Bernard Marin
bernardm@marinaccountants.com.au

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# Making those new (financial) year's resolutions

In the lead-up to 30 June, it's often hard to get the time to sit back and think about your finances, taxes and business for the corning twelve months. But it's an ideal time to take stock and review your financial affairs. Whether you're a business owner, investor or ordinary taxpayer, ask yourself, 'What can I do now to maximise my income and minimise my tax as the new financial year unfolds?

## On the personal front

1 July marked the beginning of a number of notable changes to your taxes. The flood levy finished up, just in time to see the carbon tax take its place. There are also new individual tax rates, as well as cuts to the private health insurance rebate and family tax benefit changes.

Personal tax rates, which have shifted in favour of low and middle-income earners, now feature a tax-free threshold, which has increased from $6000 to $18,200, and a lifting of the first two marginal tax rates (from 15 per cent to 19 per cent and from 30 per cent to 32.5 per cent).

Figure 1 provides a summary of the new tax rates.

Figure 1

### New tax rates for 2012-13

| Taxable income | Tax payable |
|---|---|
| $0-$18,200 | $nil |
| $18,201 - $37,000 | 19% on excess over $18,200 |
| $37,001 - $80,000 | $3572 + 32.5% on excess over $37,000 |
| $80,001 - $180,000 | $17,547 + 37% on excess over $80,000 |
| $180,001 and over | $54,547 + 45% on excess over $180,000 |

The above rates do not include the Medicare Levy of 1.5%

It's also worth remembering that the Federal Government Rebate on private health insurance is now means tested.

Declaring foreign income is also a focus of the Tax Office at the moment. Taxpayers may be penalised for omitting foreign income or making incorrect declarations.

## And if you're in business?

As a business owner and operator, it's worth noting – and considering – the following over the next twelve months:

- Maximising the new immediate asset write-off and accelerated depreciation rules: businesses with less than $2 million aggregated turnover can now claim an immediate deduction for any depreciating assets costing up to $6500, and an accelerated initial deduction of $5000 for motor vehicles bought for business use.
- *New tax reporting rules for the building and construction industries:* businesses in these industries now need to lodge an annual report with the Tax Office setting out details of payments made to contractors.
- Managing loans to shareholders and associates: if your company has advanced money to shareholders and associates during the year or paid expenses on their contribution limits you will be taxed on their behalf, then you must decide whether to repay these loans or set up a complying loan arrangement.

*Take care as a director:* recent changes to the Director Penalty Notice provisions make you, as a director, personally liable for some of your company's unpaid tax debts – including its unpaid superannuation guarantee amounts..

## And talking about super...

Ask yourself: Is your fund getting you the best returns? Is it worth changing your investment strategies or even setting up your own self-managed super fund? A self-managed super fund gives you greater control over your investment assets, can be more cost effective and can often make for easier estate planning.

If you're an employee, also remember that recent changes to the superannuation contribution limits (see Figure 2) may directly affect you. If you exceed the contribution limits you will be taxed on the excess. However, the Tax Office will allow you to reallocate up to $10,000 in excess super contributions in one year, and these will be taxed at 'normal' marginal rates, rather than punitive ones.

If you are a high-income earner with over $300,000 in taxable income, the government now requires you to pay 30 per cent tax on concessional contributions paid into your super fund – effectively doubling your super tax bill, with up to an additional $3750 tax per person. Your accountant will assist you in developing a strategy to minimise the adverse consequences of this tax change.

The bottom line on all these points? Take the time to think about this now.

Figure 2

### New concessional super contribution limits for 2012-13

| Contribution type | Annual limit '11-'12 | Annual limit '12-'13 | Excess contributions tax |
|---|---|---|---|
| Concessional under age 50* | $25,000 | $25,000 | 31.5% |
| Concessional age 50+ | $50,000 | $25,000 | 31.5% |
| Non-concessional** | $150,000 | $150,000 | 46.5% |
| Non-concessional (3 year) | $450,000 | $450,000 | 46.5% |

*Concessional contributions include employer contributions and salary-sacrifice amounts

**Non-concessional contributions are personal contributions

Bernard Marin is the founder of Marin Accountants