



Income Tax Changes for 2014/15

Several tax changes apply in the 2014/15 income year. A brief summary is provided in this newsletter.

There may be some advantages in acting on some of these items before 30 June.

If you think any of these changes may affect you, please contact us for more details.

General Year End Tax Planning Strategies

Business Income and Expenses

Subject to cash flow requirements, consider deferring income until after 30 June, especially if you expect lower income for 2015/16 compared to 2014/15.

Most businesses are taxed on income when it is invoiced. Some small businesses may be taxed only when income is received. Income from construction contracts is generally taxed when progress payments are invoiced or received.

Keep in mind the recent Federal Budgets key initiative for small business (less than \$2m revenue)

- Immediate tax deduction for items up to \$20,000 if installed and ready for use between 12/05/2015 and 30/06/2017;
- Immediate deduction if value of existing depreciation pool is less than \$20,000;
- Reduction in company tax rate from 30% to 28.5% for 2016 FY;
- 5% tax rebate (limited to \$1,000) for unincorporated businesses (Sole trader, Trust, Partnership);
- Immediate deduction for business start-up expenses;
- FBT exemptions for providing employees with work related electronic devices;
- CGT relief for business restructures;
- Employee Share Schemes to become more accessible to small business.

Ensure that you have complied with the requirements to claim deductions in 2014/15:

- Bad debts must be written off in your accounts before 30 June
- Employer and/or self-employed superannuation contributions must be paid to, and received by, the super fund before 30 June and must be within the contributions cap (\$35,000 for individuals aged 49 or over on 30 June 2014, otherwise \$30,000)
- Depreciation can be claimed for assets first used, or installed ready for use, before 30 June

- Small businesses (turnover less than \$2 million) can claim expenses prepaid up to 12 months in advance – for larger businesses, this is generally limited to expenses below \$1,000
- Wages paid to your spouse or family members must be reasonable for the work performed

Small businesses planning major purchases or replacements of capital equipment should contact us for advice. Careful timing of those transactions can result in substantial tax savings.

Review valuations of trading stock in the lead up to 30 June. Best practice is generally to value stock at the lower of cost or market selling value. This may change if you expect a tax loss for 2014/15, or substantially higher income in 2015/16 compared to 2014/15.

Personal Income, Deductions and Tax Offsets

Subject to cash flow requirements, set term deposits to mature after 1 July, rather than before 30 June.

Consider realising capital losses if you have already realised capital gains on other assets during 2014/15. Conversely, consider realising capital gains if you have unrecouped capital losses, or you expect substantially higher income in 2015/16 compared to 2014/15.

If you expect lower income in 2015/16 due to retirement or any other reason, consider deferring income until after 1 July, when you will be in a lower tax bracket. If you are a primary producer and you expect a permanent reduction in income, consider withdrawing from the income averaging system.

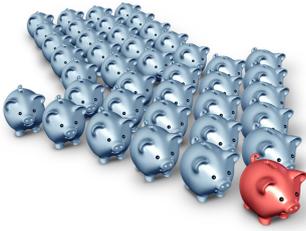
Access to the Net Medical Expenses Tax Offset is restricted compared to previous tax years, but the tax offset is still available if you meet the conditions. If you have incurred large out-of-pocket medical expenses in 2014/15, contact us for advice.

Arrange for deductible donations to be grouped in the higher income year, if you expect substantially higher or lower income in 2015/16 compared to 2014/15. Make all donations in the name of the higher income earner.

If you plan to purchase income-producing assets, consider acquiring assets that will generate positive cash flow in the name of the lower income earner. Conversely, consider acquiring negatively geared assets in the name of the higher income earner.

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Other Tax Planning Considerations

Contact us for advice if you have moved to or from Australia for an extended period. You may need to review your residency status for tax purposes. There are important tax consequences if you change residency.

Trustees of trusts should ensure that all necessary documentation is completed before 30 June, where you intend to stream capital gains or franked distributions to specific beneficiaries.

Family discretionary trusts may need to make a family trust election if the trust has unrecouped losses, or has beneficiaries whose total franking credits for the year may exceed \$5,000.

Be sceptical of year-end tax shelter schemes. You should not enter a scheme without advice regarding both its tax consequences and commercial viability.

"Reduced threshold for up-front deductions for plant and equipment for small businesses."

Low Cost Asset Deductions

As part of the repeal of the mineral resource rent tax, from 1 January 2014 the threshold for immediate write-off of small plant items was reduced from \$6,500 to \$1,000. The \$5,000 up-front deduction for motor vehicles was also abolished.

Superannuation Guarantee

From 1 July 2014, the superannuation guarantee percentage increased to 9.5%.

Tax Concessions for Certain Industries

The rates of the tax offsets for research and development (R & D) expenditure have been reduced.

A new Exploration Development Incentive has been introduced to encourage mining exploration expenditure.

The Conservation Tillage tax offset has been abolished.

"The Temporary Budget Repair Levy takes effect in 2014/15."

Income Tax Changes - Individuals

Tax-Free Threshold and Tax Rates

The general tax rates and thresholds for individuals are unchanged for 2014/15.

Higher tax-free thresholds apply to senior Australians and pensioners.

Non-resident individuals for the whole of 2014/15 do not get a tax-free threshold. Part-year residents get a partial threshold.

The Medicare Levy has increased to 2% for 2014/15.

The 2% Temporary Budget Repair Levy applies to individuals with taxable income above \$180,000. The levy only applies to income in excess of \$180,000 not to the whole taxable income.

Changes to Personal Tax Offsets

The Spouse tax offset and Mature Age Worker tax offset have been abolished.

The Dependant (Invalid and Carer) tax offset was previously unavailable for taxpayers who claimed the Zone or Overseas Forces tax offset (the Zone offset was sometimes a higher amount for those taxpayers). From 2014/15 it is possible to claim both tax offsets if you meet the conditions.

Trade Support Loans

A new loan scheme for apprentices, called Trade Support Loans, applies in 2014/15. Loan repayments are collected through the tax system, like HELP (HECS) loans.

Superannuation contributions

The concessional (deductible) contributions cap for 2014/15 are \$35,000 for individuals aged 49 or over on 30 June 2014 and \$30,000 for all other individuals (up from \$25,000).

Excess superannuation contributions

If you have inadvertently made super contributions in excess of the maximum deductible amount (as above), or the maximum non-deductible amount (\$180,000 for 2014/15), the system for taxing the excess contributions has changed. If you think this may apply to you, please contact us for advice.

Low income super contributions (LISC)

Low income earners (adjusted taxable income below \$37,000) will continue to benefit from a government superannuation payment up to \$500 until the 2016/17 income year. The proposal to abolish the LISC was not approved by Parliament.

Pay As You Go (PAYG) Instalments

The thresholds for entry into the PAYG instalments system have been increased. This will result in fewer taxpayers having to pay PAYG instalments. If you are affected, you will be notified by the Tax Office.

Companies - Loss Carry-Back Abolished

As part of the repeal of the mineral resource rent tax, the ability of companies to carry back tax losses to prior years was abolished.



Please contact us to discuss any of these items that may impact your tax position for the 2014/15 year.

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