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INSIDE • *ATO Issues Warning* • *A New Government … What Now for Charities?* • *A Change in Government – What Does it Mean for Business?* • *What Makes a Confident Investor?* • *Another Reason to Check Your Caps*

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ATO ISSUES WARNING

The Tax Office has fired the first warning shot in the war against naive, deceptive and dishonest taxpayers, revealing its targets for 2013/2014.

Fundamentally, the way the Tax Office addresses compliance has changed over the years. Gone are the days of comprehensive audits and visits. Instead, most compliance issues are now identified by data-mining. In essence, the Tax Office looks at the information you report relative to a myriad of other information sources. Firstly, to identify differences between the information you report and the information held by third parties, and secondly, to identify whether your information is consistent with industry norms and patterns of behaviour. Once you are identified as being a potential problem, you are contacted by the Tax Office and asked to explain. The issue is then closed if no further action is warranted, or is progressed to the next stage. Human intervention is for high risk taxpayers.

There are very few data sources the Tax Office does not have access to. Past data programs have included bank information (particularly low doc loans), credit card data, car and property sale data, boat registration data, and much more. This year the Tax Office is looking at:

- private health insurance rebate claims
- flood levy exemptions
- taxable government grants and payments
- payments to contractors in the building and construction industry – this is the first full year of the new contractor reporting regime for the building and construction industry. The Tax Office will be using this data to review what contractors are reporting to identify under-reporting.

Joel Hernandez
Joel is Director and Specialises in Taxation and Business Services

Don’t forget…

that the September quarter is the first under the increased super guarantee rate of 9.25%. Super payments are required to be made by 28th October 2013.

A new Government... What now for charities?

The future of the ACNC may lie in the hands of a few micro-party senate representatives.

The new Coalition Government is on record stating its intention to abolish the newly formed Australian Charities and Not-for-profits Commission (ACNC). Instead they intend to establish a "new, small, centre for excellence" to advocate, educate and provide opportunities for the charitable sector. They would also like to repeal the Statutory Definition of Charity that was passed late June.

These moves will need to be endorsed by the Senate. At the time of writing, the exact makeup is not known, but it is clear that the Government will not control the Senate so will need to win the support of micro-party senators to repeal the legislation.

So what does this mean for charities that have only just started to get on top of the implications of the reforms?

For the moment it will be business as usual, including compliance with the ACNC legislation as it stands. Charities will lodge their Annual Information Statements with the ACNC and, where applicable, their financial reports for the first financial year ending on or after 30 June 2013.

In a recent survey conducted by ProBono Australia, participants clearly prefer the ACNC as regulator for the sector and the majority was positive about expected improvements flowing from its introduction. These findings suggest that the sector is keen to see the benefits of a specialist charity body and may be prepared to lobby strongly for it.

Claire Harris
Claire is Senior Manager and a Not For Profit specialist

A change in government – what does it mean for business?

Now that the hype of the federal election is (finally!) over, what does it mean for business? Below is a brief summary of some of the changes announced by the coalition. Of course, whether the Senate will support all these remains to be seen:

- **Carbon Tax** to be immediately abolished. The household assistance package (i.e. tax cuts, increases in government benefits, etc) will remain. A special unit is to be created within the ACCC to monitor the passing-on of cost reductions to customers as a result of the abolition of the tax.
- **Mining tax** to be abolished (time frame not noted). The flip side is the abolition of tax concessions funded by this tax. These are broadly the loss carry back provisions (providing cash in lieu of tax losses), the instant asset write off for small business (immediate tax deduction for assets costing under $6,500) and the $5,000 immediate write off on purchase of a motor vehicle. The removal of these concessions is not expected to be retrospective, so make the most of them while you can.
- **Company tax** rate to be reduced from 30% to 28.5% from 1st July 2015.
- **Super** – The coalition promised to "not make any unexpected detrimental changes to superannuation…". It plans to slow the increase in super guarantee contributions, as well as abolish the tax concession on super contributions for low income earners. At this stage it is uncertain if they will abolish the proposed tax on capital gains, and income of certain funds.
- **Paid parental leave scheme** From 1st July 2015 mothers will be provided with 26 weeks of paid parental leave at the greater of their full wage (up to $150,000) or the national minimum wage, plus super. Fathers will also be able to take 2 weeks paid parental leave at their actual wage. This is to be paid for by a 1.5% levy on companies with a taxable income above $5m.
- **Other measures** include a $3,250 payment for employment of a mature (over 50) job seeker after 1st July 2014.

Joel Hernandez
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Can't work it out?

The "try our calculators tab" on our web site has a number of easy to use calculators to help you get the right result every time. Whether you want to work out your HELP repayment, or are considering salary packaging a car, this is your one stop shop. Check it out – you'll be impressed at the range of useful tools which you can now also access from your computer, smartphone or tablet. Bookmark it for quick and easy access every time!

WHAT MAKES A CONFIDENT INVESTOR?

When you read headlines about Australia's rising unemployment or the slowdown in the mining boom, it's easy to lose confidence in investment markets. But there's a lot to be gained from ignoring the background noise and sticking to your long-term goals.

