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NEWSLETTER
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Small Business Benchmarks Updated

The ATO has updated its small business benchmarks to include new activity statement ratios for a wide range of industries.

The benchmarks are now based on the most current taxpayer data available and consequently give you and your business a greater range of benchmark ratios to help check your business's performance and record keeping. Having complete and accurate business records helps to ensure your business is meeting all of its tax obligations and can help substantiate your businesses performance.

The ATO understands that there are many reasons a business may be outside the industry benchmarks and consequently, when they compare data to activity statement benchmarks, will always take into account individual circumstances. The important thing is to ensure that your business properly records all your expenses and income, in particular cash income.

2012 Federal Budget – What it means?

The Federal Treasurer Wayne Swan recently handed down his "back to surplus" budget. We've taken a closer look and outline the following announced changes.

INCOME TAX CHANGES

From 1 July 2012, the marginal rates as legislated by the Clean Energy Future package, will be:

Taxable Income	Marginal Tax Rate*
Below $18,200	Nil
18,2001 to $37,000	Nil + 19%
37,001 to $80,000	$3,572 + 32.5%
80,001 to $180,000	$17,547 + 37%
Above $180,000	$54,547 + 45%

* Note: Excluding Medicare Levy

In addition, the Flood levy is due to expire on 30 June 2012 and the Government has decided not to proceed with the 50% discount for interest income, the proposed standard deduction for work-related expenses and the cost of managing tax affairs and the measures to lower the company tax rate.

From 1 July 2012 the following changes are:

- **Schoolkids Bonus**, amount of $410 for each primary student and $820 for each secondary student, will replace the Education Tax Refund. It will be payable over two installments from 1 January 2013. As a transitional measure families receiving family tax benefit A will receive the bonus as a one-off lump-sum amount this financial year.
- **Mature Age Working Tax Offset** will no longer be available for those born after 1 July 1957.
- **Net Medical Expenses Tax Offset** threshold will be increased to $5,000 and the rebate reduced to 10% for singles with income over $84,000 and $168,000 for couples/families.
- **Medicare Levy** thresholds will be increased so it is not payable where income is under $19,404 for an individual or $32,743 for families plus $3,007 for each dependent child. In addition, for pensioners below Age Pension age their Medicare Levy threshold will increase to $30,451.
- A new **Dependency Non-Refundable Offset** will be introduced that consolidates the following offsets invalid spouse, carer spouse, housekeeper, housekeeper (with child), child-housekeeper, child-housekeeper (with child), invalid relative and parent/parent-in-law tax offsets.

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- **Non-Resident Tax Rate** thresholds will change and 32.5% (and then 33% from 1 July 2015) tax will apply on income up to $80,000 p.a. In addition, the 50% CGT discount for non-residents will be abolished for capital gains accrued after 8 May 2012, and the Final Withholding Tax applied to Managed Funds will increase from 7.5% to 15%.
- **Employment Termination Payment** amounts that cause a person's total annual taxable income to exceed $180,000, will be taxed at marginal tax rates instead of the applicable concessional rate.
- A new **Loss Carry-back** provision will be introduced to allow companies to use revenue losses incurred for the 2012/13 year to be carried back and offset the tax already paid in 2011/12. From the 2013/14 losses can be used to offset tax paid by the company in the preceding two financial years. In each case the measure will be subject to a carry back loss of up to $1 million (indexed), and limited to the company's franking account balance.

SUPERANNUATION CHANGES

From 1 July 2012, the concessional contribution cap for all individuals will be $25,000. For those with an income over $300,000, contributions tax on contributions within the Concessional Cap will increase to 30%. If an individual's income is under the $300,000 threshold but their concessional contributions cause them to exceed the threshold, then contributions tax of 30% will apply only on the concessional contributions in excess of the threshold.

CENTRELINK CHANGES

As part of the Clean Energy Future package Pensioners, Carers and CSHC holders will be receiving a one-off lump sum amount of $250 if single (or $380 for a combined couple) before 30 June 2012.

