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# THE CP CATCHUP

WELCOME TO THE THIRD EDITION OF THE CP CATCHUP

JUNE 2012

The end of financial year is almost upon us, which means New Year's resolutions, a fresh start, and of course tax changes!

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## Deferral of Increased Concessional Contributions Cap for Those Aged 50 and Over

From 1 July 2012, the concessional contributions cap will remain at \$25,000 for all individuals, even for those aged 50 & over. The Government has announced that it will defer the proposed higher concessional contributions cap from 1 July 2012 to 1 July 2014. It is likely that, from 1 July 2014, those individuals aged 50 and over will be permitted to increase their contributions by an additional \$25,000 over and above the general concessional contributions cap if they have a balance in their fund below \$500,000. No mention was made of indexing the low balance amount of \$500,000.

The contributions caps are summarised in the following table:

| INCOME YEAR        | CONCESSIONAL CAP WHERE < 50 YEARS | CONCESSIONAL CAP WHERE ≥ 50 YEARS       |   | NON-CONCESSIONAL CAP         |
|--------------------|-----------------------------------|---|---|------------------------------|
| 2007–08            | \$50,000                          | \$100,000                               |   | \$150,000 / \$450,000        |
| 2008–09            | \$50,000                          | \$100,000                               |   | \$150,000 / \$450,000        |
| 2009–10            | \$25,000                          | \$50,000                                |   | \$150,000 / \$450,000        |
| 2010–11            | \$25,000                          | \$50,000                                |   | \$150,000 / \$450,000        |
| <b>2011–12</b>     | <b>\$25,000</b>                   | <b>\$50,000</b>                         |   | <b>\$150,000 / \$450,000</b> |
| <b>2012–13</b>     | <b>\$25,000</b>                   | <b>\$25,000</b>                         |   | <b>\$150,000 / \$450,000</b> |
| 2013–14            | \$25,000                          | \$25,000                                |   | \$150,000 / \$450,000        |
| 2014–15 (proposed) | \$30,000                          | \$30,000 where fund balance ≥ \$500,000 | \$55,000 where fund balance < \$500,000 | \$180,000 / \$540,000        |

By deferring the increase in the concessional contributions cap for those aged 50 and over by two years, until 1 July 2014, it is anticipated that reporting systems will be better placed to determine the threshold of \$500,000.

**WARNING** - Don't get caught inadvertently exceeding your contributions caps. Your superannuation fund must receive and bank the final contribution by 29 June 2012 for the 2012 financial year. As 30 June is a Saturday, if your contribution is banked by the fund on Monday 2 July, you will miss the deduction for this year and could exceed your cap next year.

### DATE OF EFFECT 1 JULY 2012 AND LATER YEARS



## Personal Tax Rates for the 2012-13 and 2013-14 Income Years

There were no further changes to the already legislated changes to the marginal tax rates and income thresholds for resident taxpayers which apply from 1 July 2012. Changes to the marginal tax rates and income thresholds as summarised in the table below were legislated as part of the Carbon Tax package during 2011:

| Taxable Income       | Income Tax you are Liable to Pay           |
|----------------------|--|
| \$0 - \$18,200       | NIL  |
| \$18,201 - \$37,000  | 19% of amount over \$18,200                |
| \$37,001 - \$80,000  | \$3,572 plus 32.5% of amount over \$37,000 |
| \$80,001 - \$180,000 | \$17,547 plus 37% of amount over \$80,000  |
| Over \$180,000       | \$54,547 plus 45% of amount over \$180,000 |

Note: the marginal rates do not include the Medicare levy

DATE OF EFFECT 1 JULY 2012

## Medicare Levy Low Income Thresholds

From the 2011–12 income year, the Medicare Levy low income threshold will increase to:

- ➔ \$32,743 for couples (up from \$31,789); and
- ➔ \$19,404 for singles (up from \$18,839).

For families, the additional amount of threshold for each dependent child or student will rise to \$3,007 (up from \$2,919). From 1 July 2011, the Medicare levy low income threshold for pensioners below Age pension age will increase to \$30,451 (up from \$30,439). The result of this increase is that, below Age pension age, pensioners will not pay the Medicare levy when they do not have an income tax liability.

DATE OF EFFECT 1 JULY 2011

## High Income Earners Superannuation Contributions Tax

From 1 July 2012, individuals whose Adjusted Taxable Income (ATI) exceeds **\$300,000** will have their contributions taxed at the rate of **30%**.

Where a person's ATI does not exceed \$300,000, their superannuation contributions will continue to be taxed at 15%. If a person's ATI – before taking into account their concessional superannuation contributions – is below \$300,000 but exceeds the \$300,000 threshold once the concessional superannuation contribution are included, two rates will apply:

- (a) that part of the concessional contribution that increases their ATI up to \$300,000 will be taxed at 15%;
- (b) that part of the concessional contribution that pushes them over the \$300,000 threshold will be taxed at 30%.

| Adjusted Taxable Income  | Contribution Tax Rate  |
|--|--|
| ATI is no more than \$300,000  | 15% on all concessional contributions  |
| ATI is below \$300,000 without the individual's concessional contributions, but exceeds \$300,000 when the individual's concessional contributions are included in ATI | <ul style="list-style-type: none"> <li>➔ 15% on contributions included in ATI up to the \$300,000 threshold</li> <li>➔ 30% on contributions that exceed the \$300,000 threshold</li> </ul> |
| ATI exceeds \$300,000  | 30% on all concessional contributions  |

DATE OF EFFECT 1 JULY 2012

## Changes to the Net Medical Expenses Tax Offset

### Current treatment

Taxpayers can claim a net medical expenses tax offset (NMETO) equal to 20% of net un-reimbursed eligible medical expenses that exceed **\$2,060** for the 2011–12 income year. (The threshold was increased from \$1,500 to \$2,000 for the 2010–11 income year.)

