using three income tiers. Higher income earners 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 +	40%	30%	20%	0%
Medicare levy surcharge				
Rates	0.0%	1.0%	1.25%	1.5%

If your income is over the above thresholds you will need to contact your health fund to have them adjust your rebate to the correct level.

In order for HDC to correctly prepare your 2013 Tax Return it is important that you provide us with a copy of your Private Health Insurance Statement for 30 June 2013.

Farm household allowance and drought reform package

The Government will provide a new Farm Household Allowance under the National Drought Program Reform commencing from 1 July 2014. The Farm Household Allowance (FHA) will be available to eligible farm families in periods of hardship regardless of the source of that hardship. Eligibility for support will be determined through an assessment of the farmers existing assets, liabilities and income.

The FHA will be paid at the Newstart Allowance rate and will be available to Eligible recipients for a maximum period of 3 years, with the flexibility to come on and off the payment until the maximum period is reached.

Government Announces Reforms to Superannuation

The Government has announced reforms to the superannuation system. Key reforms announced include:

- *Cap on the tax exemption for earnings on assets supporting a super income stream* – from 1 July 2014 earnings in super on assets supporting income streams will only be tax free up to \$100,000 a year for each individual. Earnings above \$100,000 will be taxed at 15%, consistent with earnings on funds in accumulation phase. Transitional arrangements will apply for capital gains on assets currently held and those purchased before 1 July 2014.
- *Changes to concessional contributions cap* – an unindexed \$35,000 concessional cap will apply from 1 July 2013 for people aged 60 and over, and from 1 July 2014 for individuals aged 50 and over. The new higher concessional cap will not be limited to individuals with superannuation balances below \$500,000.
- *Changes to the operation of excess contributions tax (ECT)* – from 1 July 2013 excess concessional contributions will be taxed at the individual's marginal rate rather than top marginal tax rate. The individual will have the choice of paying the ECT personally, through their super fund, or fully release the after tax excess concessional contribution from superannuation.
- The proposed changes will be subject to the passing of legislation through the parliament.

Phase-Out of Medical Expenses Tax Offset

The Government is to phase out the net medical expenses tax offset, with transitional arrangements for those currently claiming the offset. However, the offset will continue to be available for taxpayers for out-of-pocket medical expenses relating to disability aids, attendant care or aged care until 1 July 2019.

From 1 July 2013, those taxpayers who claimed the offset in 2012-13 will continue to be eligible for 2013-14 if they have eligible out-of-pocket medical expenses above the relevant thresholds. In addition, those who claim the offset in 2013-14 will be eligible to claim it in 2014-15.

Consequently, taxpayers who do not claim the offset in 2012-13 cannot claim it in 2013-14 or later income years- except if the net medical expenses relate to disability aids, attendant care or aged care.

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IMPORTANT INFORMATION FOR EMPLOYERS



As an employer, each year you must:

- provide payment summaries to your employees no later than **14 July**.
- send the ATO your payment summary annual report as early as possible, but no later than **14 August**.

Lodging your payment summary annual report as soon as you can will assist your employees to lodge their tax return.

It is important that you provide payment summaries to all your employees and report all payments to the ATO, even if you were not required to withhold.

Tax Tables

For the 2013-14 income year there were no changes to income tax rates. This means you can continue using existing tax tables or computer payroll systems for most payments. However, there will be changes to tax tables where any of your employees:

- have a Higher Education Loan Program debt
- have a Financial Supplement debt
- were paid back payments, commissions, bonuses and similar payments
- received an employment termination payment
- are seniors or pensioners

These updated tax tables will be available from mid-June at ato.gov.au/taxtables.

Changes to Superannuation

From 1 July 2013 the:

- super guarantee rate will increase from 9% to 9.25%
- super guarantee upper age limit will be removed, so you will need to contribute to superannuation for employees who are 70 years and over.

Year End Tax Planning

With the end of the 2013 tax year approaching, we are suggesting to clients that we prepare tax plan/estimates before 30 June which may allow for a number of opportunities to defer or reduce tax. If you are interested in having a tax plan prepared in the coming weeks please contact our office.

Audit Insurance

Audit Insurance renewal letters will have been received recently by clients that have participated in prior years. The Audit Protection Service provides for the payment of professional fees incurred as a result of being selected for an audit, review or investigation by the ATO or other Government body. The cost of being properly represented in these matters can be quite considerable depending on the length of time involved. Audit Protection Service provides a fixed, cost effective solution to guard against these unexpected and unbudgeted costs. Insurance premiums are tax deductible. If you haven't received a letter but would be interested in finding out more about audit insurance please contact either Graeme or Shawn.

Managing Refunds from 1 July 2013

The Australian Taxation Office has advised that from 1 July 2013 all individual clients income tax refunds will need to be deposited into a nominated bank account when lodging their Tax Returns. It is important that you provide us with your bank account details if you are expecting a refund in 2013.

Building and Construction Industry

A reminder that the Taxable Payment Annual Report for businesses in the building and construction industry is due on the 28 July 2013 if you are a quarterly BAS lodger. The ATO should have sent you a letter in May 2013 if your business is expected to lodge this report.

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