DEWINGS
ACCOUNTING + CONSULTING

Happy new (financial) year!

It's almost time to wish you all a happy new financial year once again! And with that, as always, comes some changes to note, particularly for those in business.

Superannuation Guarantee increase to 11.5%
The Superannuation Guarantee (SG) percentage, which is the compulsory rate at which employers must pay superannuation for their employees, is set to increase on 1st July to 11.5%. This is up from the current rate of 11%, which itself has only been in place for the last year. This is the penultimate step in the Government's long-term plan to increase the compulsory employer contribution rate to 12%, which it will reach on 1st July 2025. Employers should make sure that their payroll software and other relevant systems are updated to reflect this change.

Superannuation Concessional and Non-Concessional Thresholds to increase
Concessional superannuation contributions are those for which a tax deduction is being claimed – either by your employer or by you.

Non-concessional superannuation contributions are those made personally for which you are not claiming a tax deduction. An example might be where a person has savings outside of superannuation from their employment, which they decide to move into super so that future earnings (interest, dividends, etc.) will be taxed at the lower rate of 15%.

There are caps that apply to both amounts to limit the amount of money that can be put into the lower tax environment of superannuation. These caps will be increasing from 1st July.

- The Concessional Contributions cap will increase from $27,500 per annum to $30,000. For those who are seeking to contribute the maximum amount allowable to super every year, particularly through a salary sacrifice arrangement, it may be worth reviewing your circumstances in order to adjust for the new limit (subject to appropriate advice from a licensed financial services provider).

- The Non-concessional Contributions cap will increase from a maximum of $110,000 to $120,000 per year, or to a maximum of $360,000 in any three-year period. Both the annual cap itself and this 'bring forward' aggregate may be lower depending on your circumstances, especially for those with larger balances in super.

Stage 3 personal income tax cuts come into effect
As detailed in our recent Budget newsletter, the Federal Government's amended 'Stage 3' personal income tax rates will take effect from 1st July this year. The result for most salary and wage earners will be more money in their pay-packet each pay period.

From a tax planning point of view however, those with more complex business arrangements may want to consider deferring personal discretionary income into the new financial year. At the end of any financial year, it's often prudent to bring forward expenditure to the current year, or defer income to next year, if only for the timing benefit. There is however a real tax saving this time around.

For example, a dividend paid in June may attract more income tax than one paid in July due to lower income tax rates, at least for taxpayers earning less than $190,000 per year before the dividend. For those already (or likely to be) earning more than $190,000 (before any discretionary distributions such as dividends), the maximum tax benefit will probably have already been received and it won't make much difference. In addition, a deduction brought forward to June could be worth more than one paid in July, because the tax effect of the deduction will be more at higher rates.

Please speak to us if you would like us to consider the most tax effective option for your circumstances.

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For further advice or information please contact us. Whilst this newsletter is issued as a guide, no responsibility is accepted by Dewings for loss by any person acting or refraining from acting on the material provided. The information enclosed should not be substituted for professional advice.

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