Other changes :

From 1 January 2013

- The maximum period a person can be overseas without their income support or family payment (excludes Age Pension) being affected will be 6 weeks.
- Eligibility for Family Tax Benefit (FTB) Part A will cease once a child turns age 18 or if they are still in school, at the end of the school year in which they turn age 19.

From 1 July 2013

- Parenting Payment will cease once a child attains age 8 for single parents and age 6 for partnered parents.
- Liquid Assets Waiting Period threshold will increase to $5,000 for a single and $10,000 for a person who is a member of a couple.
- The maximum payment rate of FTB Part A and the base rate will increase by $300 p.a. and $100 p.a. (respectively) for families and $600 p.a. and $200 p.a., respectively, for families with two or more children.

From 20 March 2013

- A new non-taxable supplement of $210 p.a. for a single and $175 p.a. for each member of couple will be paid in two installments. Eligible payments include Newstart Allowance, Sickness Allowance, Youth Allowance and Parenting Payment.

From 1 January 2014

- Recipients travelling overseas for 26 weeks or more will continue to receive their full age pension entitlement only if they have an Australian Working Life Residence (AWLR) factor of at least 35 years. Otherwise, a proportional amount will be paid.

To discuss how your situation may be impacted please contact us.

Changes to the Low-Income Tax Offset for Children

Since 1 July 2011:

- Children will be required to lodge a tax return if their taxable income exceeds $416 (previously $3,334)
- The low-income tax offset will no longer reduce the tax payable on unearned income for children less than 18 years of age
- Examples of unearned income include the following:
  - royalties
  - rent
  - distributions form discretionary trusts
  - dividends
  - interest
- However, the low-income tax offset will continue to reduce tax payable on earned income of children that includes:
  - employment income
  - income from property transferred to a child as a result of another's death of family breakdown
  - income form a deceased person's estate
  - income form their own business or partnership in which the child was can active partner
  - a compensation, super or pension fund benefit

The changes will not impact the income of children who are orphans, disabled, or engaged in full-time work at the end of the income year.

Economic & Market Commentary

The global economy currently appears to be 'gradually strengthening after a major setback in 2011' in the words of the International Monetary Fund (IMF) in its April 2012 World Economic Outlook report. As Christine Lagarde, Managing Director of the IMF noted on 26 February, 'derailment of the global recovery, which was a clear and distinct danger a few months ago, has been avoided for now thanks to strong policy measures – in particular those of the European Central Bank (ECB)'. These measures were 3-year so-called longer-term refinancing operations (LTROs) taken by the ECB, which were effectively large-scale 3-year loans (totalling over a trillion Euros) from the ECB to European banks, provided at a very low interest rate (1%). These actions provided the banks with a way to generate large profits by on-lending some of these loans to governments at much higher interest rates, which in turn helped to finance government deficits in the region. Nevertheless, as the ECB makes clear, much remains to be done and not only by European governments, as more is still expected from the ECB. As the IMF's latest report emphasises, 'with no further action, problems could easily flare up again in the Euro area' and 'more efforts are required to address the Euro area crisis'. The report notes that 'there is room for further monetary easing; and unconventional support (notably LTROs and purchases of government bonds) should continue…in order to facilitate the pass-through of monetary policy to the real economy'. The IMF is also calling for the further recapitalisation of European banks, if necessary with direct support from governments and also stresses the importance of Japan achieving positive inflation, even if this requires further 'quantitative easing' by the central bank; and of the US maintaining its growth momentum, once again even if this requires 'more easing if activity threatens to disappoint'. In other words, the IMF appears to have grasped the vital importance now of expansionary monetary policy, especially given the necessarily restricted role that fiscal policy (or government spending programs) can now play, given excessive levels of government debt in many jurisdictions. In this testing global environment, the Australian economy also appears in need of some assistance from a loosening of monetary policy. Bank lending, particularly for business, appears much too tight, while interest rates appear excessively high, especially given faltering growth.

