



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

CHARTERED ACCOUNTANTS

**Important  
Upcoming Dates**

- **21 Dec –**  
*Lodgement & payment of monthly November BAS/IAS for monthly lodgers*
- **21 Jan –**  
*Lodgement & payment of monthly December BAS/IAS for monthly lodgers*
- **21 Feb –**  
*Lodgement & payment of monthly January BAS/IAS for monthly lodgers*
- **28 Feb –**  
*Lodgement & payment of December 2013 quarter BAS.*

**Please Note our  
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## **Last Chance to Access Small Business Immediate Deductions**

Small businesses thinking of acquiring a depreciating asset costing less than \$6,500 or a motor vehicle need to do so **before 1 January 2014** before the concessions available for capital purchases are removed.

This was one of the surprises to come from the release of draft legislation by the Government to repeal the minerals resource rent tax (MRRT) from 1 July 2014.

As part of the repeal, the Government will also unwind certain concessions that were intended to be funded by the MRRT. For small businesses, the \$6,500 instant asset write-off and upfront accelerated deductions for motor vehicle purchases are concessions that will no longer be available.

The Bill relating to the repeal of the MRRT was introduced into the House of Representatives on 13 November 2013.

### **What are the current and the proposed measures?**

The key capital allowance concessions currently available to small business may be summarised as follows:

- an immediate tax deduction is available for business plant and equipment purchased with a cost of less than \$6,500, and
- a small business which purchases a motor vehicle for business use is entitled to an immediate deduction of the first \$5,000 value of the motor vehicle plus 15% of any additional value. The remaining value is allocated to the small business general pool with a rate of 30% to be claimed in subsequent income years.

The proposed amendments however will:

- reduce the \$6,500 threshold to the previous amount of \$1,000 so that assets exceeding the \$1,000 threshold will instead be allocated to a general small business pool for depreciation claims, and
- repeal the special rule for motor vehicles so that motor vehicles will be depreciated by small businesses in the same manner as other depreciating assets (ie. by being allocated to the general small business pool).

The repeal of these small business capital allowance concessions will apply from **1 January 2014**. This is less than three weeks away and six months earlier than the proposed repeal of the MRRT.

It is expected that the proposed amendments will have retrospective application if the Bill in relation repealing the MRRT and related measures is passed in the new year.

### **Small Businesses MUST ACT NOW!**

Without guidance to the contrary, eligible small businesses should bring forward their capital purchases **before 1 January 2014** if they wish to maximise their deductions for the 2013-14 income year.

Importantly, the instant asset write-off and special deduction for motor vehicles can only be claimed if the relevant asset is 'first used' or is 'installed ready for use' **before 1 January 2014**. The mere execution of a contract to acquire an item of plant or equipment would therefore not be deemed sufficient under the tax law for there to be a deduction.

Therefore, an increased capital allowance deduction will be available if the small business takes possession of the asset and uses it in business before the end of the 2013 calendar year. At the very least, the asset must be 'installed and ready for use' even though it may be intended by the business that the asset be used in the 2014 calendar year.



## The Number of SMSFs Expected to Double Over Next Decade

New analysis by research house DEXX&R predicted that the billions of dollars already held in self-managed superannuation funds (SMSFs) will swell to around twice that amount of retirement savings within 10 years.

The amount of SMSF assets currently being used by members in the retirement phase is resting at \$296 billion and is tipped to almost double to \$562 billion by 2023. DEXX&R found that of Australia's \$914 billion in retirement income assets expected by 2023, about 62% will be held in retirement phase assets.

DEXX&R's managing director Mark Kachor said the strong growth of SMSFs would most likely spiral upwards in the coming decade as more and more people shift away from retail, corporate and industry funds.

Latest Tax Office statistics from June 2013 showed that there were more than 509,000 SMSFs with more than 963,000 members. These figures have continued to trend upwards, rising from the same time one year previous when there were 475,000 SMSFs and more than 899,000 members.

The DEXX&R report tipped that the strong growth in SMSFs, together with the generally held view of retirees having a diminishing appetite for risk and a preference for certainty at retirement age, would boost fixed income investments. DEXX&R also forecasted growth in medium and long-term inflation-linked bonds by both Commonwealth and State governments in Australia to provide stable income streams.

SMSF Professionals' Association of Australia (SPAA) chief executive Andrea Slattery agreed that self-managed super would continue to trend upwards in the next decade.

