Welcome to our latest e-newsletter.

The end of the financial year is almost upon us, and there are a number of significant new tax changes that will come into effect on 1st July. We take a look at a few them in this issue.

In superannuation news, the deadline for implementing the new SuperStream provisions has been extended, and the Tax Office will receive new power to personally fine trustees of self-managed superannuation funds who breach their obligations.

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New Year's Resolutions

It probably comes as no surprise to anyone that in the accounting world, the end of financial year is kind of a big deal. Our busiest time of the year is the months from April to June as we work to complete all of our lodgements on time. We also undertake tax planning before June 30th hits so that we can project the final year results for many of our clients and help them minimise their tax. Once July comes around, we then get to take a breath for a few days before we start up all over again. To celebrate the year that was, one of the big events on the Dewings staff calendar is our annual End of Financial Year dinner. You get the picture - it's a significant time of the year for us.

A new year can also be a time for resolutions, and being as the financial year is really the more significant one for tax purposes, the Government often uses a new financial year to introduce new tax measures. This year is no exception - in fact there are some bigger than usual changes coming from 1st July. Here's a few of them.

Medicare Levy increase

From 1st July 2014, the Medicare Levy will increase from 1.5% to 2%. This was announced in last year's budget. The increase is intended to help fund DisabilityCare - the National Disability Insurance Scheme.

Obviously this will make a small dent in the take home pay for every salary earner (except low income earners who are exempt). But there are other rates linked to the Medicare Levy rate that will also be affected. The Fringe Benefits Tax (FBT) rate, for example, is based on the top marginal rate of tax (45%), plus Medicare, so this already increased on 1st April 2014, from 46.5% to 47%. Other rates impacted include the tax payable on excess concessional superannuation contributions and withholding tax rates for not providing Tax File Numbers (TFNs) and Australian Business Numbers (ABNs).

- ***If you're an employer, you should make sure that your tax scales are updated in your payroll systems to reflect the increase in the Medicare Levy.***

Temporary Budget Repair Levy

As part of the 2014-15 Federal Budget the Government announced that it will impose a temporary Budget Repair Levy of 2% on that part of a person's taxable income which exceeds $180,000.

The levy will commence from 1 July 2014 and apply to the 2014-15, 2015-16 and 2016-17 financial years.

It will also be added to the FBT rate, temporarily increasing it from 47% to 49% while the levy is place. Significantly though, for FBT purposes the levy will not be reflected in the rate of FBT payable until 1st April 2015. So if you earn over $180,000 a year and salary package your income, it may be worth repackaging salary away from cash towards other benefits this year, to reduce the overall amount of tax payable for the coming year.

- ***If you're an employer, you should make sure that your tax scales are updated in your payroll systems to reflect the temporary Budget Repair Levy.***

Concessional and Non-Concessional Superannuation Contributions

Just as a recap, 'concessional' contributions to super are amounts that are only taxed in the fund at the reduced rate of 15%. For most people, this would be super that is paid by their employer, including amounts salary sacrificed. These amounts are paid from before-tax income, which means the only tax applicable is that paid in the fund at 15%. There are limits (or 'caps') on how much superannuation can be put away and still be taxed at the low concessional rate.

'Non-concessional' contributions are those that are made by taxpayers from their after-tax income. Because this income has already been taxed, you can put it away into super without paying any more tax. But again, there are limits imposed to prevent people from moving too much money into an environment where future earnings on it (interest, dividends, etc.) will be taxed at a much lower rate.

From 1 July 2014 the ***concessional*** caps for taxpayers aged 48 years or younger (on 30th June 2014) will increase from $25,000 to $30,000.

For those aged 49-59 years (on 30th June 2014) the concessional cap will increase from $25,000 to $35,000. This is the same level that applied for the previous financial year to those aged 59 years or older (on 30th June 2013).

For the 2014-15 year the limit on ***non-concessional*** contributions will increase from $150,000 to $180,000 per year, or from $450,000 to $540,000 in any three year period.

While some of these terms may sound very 'accountanty', using these limits to develop a wealth creation strategy can be extremely tax effective, which in turn means more money for you when it comes time to retire.

Net Medical Expenses Tax Offset

This next financial year will be the final year that certain taxpayers can claim the Net Medical Expenses Tax Offset.

The Net Medical Expenses Tax Offset traditionally allows eligible taxpayers to claim a rebate in their tax return for out-of-pocket medical expenses that exceed a certain threshold. The Federal Government announced in the 2013-14 Budget, however, that it would phase out the measure.

