

BENEATH THE SURFACE

2011 FEDERAL BUDGET PROPOSED RATES AND THRESHOLDS

Please note that at the time of going to print, some of these proposals were not law, so there may be some changes between now and when they become law.

Personal income tax rates, excluding Medicare (with changes in *bold*)

Prior Year 2010-11 & Current Year 2011-12**	Tax	2011-13 See LITO Changes Below	Tax	2015-16 See LITO Changes Below	Tax
0-\$6,000	0	0- \$18,200	0	0-\$19,400	0
\$6,001-\$37,000	15%	\$18,201 -\$37,000	19%	\$19,401 -\$37,000	19%
\$37,001-\$80,000	30%	\$37,001-\$80,000	32.5%	\$37,001-\$80,000	33%
\$80,001-\$180,000	37%	\$80,001-\$180,000	37%	\$80,001-\$180,000	37%
\$180,001+	45%	\$180,001+	45%	\$180,001+	45%

** **Flood Levy 2011-12 only:** an extra 0.5% on taxable income between \$50,000 and \$100,000, and an extra 1% on taxable income over \$100,000.

LOW INCOME TAX OFFSET (LITO)

These increases allow adults (no longer children) to earn more than the basic tax free threshold without paying tax, as follows:

Year	LITO	Tax-free Threshold (Adult)	Tax-free Threshold (Child <18) (investment income)	Phase Out Rate
2010-11	\$1,500	\$16,000	\$3,333	>\$30,000-4%
2011-12	\$1,500	\$16,000	\$416 (no access to LITO)	>\$30,000-4%
2012-13	\$445	\$20,542	\$416	>\$37,000-1.5%
2015-16	\$300	\$20,978	\$416	>\$37,000-1%

The LITO will continue to be phased-out once taxable income exceeds amounts in last column. Low and average income earners will receive half the LITO benefit through their regular pay, rather than all as a lump sum when their income tax returns are assessed.

ACKNOWLEDGEMENTS

National Tax and Accountant's Association

FIRST HOME SAVERS ACCOUNTS - RATES & THRESHOLDS

The account balance cap is indexed periodically in \$5,000 increments and the maximum annual government contribution threshold in \$500 increments. The Government will make a contribution equal to 17% of the account holder's personal contributions for the financial year up to a maximum. See us or your accountant for contribution and withdrawal rules.

Income Year	Account Balance Cap (indexed)	Contribution Threshold (indexed)	Max Government Contribution
2008-09	\$75,000	\$5,000	\$850
2009-10	\$75,000	\$5,000	\$850
2010-11	\$80,000	\$5,500	\$935
2011-12	\$85,000	\$5,500	\$935

KEY FOCUS AREAS FOR THE COMPLIANCE PROGRAM 2011-12

DATA MATCHING

Each year the tax office cross references information reported in tax returns against at least 500 million transactions reported by other parties. Some examples include banks (interest income-in Australia and overseas), real estate agents (property sales), share registries (share ownership and share sales), etc. so keeping good records is vital.

WAGES & SUPERANNUATION

They have systems in place to identify businesses that are suspected of not withholding (and paying) Pay as you Go tax from wages paid to self and staff, and making compulsory superannuation payments. Please note that often employers have to pay compulsory superannuation for **contractors** if they predominantly supply labour, on your premises, with your tools and don't have the right of delegation. Having an ABN and GST registration does not void this in some circumstances. Another important factor is to **ensure** that all payroll figures supplied to the tax office match and are reconciled at each year-end, ie Business Activity Statement/s, Income Tax Returns and annual payroll reporting forms.

Please note that super guarantee, currently 9% of ordinary times earnings, needs to be **banked** into the relevant superannuation fund prior to the following dates in order to be tax deductible:

- 28th October
- 28th January (easily missed if you are on summer holidays)
- 28th April
- 28th July (deductible in prior year if paid before 30 June, otherwise deduction is carried forward to next financial year)

If paid after these dates, the employer is required to lodge a Superannuation guarantee charge statement with the tax office including administration and interest charges – ask us or see your accountant for calculations. To avoid these penalties, we usually recommend that employers pay superannuation monthly by the 7th day of the following month. Make it a regular habit – helps with cash flow too.



INDUSTRY BENCHMARKS

Be aware that the tax office is utilising industry **benchmarks** to data match against reported business income and expenses and investigating business owners who fall outside these benchmarks. Ask us or your accountant to check before lodging annual tax returns.

NEW TAX CHANGES FOR FAMILIES FROM 1 JULY 2011

EDUCATION TAX REFUND - INCLUSION OF SCHOOL UNIFORMS

- School-approved uniforms purchased from 1 July 2011 are now included
- Items of clothing including hats, footwear and sports uniforms approved by a school as its uniform may be claimed from 1 July 2012

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DEPENDENT SPOUSE TAX OFFSET PHASE-OUT

- From 1 July 2011, eligibility for the dependent spouse tax offset will be confined to taxpayers with a dependent spouse born before 1 July 1971
- Taxpayers who maintain an invalid or permanently disabled spouse, support a carer or who are eligible for the zone, overseas forces or the overseas civilian tax offsets are exempt from the new age limit and will still effectively be able to claim the dependent spouse tax offset via an expanded invalid spouse, zone, overseas forces or overseas civilian offset

LOW INCOME TAX OFFSET - CHANGES FOR MINORS

In the 2011/12 Budget, the Government stated that it will remove the ability of minors (children under 18 years of age) to access the low income tax offset to reduce tax payable on their unearned income, eg distributions from family trusts, dividends, interest, rent, royalties and other income from property. See *new tax-free thresholds in the tax tables on front page*.

This measure will **not** affect:

- minors who are (for example) disabled, orphans, or were engaged in a full time occupation at the end of the income year
- income earned by minors from the investment of any property transferred to them as a result of compensation payments, inheritances or marriage breakdown, or
- the ability of minors to use the low income tax offset to reduce tax payable on their earned income such as salary and wages

MEDICAL EXPENSES

Taxpayers can claim a tax offset of 20% of their net medical expenses over the set threshold, ie **after** refunds from Medicare and private health insurance funds.

The threshold is now indexed and changes each year:

2010-11	\$2,000
2011-12	\$2,060

BABY BONUS

The baby bonus scheme has closed. The 2008-09 financial year was the last year that it could be claimed through the tax return.

Late claims will be accepted until 30 June 2014, but they cannot be made through tax returns or by phone. Instead, to make a late claim, the taxpayer must complete the claim for the relevant year and mail it to the tax office.



PAID PARENTAL LEAVE

Australia's Paid Parental Leave Scheme started on 1 January 2011. Eligible working parents will receive parental leave pay (currently \$589.40 a week before tax) for a maximum period of 18 weeks.

Rana Jewell

Public Accountant & Lifestyle Consultant

13 Park Rd

Ferny Hills Q 4055

M 0408 51 0001

P 07 3351 4689 F 07 3851 0132

ranajewell@beneaththesurface.com.au

ANNUAL HOLIDAYS

Our office will be closed for our regular quarterly holiday from
Friday 7 October – Monday 17 October 2011
inclusive.

Rana will be in training seminars all day
Thursday 20 and Friday 21 October 2011.

Please Note: Many of the comments in this publication are general in nature.
Anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the applicability of the information to their particular circumstances.