

# H MA TWOMEY PATTERSON

## CHARTERED ACCOUNTANTS

Business & taxation advisers · Registered company auditors

### JUNE 2007 - NEWSLETTER

#### BUDGET UPDATE

##### TAX FOCUS

Changes in marginal tax thresholds were announced in the budget:

Tax Thresholds for current 2006/07 year	Tax Rate
0 - \$6,000	Nil
\$6,001 - \$25,000	15%
\$25,001 - \$75,000	30%
\$75,001 - \$150,000	40%
\$150,000 +	45%

These thresholds will change from 1 July 2007 to:

Tax Thresholds for 2007/08	Tax Rate
0 - \$6,000	Nil
\$6,001 - <b>\$30,000</b>	15%
<b>\$30,001</b> - \$75,000	30%
\$75,001 - \$150,000	40%
\$150,001 +	45%

##### Low Income Tax Offset:

The Low Income Tax Offset will increase from \$600 to \$750 per annum from 1 July 2007. This means that you can actually earn **\$11,000** before you pay any tax.

##### Senior Australians:

Senior Australians who are eligible for the Senior Australians Tax Offset will pay no tax on income up to **\$25,867** for singles and **\$43,360** for couples for the 2007/08 financial year. The equivalent thresholds for 2006/07 are \$24,867 and \$41,360 respectively.

##### One-off Bonuses:

A number of one-off tax free bonuses are due to be paid before 30 June 2007 including:

- **\$500** to older Australians in receipt of Utilities Allowance or Seniors Concession Allowance
- **\$1,000** to recipients of the Carer Payment
- **\$600** to recipients of the Carer Allowance for each eligible care receiver

##### Childcare Assistance Changes:

Changes will take effect from 1 July 2007. The childcare benefit will increase by 10% on top of annual indexation. The existing childcare tax rebate will be converted to a direct payment from Centrelink, soon after the end of the financial year to which the costs relate. This means that after you have completed your 2007 Income Tax Return, all future claims will come through Centrelink rather than being part of your Income Tax Return preparation process.

##### Pre-filling of tax returns:

From 2007/08 the ATO will supply us with certain information to include in income tax returns. This will include:

- Salary, wages and allowances where the employer has electronically lodged the employee's payment summary with the ATO
- Dividend, interest and managed fund income details
- Payments from Centrelink, the Department of Education, Science and Training and the Department of Veterans' Affairs
- Medicare out of pocket expenses and private health insurance information
- HECS and HELP liability details

Some of this information may not be available until August 2008 so we recommend that you still keep your own records and bring them in so that we can check the accuracy of the ATO pre-filling exercises.

##### SUPERANNUATION

###### One-off Additional Government Co-Contribution.

There will be a doubling of the Government co-contribution for those people who made eligible superannuation contributions in the **2005-2006** income year. This doubles the maximum co-contribution for the 2005/06 year only from \$1,500 to \$3,000.

###### CGT Rollover on Marriage breakdown:

There will be an extension to the CGT marriage breakdown rollover for small superannuation funds. This will allow one spouse to transfer their entire in-specie interest in a self managed superannuation fund to another complying superannuation fund **without** an immediate CGT taxing point being realised. This measure will apply from 1<sup>st</sup> July 2007.

##### GST

From 1 July 2007 businesses with an annual turnover of less than \$75,000 will no longer have to register for GST (up from \$50,000).

\*\*\*\*\*

##### PROFESSIONAL ADVICE AND PLANNING GRANT (Farmers only)

A Professional Advice and Planning Grant is available to eligible farm businesses in areas that have been EC declared for more than three years to obtain:

- a financial viability assessment (up to \$1,000)
- if assessed as viable, a business plan that incorporates drought management strategies, **and** additional advice and planning in relation to drought management (up to \$4,500)

NB: The grant can no longer be used for software and/or training purposes.

## SUPERANNUATION UPDATE

### **What can I put into super?**

From 1 July 2007 you are limited to the amount you can put into superannuation:

#### Non-Concessional (i.e no tax deduction claimed):

Aged < 65 - \$150,000 per year or \$450,000 over a three year period

Aged 65-75 - \$150,000 per year, must satisfy a work test

#### Concessional (ie tax deduction claimed)

Aged < 50 - \$50,000 year

Aged 50-65 - \$100,000 per year until 2012, then \$50,000 per year thereafter

Aged 65-75 - \$100,000 per year until 2012, then \$50,000 per year thereafter, but only if you satisfy a work test

**NB: If you put more than the above limits into superannuation, then the amounts above the maximum limit will be taxed at 46.5%**

**NB: If you do not provide your tax file number to your superannuation fund, any Concessional contributions to the fund will be taxed at 46.5%**

### **When can I have my super?**

You can access your superannuation when you meet "a condition of release" - usually retirement after age 55, reaching age 65 or death.

Aged 55-60 - retirement is when you cease paid work and never intend to work again.

Aged 60-65 - retirement is when an arrangement under which you were working ceases.

Upon retirement after age 55 or reaching age 65, all superannuation benefits become available and can be taken in the form of lump sums, pensions or a combination of the two.

From 1 July 2007, if you are aged under 60, lump sum withdrawals or pensions will still be taxed.

If you are aged over 60 **all** withdrawals from a taxed source (i.e. lump sum or pension) will be tax free.

### **What's new? - Transition to Retirement Pensions**

If you are 55 and over, a new option is a Transition to Retirement (TTR) Pension. The TTR pension enables you to access your superannuation benefits as a non-commutable income stream (not a lump sum) while you are still working.

## **Tax Planning Opportunity - TTR pension**

The TTR pension option has created considerable (unintended) tax saving opportunities for those over the age of 55. This is achieved by salary sacrificing wage/salary income into superannuation and replacing this income with a TRR pension.

Because the tax rate of a superannuation fund that is in pension mode is 0%, all the earnings (interest, dividends, capital gains etc) of the superannuation fund that is paying the TRR pension are tax free. This means that there is more money to reinvest and greater overall wealth accumulation.

### **REMINDER:**

#### **Are you paying Superannuation Guarantee Employer Contributions (9%)?**

Employers **must pay** superannuation guarantee contributions at least every quarter by the 28<sup>th</sup> day following the end of the relevant quarter. Employers who have always made more frequent contributions due to the conditions of their fund, an award obligation, a workplace agreement or through personal choice should continue to do so. Employers are not required to provide Superannuation Guarantee support to:

- employees receiving salary or wages of less than \$450 per month.
- employees aged 70 or over
- part time employees under 18 years of age working less than 30 hours per week.
- where payment is made to a company, trust or partnership.

**Over the next 12 months the ATO will be targeting businesses that have superannuation guarantee payments owing to employees.**

### **TAX PLANNING TIME**

With less than 30 days until the end of the financial year, have you made sure that you have minimised the amount of tax you will pay in 2006/07 and that there will be no nasty surprises?

- should you be putting money into superannuation before the rules change on 1 July?

- is this the year to redeem your FMD's?

- have you realised any capital gains during the year, but have investments with capital losses that could be sold to offset the gains?

**If you would like to do some tax planning or retirement planning, discuss the changes to superannuation or explore the possibility of a transition to retirement pension, then please do not hesitate to contact one of our Partners or Financial Advisers at your nearest office location.**

The articles contained in this newsletter are intended for information only and not for advice. For further information or advice, please contact your nearest office.

Cootamundra - 02 69421266  
Coolamon - 02 69273207

Wagga Wagga  
Ganmain

02- 69258377  
02 -69276161

Young 02-63825011  
Harden 02 -63862485