"Self-managed super funds have been consistently growing over a long period of time at 2,500 to 3,000 per month because people are engaged and they are interested in controlling their savings and retirement investments," she said. "The majority of them are professionals or self-employed who make their own decisions anyway, and we will expect to see that continue."

If you have any questions in relation to setting up a SMSF or any other superannuation matters please contact Graeme.

<<Source: Taxpayers Australia Inc – Tax & Super e-news>>

## Super Contributions for Individuals - 60 – 65 years of age

If you are between 60 and 65 years old.

Your contribution caps are as follows:

	Concessional	Non-Concessional
2013-14*	\$35,000**	\$150,000
2014-15*	\$35,000**	\$150,000
Tax rate on amounts over the cap	Excess included in your income tax return and taxed at your marginal rates.	46.5%***

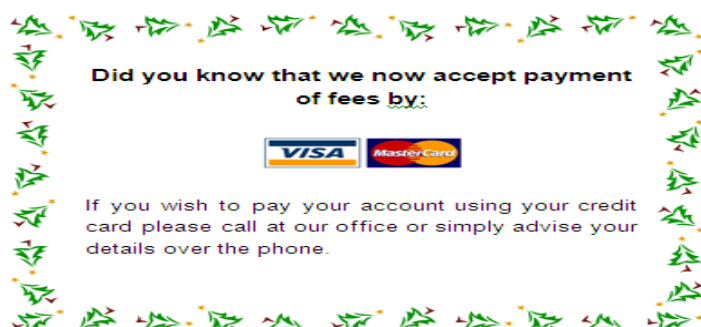
\*The higher concessional cap is for individuals who are 59 years old or over on 30 June 2013.

\*\*There is 15% tax payable on concessional (before tax) contributions paid into a super fund. Your super fund usually reduces your super account by your share of this tax.

\*\*\*From 1 July 2014 the tax rate applicable to excess super contributions will increase in line with the changes to the Medicare Levy. For the 2014-15 financial year, the applicable tax on excess non-concessional contributions will be 47%.

For the 2011-12 and 2012-13 financial years only, if you have gone over your concessional (before tax) contributions cap by \$10,000 or less, you may receive a once-only offer to have the excess concessional (before tax) contributions refunded to you and assessed at your marginal tax rate, rather than pay excess contributions tax.

If you contribute more than your non-concessional (after tax) contributions cap and you are under 65 years old, you can bring forward two years of contributions.



## MySuper – Changes from 1 January 2014



### What is MySuper?

MySuper is a new, simple and cost-effective super product that will replace existing default products.

As an employer, MySuper is expected to lower your costs in selecting a default fund. It will give you better information to assist with your choice, and the confidence that any MySuper product will meet minimum standards and offer a cost-effective super plan for your employees.

### How can I check whether my current default fund is registered to offer a MySuper product?

Most funds will be applying to offer a MySuper product throughout 2013.

Your fund should contact you to advise if they will offer a MySuper product – this could be any time after 1 July 2013. If you are unsure, or want more information on the MySuper product offered by your default fund, you should contact the fund.

### How does the introduction of MySuper affect my super guarantee obligations? I'm not sure what I need to do.

For almost all employers, it is expected that their existing default fund will offer a MySuper product. These employers will not have to make any change to the payment of super guarantee contributions.

- You should speak with your default super fund before 1 January 2014 to check whether they will be offering a MySuper product.
- If your existing fund does not offer a MySuper product by 1 January 2014, you will need to switch to a fund that does.

If you have any questions in relation to MySuper, or any other superannuation matters please contact Graeme.

## 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. If your income is over the below thresholds you will need to contact your health fund to have them adjust your rebate to the correct level. 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
<b>Rebate</b>				
under 65	30%	20%	10%	0%
65 - 69	35%	25%	15%	0%
70+	40%	30%	20%	0%
<b>Medicare levy surcharge</b>				
Rates	0.0%	1.0%	1.25%	1.5%

We have noticed a number of clients refunds have been reduced due to over-claimed rebates.



## Tax Changes Under the New Government

Proposed changes announced by the Coalition.

