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HBS May 2011 Newsletter for Individuals

Dear Client

Welcome to the May 2011 edition of our newsletter containing tax information for individuals. If you did not recently receive our newsletter for business owners and would like to please [contact us](#).

Please feel free to [forward our newsletter](#) to a friend; they don't have to be a client to benefit from our FREE advice!

Standard tax deduction of \$500

Just a reminder that this tax rule does not come into effect until 1st July 2012, so will not affect you until you come and see us in July 2013!

Saver Plus – qualify for \$500 towards your children's or your own education

Saver Plus is a matched savings and financial awareness program developed by the Brotherhood of St. Laurence and the ANZ in 2002 and is designed to assist people on lower incomes develop better money skills as they save for the educational expenses of their children or themselves including costs of extracurricular activities.

This is done by:

1. Participants attending 4 informal money workshops over 10 hours;
2. Participants open a bank account at the ANZ and then save up to \$50 per month. After 10 months, their savings will be matched up to a maximum of \$500 which must be used for educational expenses (including extracurricular activities).

There are criteria which potential participants must meet to be eligible for the program, such as:

- Health Care Card or Pension
- 18 years old or over
- Regular income (either themselves or partner – not including Centrelink payments)
- Must have children at school or attend vocational education themselves

For more information please contact [Joanne Harrison](#) of Berry Street or call 5799 0039

Five top tips to boost your Super

1. Set up a salary sacrifice arrangement
Ask your employer to pay extra into your super from your before-tax salary. Apart from boosting your super, salary

sacrifice can reduce your assessable income, which can in turn reduce the amount of income tax you pay. However, you should consider your individual circumstances such as your marginal tax rate and the Government caps on contributions before doing so.

2. **Make an after-tax voluntary contribution**
Even small contributions to your super can make a difference to your retirement savings. Any extra payments you make from your after-tax salary will not be taxed again when paid into your super account. However you should consider your individual circumstances such as the Government caps on contribution before doing so.
3. **Get a co-contribution from the Government**
If you earn less than \$61,920* in a tax year and make an after-tax contribution to your super, then you may be eligible for a Government co-contribution of up to \$1,000.
4. **Build your spouse's Super**
If you are a permanent employee and are married or in a de facto relationship, you can open a super account on behalf of your spouse. The Government currently offers a tax offset of up to \$540 if your spouse is a low income earner and you make a contribution on their behalf.
5. **Consolidate your Super accounts**
There are lots of reasons to consider consolidating your Super including saving on fees, costs and the overhead of juggling multiple Super accounts. However you should check with your fund if any exit or withdrawal fees apply, and whether any benefits such as insurance cover might cease once you have consolidated.

How to be smart with your money

How to tell your credit card who's boss, budget tools, scam alerts, tips on managing and saving your money; all provided by ASIC at the following [website](#). Also money management advice targeted at specific life events and age groups.

Changes to personal tax rebates and offsets affecting low income earners and dependant spouses

The Government announced changes effective from 1 July 2011 that will provide additional cash to low income earners through an increase in the amount of the Low Income Tax Offset that is delivered via decreased tax withheld from salary rather than through a rebate on their annual income tax return. A taxpayer with an annual income of \$30,000 will receive an additional \$300 during the year through lower income tax instalments being deducted from their salary payments.

As part of the Government's measures to increase the participation rate of the workforce, the Government announced that commencing 1 July 2011 it would phase out the Dependent Spouse Tax Offset beginning with offsets paid to those with partners under the age of 40. Importantly, dependent spouses with children are not impacted by this phase out as they receive Family Tax Benefit B rather than the Dependant Spouse Tax Offset.

No more deductions against Government assistance payments

From 1 July 2011, an individual taxpayer will no longer be able to claim work-related expenses as deductions where income is derived only in the form of Government assistance payments. Further to their press release of 17 December 2010, the Government will amend the tax law to prevent deductions being claimed against all government assistance payments.