The 2012-13 year was the last year that a taxpayer could make a new claim for the Net Medical Expenses Tax Offset. If you didn't make a claim that year, you are no longer entitled to the offset. To be eligible for the Net Medical Expenses Tax offset in the 2013–2014 and 2014–2015 financial years, you must have received the offset in the preceding year respectively. The upcoming financial year, for almost all taxpayers, is the last year that the offset can be claimed, regardless of whether there was a previous claim or not.

We say almost all taxpayers because the changes mentioned above will not apply for those with out-of-pocket medical expenses relating to disability aids, attendant care or aged care expenses until 1 July 2019.

Superannuation Guarantee Rate

The Superannuation Guarantee rate will increase from 9.25% to 9.5% for the 2014-15 financial year. The Government had previously proposed to defer the next staged increase in the compulsory employer superannuation rate, however this delay was connected to the repeal of the 'Mining Tax', which failed to pass through the Senate. It was therefore announced that the increase will now proceed from 1st July 2014.

- ***If you're an employer, you should make sure that your payroll systems are updated to reflect the new superannuation rate. The increased rate should also be taken into account when considering any remuneration reviews for the coming year.***

These are just a few of the Government's New Year's resolutions - and the Government is pretty good at keeping them! A new financial year is also a great time for you to review your business systems and perhaps make some resolutions of your own.

It's an especially good time to look at your accounting software systems. Solutions like Xero could deliver real savings by streamlining your data entry and reconciliation processes.

If you'd like more advice about how you may be affected by these tax changes, or would like help implementing a new software system, please contact us.

SuperStream Deadline Extended

SuperStream is an initiative that forms part of the Government's overall plan to reform the Superannuation system.

It's intended to improve the process of receiving contributions and processing rollovers, and cut the associated administrative costs, while also reducing the number of lost and/or unclaimed accounts.

As a part of the changes, all super funds, including Self-Managed Superannuation Funds (SMSFs), were required to be

New powers to penalise SMSF trustees who breach obligations

If you operate a self-managed superannuation fund (SMSF), it's now more important than ever that you pay close attention to the rules.

New laws were recently passed that give the Tax Office (ATO) much greater powers to penalise trustees that breach their obligations under superannuation law.

These increased powers will take effect from 1st July 2014, and include the ready to receive superannuation contributions by electronic means only by 1st July 2014.

Perhaps you have never heard of SuperStream, even if you are an employer. This has been part of the problem with its implementation - a lack of public education on the subject and how to prepare for the changes.

Thankfully, the Government announced recently that the deadline for implementation has now been extended to 1st July 2015, to allow more time for employers and trustees to get ready.

Under the proposed SuperStream system, employers are required to submit contributions electronically and provide a minimum set of data with each contribution. Employers with 20 employees or more now have until the 1st July 2015 deadline to make their systems compliant, while smaller employers have until 1st July 2016.

On the other side of the contribution transaction, trustees of superannuation funds will be required to receive contributions in the appropriate electronic form, and will also need to establish an electronic service address with an approved provider.

We'll keep you up to date with more information, and if we look after your SMSF work, we'll make sure that you are fully compliant in time for the implementation deadline, including establishing a compliant electronic service address for you.

In the meantime, if you have any questions, please contact us.

option of making trustees personally liable for penalties of up to $10,200 per breach. These penalties cannot be paid by the SMSF.

The ATO will also require rectification of the breach, which may involve significant cost, and they can even compel trustees to attend an education course on operating an SMSF. The penalties may even be applied retrospectively to breaches that occurred before 1st July 2014.

It highlights once again the need to always operate your SMSF with some non-negotiable principles in mind. These include:

- As trustee, you must always satisfy the sole purpose test, which requires that every decision and action of an SMSF trustee with respect to the fund must be for the purpose of providing for the retirement of members;
- You should never withdraw any funds from your SMSF accounts for personal use, even if it is just for a loan, unless as part of a planned pension strategy where you are at pension age; and
- You should never buy residential property in your SMSF that is inhabited by a member.

As a part of these new powers, the ATO has also indicated that they will be targeting super funds and their auditors who are deemed to be 'high risk', including ramping up measures to identify high risk funds. This will include detailed questioning of trustees over the phone and going through various media looking for auditors who offer low-cost services.

Although the SMSF industry has grown in recent years, which has led to the emergence of many potentially higher risk service providers, we have always set the highest possible standards for our SMSFs and ensured that the quality of our work is above question. Even so, we can't always control the actions of trustees during the year who may inadvertently breach their obligations.

If you'd like to discuss how you may be affected, please contact us.