1. Repeal of the Minerals Resource Rent Tax (MRRT)
2. Will not proceed with \$1.8 billion FBT tax reform for company or salary sacrificed cars.
3. Will not proceed with putting a \$2,000 cap on amount people can deduct as self education expenses, including training and educational courses, textbooks and other accreditation expenses.
4. Repeal of the Carbon Tax
5. A reduction in the corporate tax rate by 1.5% from 1 July 2015
6. Imposition of a 1.5% levy on companies with taxable income above \$5 million a year
7. Discontinuing the 'instant asset write-off'
8. Removing accelerated depreciation for motor vehicles
9. Discontinuing the tax loss carry-back measure available to companies
10. SGC Phase Up - The phase up of superannuation guarantee percentage from 9% to 12% is still proposed to occur, but with a changed timeline as follows:

Income year	Charge percentage (%) under existing law	Charge percentage (%) under Coalition proposal
2013-14	9.25	9.25
2014-15	9.5	9.25
2015-16	10	9.25
2016-17	10.5	9.5
2017-18	11	10
2018-19	11.5	10.5
2019-20	12	11
2020-21	12	11.5
2021-22 and years thereafter	12	12



The Partners and Staff at HDC wish all a very Merry Christmas and a Happy & prosperous New Year



### White Xmas Rocky Road Stars

#### Ingredients:

540g Nestle White Melts, melted  
3 tbsp Vegetable Oil  
¼ cup (105g) Pistachios, chopped  
50g mini marshmallows  
½ cup (100g) red glace cherries, halved  
¼ cup (20g) desiccated coconut

#### Directions:

Grease a 31 x 26cm shallow tray. Line base and sides with baking paper, allowing a 2cm overhang at both long ends.

In a medium bowl combine Nestle White Melts Choc and oil. Add pistachios, marshmallows, cherries, and coconut. Stir until well combined.

Press mixture into prepared pan. Refrigerate for 3 hours or until firm. Using a star cutter, cut out stars.

## ASIC releases report on the costs of running SMSFs

ASIC has released a report that it commissioned Rice Warner Actuaries to prepare, in relation to the "Costs of Operating SMSFs".

### The Report

Some of the findings from the Rice Warner report are that:

- A person or couple with \$200,000 or less would not be better off in an SMSF compared to an APRA fund unless they do the administration themselves.
- SMSFs with \$200,000 or more are competitive with both industry and retail funds provided the trustees undertake some of the administration.
- For balances of \$250,000 or more SMSFs become the cheapest alternative provided the trustees undertake some of the administration.
- At sizes above \$500,000, SMSFs can be the cheapest alternative.

Should you have any questions in relation to your existing SMSF or you are considering the establishment of a SMSF please contact Graeme.



### Proportion of SMSFs by Fund Size (2010/11 Year)

Asset Ranges	Percentage
\$0 - \$50,000	5.6%
\$50,000 - \$100,000	5.4%
\$100,000 - \$200,000	11%
\$200,000 - \$500,000	25.5%
\$500,000 - \$1m	23.6%
\$1m - \$2m	17.5%
\$2m - \$5m	9.5%
\$5m - \$10m	1.6%
\$10m +	0.3%
<b>Total</b>	<b>100%</b>

**Investment allocations** – average asset allocation of SMSFs by percentage (as at June 2012)

Asset Allocation	Percentage
Australian Listed Assets	34%
Cash & Term Deposits	31%
Real Property	15%
Managed Assets	14%
Debts & Loans	1%
Overseas (All)	1%
Unlisted Shares & Other	4%
<b>Total Assets</b>	<b>100%</b>

**Investment Returns** – Comparison of aggregate investment returns

Year End 30 June	APRA Gross of fees	SMSF Gross of fees
2005	13.2%	17.4%
2006	14.0%	16.0%
2007	15.6%	20.1%
2008	-7.6%	-4.0%
2009	-11.9%	-4.5%
2010	9.8%	8.3%
2011	8.7%	11.2%
<b>Average</b>	<b>5.4%</b>	<b>8.8%</b>



## Office News

In October we welcomed back Jess Webster who returned from Maternity Leave and will be now working part time.

Melissa Devlin completed her Diploma of Business during December and is eagerly awaiting her results.

Lauren Jones has commenced maternity leave.

Baby Carley was born 9 December 2013. Both mum and bub doing well. Congratulations from everyone at HDC. Best wishes to Lauren, Matt and the family.

During Lauren's absence Georgina Kennedy has taken over the front desk responsibilities and will be working 5 days a week.

**A reminder about our Website ([www.herries.com.au](http://www.herries.com.au)). The site is updated regularly and contains articles that may be helpful.**

**This year, our office will be closing for the Christmas holidays commencing 1-00 pm on Friday 20 December 2013 and will re-open for business 8.30 am Monday 6 January 2014.**