From this date, this proposed legislative amendment therefore negates the effect of the 2010 High Court decision of Commissioner of Taxation v Anstis where it was held that a student could claim a deduction for study expenses even though the student only received Youth Allowance while studying full-time. However, the Commissioner will still allow eligible taxpayers to receive an automatic deduction of \$550 or a higher amount if it can be substantiated in respect of the 2007 to 2011 income tax years.

Medicare levy threshold increases

From 1 July 2010, the Medicare levy low income thresholds will be retrospectively increased to \$18,839 for individuals, \$31,789 for families, \$2,919 for each dependent child or student and \$30,439 for single pensioners below Age Pension age

Reduction in HECS discounts

From 1 January 2012, there will be a reduction of benefits for taxpayers involved in the Higher Education Contribution Scheme (HECS) in that if students elect to pay their student contribution up-front, they will only receive a 10% discount (instead of the current 20% discount). If students do not pay their student contributions up-front, they will accrue the outstanding debt and only receive a 5% bonus (instead of the current 10% bonus) on any payments of \$500 or more towards the debt.

Changes to Fringe Benefits Tax on packaged vehicles

Over the next four years the Government will progressively replace the current statutory formula method of calculating the taxable value of a car fringe benefit with a single statutory rate of 20% to be applied regardless of the number of kilometres travelled in a year. This does not affect those leases currently in place.

Refund of excess concessional super contributions

Eligible individuals will be provided with a one off option to have excess concessional contributions refunded from their super fund and assessed as income at marginal rates instead of incurring excess contributions tax (which is applied at an effective flat rate of 46.5%).

The one off refund option will be available if an individual has made excess concessional contributions of no more than \$10,000 in a year commencing from 1 July 2011.

Over 50's and \$50,000 concessional contribution cap

The Government has confirmed its intention to allow taxpayers of the age of 50 years or more to retain a \$50,000 concessional contribution cap if they have less than \$500,000 accumulated superannuation entitlements. The current transitional concessional contribution cap of \$50,000 will cease to apply from 30 June 2012 and revert to the standard cap of \$25,000.

From 1 July 2012, a higher concessional contribution cap may continue to be available depending on the individual's age and the amount of their superannuation entitlements. The Government has not provided details on how the scheme will be administered.

Special Disability Trusts

Since 1 July 2006, families have been able to establish a Special Disability Trust (SDT) to provide for the needs of a family member with a severe disability. SDTs are eligible for social security means tested concessions. A range of capital gains tax concessions are to be introduced which relate to the transfer of a main residence to a SDT or the subsequent disposal of that residence by the SDT. These rules will apply to SDT's set up under both the Social Security Act and the Veterans' Entitlements Act. They will apply with effect from 1 July 2006, being the earliest time a SDT was able to be established.

For more information in relation to SDT contact [Kathryn Harris](#).

Claiming overseas travel as an expense

The ATO has issued a taxpayer alert warning people to be cautious when claiming overseas travel and related costs as deductible work related or self-education expenses. If you have questions as to whether you can claim your expenses

please [email](#) or call our office.

Family Tax Benefit changes

From 1 July 2011 families in receipt of FTB Part A will be able to receive an advance payment of up to 7.5% of their FTB Part A annual entitlement, up to a maximum of \$1,000. Advances would be repaid over 6 months by reducing fortnightly payments.

From 1 July 2011 eligibility for FTB Part A will only be available in respect of children under 22 years of age, as an individual 22 years of age is considered 'independent'.

Tax tips prior to June 30

- Prepay any annual personal deductions that you can claim (pay before 30 June) e.g. income protection insurance, registrations, subscriptions, union fees
- If your out of pocket medical expenses are close to, or over the \$2000 threshold maximize your medical claims prior to 30 June.
- If you have a spouse with a low income consider contributing to their super fund – see The 5 top tips to boost your Super earlier in newsletter

Key dates for Individual Taxpayers

Sunday 5th June – Individual income tax returns must be lodged and paid by this date or penalties will apply

Thursday 14th July – Employers must have issued PAYG Summaries by this date

Want to see some particular tax topic/tip mentioned here? Please [contact us](#) with your request, we are more than happy to oblige.

Regards
The HBS Team
Kathryn, Allison, Connie, Lyn, Nikki and Katherine

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

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