### New treatment

From 1 July 2012, a means test will apply to the NMETO so that the threshold above which a taxpayer can claim the NMETO is increased to **\$5,000** (and indexed thereafter) where the person's adjusted taxable income exceeds the Medicare levy surcharge thresholds, that is:

- singles with an adjusted taxable income of more than \$84,000; and
- couples or families an adjusted taxable income of more than \$168,000.

Additionally, the rate of reimbursement will be reduced from 20% to **10%** for eligible out of pocket expenses incurred.

**Note:** Persons with an adjusted taxable income below the surcharge thresholds will not be affected by this measure.

### Summary of eligibility for the NMETO

| Adjusted Taxable Income |                     | Net Medical Expenses Tax Offset |                                     |
|-------------------------|---------------------|---------------------------------|-------------------------------------|
| Singles                 | Couples or families | 2011–12 income year             | 2012–13 income year                 |
| Up to \$84,000          | Up to \$168,000     | 20% of expenses > \$2,060       | Not announced yet                   |
| More than \$84,000      | More than \$168,000 | 20% of expenses > \$2,060       | <b>10% of expenses &gt; \$5,000</b> |

**DATE OF EFFECT 1 JULY 2012**

## Company Loss Carry-Back

The Government will provide tax relief for companies by allowing them to carry-back tax losses to receive a refund of tax previously paid.

**How many years can losses be carried back?** The timing of the loss carry-back rules may be summarised as follows:

| Income year in which loss is incurred | Income year in which loss can be carried back to, and offset against, tax already paid   |
|---------------------------------------|--|
| 2012–13 income year                   | A <b>one-year</b> loss carry-back will apply in 2012–13 income year — a tax loss incurred in that year can be carried back and offset against tax paid in the 2011–12 income year.                               |
| 2013–14 and later income years        | A <b>two-year</b> loss carry-back will apply from the 2013–14 income year — a tax loss incurred in that year (or a later year) can be carried back and offset against tax paid in the two previous income years. |

The following limitations will apply to the carry-back of losses:

1. Loss carry-back will be available only to companies and entities that are taxed like companies.
2. Loss carry-back will apply to **revenue losses only**.
3. Companies will be able to carry back up to **\$1 million** of tax losses each year. This will provide a cash benefit of up to \$300,000 a year.
4. The refund cannot exceed the company's franking account balance.
5. Loss carry-back will be subject to integrity rules.

**DATE OF EFFECT** ➤ **2012–13 income year — 1-year carry-back** ➤ **2013–14 and later years — 2-year carry-back**

## Education Tax Refund Replaced with New Schoolkids Bonus

On 6 May 2012, the Government announced that families with children will be provided with a new Schoolkids Bonus – which is a cash payment to parents to support the cost of their children’s education, which replaces the Education Tax Refund (ETR). The amount of the payment is:

- ➔ for each child in primary school — \$410; and
- ➔ for each child in high school — \$820.

**Substantiation of costs is not required:** Eligible families will not be required to maintain receipts and invoices as proof of the expenditure; the payment will be made in **two equal instalments in January and July** each year to eligible families.

**Eligibility for the payment:** Families will be eligible for the payment where they have children enrolled in and attending school, and either:

1. are in receipt of the Family Tax Benefit (FTB) Part A; or
2. have other qualifying income support payments or allowances under a prescribed education scheme that precludes a family from receiving FTB Part A.

**Transitional arrangements:** For the 2011–12 income year, the ETR will be replaced by a one-off lump sum payment to eligible families in June 2012.

**DATE OF EFFECT JANUARY 2013**

## Client In Focus - Godfreys Pakenham

Godfrey Cohen founded the Godfrey group in 1931 during the Depression, back in the days when vacuum cleaners were only sold door-to-door. Today the Godfreys Group has grown to almost 200 stores across Australia and New Zealand, making it the largest vacuum cleaner retailer in the world. With a huge range of vacuum cleaners and steam cleaners, Godfreys have built their reputation on providing quality cleaning products at great prices. If you are looking for a vacuum cleaner, Godfreys have many to choose from including:

- ➔ Bagless & bagged vacuums
- ➔ Hand held vacuums
- ➔ Pet hair & asthma vacuums
- ➔ Commercial vacuums and many more.
- ➔ Wet & dry vacuums

With over 80 years of experience in the vacuum cleaner industry, Godfreys can give you great advice on the best way to clean every home and office. If you need to get your vacuum cleaner serviced or repaired, then Godfreys is able to help you out. Godfreys also offer trade-ins on working vacuum cleaners, so if it’s time for an upgrade then bring your old vacuum in and see what Godfrey's can do. Drop into the **Pakenham - Godfreys Store** and check out the great selection of vacuums available. Visit Doron & Abraham – and mention us, CP, to receive a great deal!



Godfreys Pakenham, 2-4 Purton Road, Pakenham - <http://www.godfreys.com.au/godfreys-pakenham>

## Important Upcoming Dates

### July 14<sup>th</sup> 2012

PAYG Withholding Payment Summaries Received (Employees)

### July 23<sup>rd</sup> 2012

June 2012 Monthly Activity Statement Due

### July 30<sup>th</sup> 2012

June 2012 Quarter Business Activity Statement Due

### July 30<sup>th</sup> 2012

June 2012 Quarter Superannuation Contributions Due

### August 14<sup>th</sup> 2012

Annual PAYG Withholding Summaries (Employers)

### August 21<sup>st</sup> 2012

July 2012 Monthly Activity Statement Due