Confidence can have a positive impact on most aspects of your life. Whether it's at work in job interviews or pay negotiations or at home as you tackle a challenging new project, with confidence, everything seems more achievable. And your investment goals are no different.

The last five years in investment markets have made it difficult for some people to invest with confidence. But that doesn't mean it's no longer possible. Confidence is all about having a positive attitude, and most importantly, being well prepared.

So what are some of the principals to becoming a more confident investor?

Don't panic

When you see investment prices dropping due to the latest piece of bad news, it's a natural reaction to think you need to do something before it's too late. However, selling investments during or after a market downturn inevitably means missing out when prices pick back up again – which can happen quite quickly.

For example, the Australian shares ASX/200 index dropped by 40.4% in 2008. But the following year they gained 39.6%. If you sell in a downturn and eventually buy your investments back, you may be paying more for those assets than you sold them for.

Having an investment strategy that you've put in place with your financial adviser means you're focussed on the end goal, not the fluctuations along the way. This can help you stay calm and confident when others are panicking.

Don't assume 'this time is different'

Investing in growth assets like shares and property will always come with some risks, and there will always be the potential for negative performance. But over the years, the overall trend has been consistently upwards.

Between 1993 and 2012, the Australian share market only experienced four negative years out of 20. The average return for Australian shares over that period was 9.9%pa.

It can be difficult to see the upside when there's a lot of 'doom and gloom' in the media. But investment markets have survived the Great Depression and two World Wars.

This resilience should give you confidence to persevere with your long-term plans.

Invest gradually

For those with capital to invest, a simple and comparatively low-risk way to invest is to ignore the rises and falls of the market and keep investing at a steady pace. You might buy at a higher price one month and a lower price the next.

The strategy is called 'dollar cost averaging', and it can substantially reduce the risk of entering the market with all of your resources at the wrong time.

Your financial adviser can help you work out how much of your monthly budget you can afford to put towards your long term investment goals – including how much you can invest in the tax-effective superannuation environment (bearing in mind your contributions caps).

Think long-term

People have different ideas of what 'long-term' means, but it's probably longer than you think.

Take James and Claire for example. James is 50 and Claire is 45. He can reasonably expect to live to 86, and at that time Claire's life expectancy will still be six years. This means that at

age 50, James and Claire are likely to be investing for the next 42 years!

Your financial plan needs to be flexible enough to cater for your short-term goals, your spending needs in retirement, and your long-term aged care needs. This is something your financial adviser can help with.

Cover all your bases

The ideal way to ride out the lows and highs of the investment markets is to develop a comprehensive financial plan that covers your investments, superannuation and insurance.

For example, you may find that investing inside super is an effective way to reduce the tax you pay on dividends and capital gains – which are taxed at a maximum of 15% inside super instead of your marginal tax rate when you invest outside super.

Life insurances can also play an important role in protecting your family against a serious illness or accident.

With this additional financial support, you can be more confident that your long-term plans will survive an enforced period out of the workforce for you or your partner.

Spread your risk

Your financial adviser will show you how to diversify your investments so that when one class of assets goes down (e.g. shares), another may well go up (e.g. bonds).

The key is choosing a mix of investments that suits your goals, your attitude to risk and where you are in your life, and then sticking with these investments through the market highs and lows or until your objectives change.

A diversified approach across Australian and international shares, bonds, property and cash investments will reduce your exposure to any one asset class, and it can be easily done through a managed fund.

Stay up-to-date

Once you have a financial plan in place, the job isn't done. New rules and regulations come along regularly – particularly in superannuation. And new investment opportunities will always emerge.

The best way to ensure you're making the most of these opportunities is to review your financial plan regularly with your financial adviser. With their ongoing support and advice, you can be a confident investor in all the market conditions.

ANOTHER REASON TO CHECK YOUR CAPS

Good news for pre-retirees – the concessional contributions cap has increased this financial year for people aged 60 and above. Here's what it might mean for you.

How much could you save?

The following table shows the potential tax savings you could achieve this financial year if you make an additional $10,000 in before-tax super contributions – provided you stay under your contributions cap.

Potential Tax Savings

$0-$18,200	$0
$18,201-$37,000	$550
$37,001-$80,000	$1,900
$80,001-$180,000	$2,350
$180,000	$3,150

What could you do with your higher cap?

If you're aged 60 or over, or you will turn 60 before 30 June next year, you may take advantage of the higher cap straight away by:

1) Increasing your before-tax super contributions

For employees, the larger contributions cap gives you greater scope to top-up your employer's Superannuation Guarantee (SG) contributions with salary sacrifice contributions. Remember that SG contributions (including any bonuses you may receive) are included in your cap. If you're self-employed, you can now make up to $35,000 in personal deductible contributions this financial year.

2) Commencing or reviewing a TTR strategy

A higher contributions cap could make some transition to retirement (TTR) strategies more effective.

A TTR strategy typically works by reducing the income you are receiving from employment (which is taxed at your marginal rate) and drawing an income from a super pension account (which is taxed at a lower rate, or not at all if you're over age 60). With the higher contributions cap, you may be able to put more of your income into super and increase the income you are drawing from your pension account – potentially increasing the overall tax savings. If you are over age 55 and still working, you should ask your financial adviser if a TTR strategy is right for you.

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