Major share markets have mostly been stronger this year, reflecting a somewhat improved economic outlook and evidence that policies aimed at boosting demand are now being put in place. Market movements from the year's start to 26 April included rises of 8% for the Dow Jones Industrials, 11% for the broader S&P500 and 17% for the tech-focused Nasdaq (all US indices), while the UK, German and Japanese markets rose respectively by 3%, 14% and 13%. The Chinese and Australian markets were also up (by 9% and 8%). By late April, most markets still appeared attractively priced.

Major global government bond markets attracted investors for most of 2011 (including central banks) and yields fell to record lows in September but then moved up, only to fall back again in April on concerns about the outlook for Europe.

What You Should Know when Investing via an SMSF

According to a recent government report, "Statistical Summary of Self Managed Superannuation Funds" the dominating reasons to establish a SMSF are related to investment issues, those being, greater control, flexibility and a belief of being able to perform better. A Self Managed Superannuation Fund (SMSF) can allow a qualified professional to provide certain clients with a number of benefits that includes tax efficiency and enhanced estate planning. However when seeking to establish an SMSF without proper administration support or an experienced qualified professional the following risks arise:

- Breach of Superannuation Law generally incurs significant financial penalty
- Portfolio construction can be overly concentrated as access to quality investments at the right price is limited for retail investors
- Investments returns can be extremely volatile and do not achieve member requirements during retirement
- Fund assets may be overweight to a single asset leading to a high level of illiquidity

For example, Superannuation law does not specifically prescribe a list of assets a SMSF can invest in. However when investing via an SMSF you must take care especially when it involves related party transactions, limited borrowing arrangements, or other non-standard assets. Below are a few helpful points when investing via a SMSF:

- A fund must not lend money or provide financial assistance to a member or a relative of a member.
- Assets must not be intentionally acquired from a member of the fund or a related party. There are some exceptions for the aquisition of listed securities, managed funds, business real property and certain in-house assets (subject to a 5% limit).
- The fund must not create a charge over an asset of the fund (i.e. use an asset of the fund as collateral), subject to specific exemptions that apply to certain derivative transactions.

If you would like to know more or are considering how best to manage your superannuation do not hesitate to contact us.

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Leaving Assets to Family Members with Special Needs

As a Financial Planner that understands estate planning, I am frequently asked about the best way to bequest assets to family members. Whilst an inheritance is a common option, which may create a taxable gain, when leaving assets to a family member with special needs, i.e. a disability, extra caution needs to be exercised such that a recipient does not relinquish any entitlement to a Disability Pension or associated government funded services.

A Disability Pension like other government benefits is means tested for both income and assets and is also a primary requirement for associated government funded services such as Housing, Free Ambulance, Home-Nursing, discounted pharmaceuticals and Mobility Aids.
At Fiducian, part of what we specialise in is being able assist clients with their Special Disability Trust needs. These are unique trusts as they are not means tested and therefore enable an individual to continue receiving a disability pension and associated government services where previously they may not have been eligible to do so, on becoming a beneficiary of a will.

The added benefit of these trusts is that they are audited by Centrelink and can only be used to benefit of the beneficiary. Thus when combined with oversight by Fiducian and when applied properly, a Special Disability Trust can bring significant peace of mind to many parents and grandparents who are concerned about the future financial welfare of a family member where a disability restricts the beneficiaries ability to safely manage their affairs in the absence of a parent.

William is experienced in the special needs industry, is regularly consulted by peak disabilities bodies and has many clients with special and complex needs. A Certified Financial Planner, William is also currently undertaking a Master in Disability Studies and was recently voted Money Management magazine 'Runner up Financial Planner of the year' in 2012.

Fiducian in the Community

Fiducian Annual Charity Golf Day and Dinner 2012

This years Fiducian Annual Charity Golf Day and Dinner was a great success, raising over $50,000 for Vision Beyond AUS, an international project of Sydney Rotary. The money will help give the gift of sight to many more financially disadvantaged people overseas.

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