



ACCOUNTANTS, BUSINESS CONSULTANTS & FINANCIAL PLANNERS

“SERVICE IS OUR STRENGTH”

Predictions and realities for the new financial year

It's a new financial year and with it comes a series of changes and challenges.

What you need to know in 2011/2012

The central message for the new financial year is 'cash is king' and will remain so for some time to come.

While the economy is performing well, consumers are wary about parting with their cash. Part of the problem is that around 50% of Australia's growth is coming from 10% of the economy. For the rest of the economy, petrol prices are high, interest rates are likely to rise, and the rate of debt default is at record highs. Consumer sentiment shows that no one really feels as secure as the headline economic data indicates so discounting and long decision making processes are likely to continue.

For business, take the cash is king message to heart. Some very high profile and established businesses have dissolved recently so stick to your trading terms and watch your debtors or you may be caught out by someone else's problem.

What changed on 1 July?

Individuals

- A Flood levy of 0.5% now applies to individuals with taxable income between \$50,001 and \$100,000 in the 2011/2012 income year. The levy rises to 1% once your taxable income is above \$100,000.
- The dependent spouse offset phases out for taxpayers with a dependent spouse born on or after 1 July 1971 (40 years of age or less).
- Minors will no longer be able to access the low income tax offset (LITO) to reduce tax payable on their unearned income, such as dividends, interest, rent, royalties and other income from property.
- The education tax offset extends to include school uniforms.
- The Low Income Tax Offset (LITO) delivered through regular payments of salary and wages will be increased from 50% to 70% of total entitlements. The remaining 30% is paid as a lump sum in the taxpayer's tax return.*
- Taxpayers will no longer be able to claim deductions against government assistance payments such as Youth Allowance.*

Business

- Trust beneficiaries will be able to continue using the primary production income averaging rules and farm management deposit provisions even if the business is operated through a trust and makes a loss.

The information in this article is not intended as advice. It has not taken into account your personal situation or needs. We recommend that you seek professional advice before taking any action in regard to the general information in this document.



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- The GDP adjustment factor for PAYG instalment taxpayers who use the GDP adjustment method will reduce from 8% (which is the rate that would apply under the current law) to 4% for the 2011/2012 income year.
- The single statutory rate of 20% applies to determine the taxable value of car fringe benefits under the statutory formula method.
- Changes to R&D tax concessions will see a 45% refundable tax credit to companies with an aggregated turnover of less than \$20 million and a 40% non-refundable offset to all others.*
- Company loss recoupment rules will be amended to make it easier for companies to satisfy the continuity of ownership test in certain circumstances.*
- Not for Profit (NFP) income tax concessions will only apply to profits generated by unrelated commercial activities that are directed back to a NFP entity to carry out its altruistic work.*

Superannuation

- The ability to claim a tax deduction for certain Total and Permanent Disability (TPD) insurance policies through your superannuation fund has been streamlined and can now be based on set percentages. This provides an alternative to engaging an actuary to determine the deductible portion of insurance premiums.
- Stricter compliance requirements apply to SMSF's holding investments in collectibles and personal use assets.
- Minimum payment amounts for account-based pensions reduced by 25% for the 2011/2012 financial year.*
- Individuals who breach the concessional contributions cap by up to \$10,000 (for the first time) can request that these excess contributions be refunded to them to avoid payment of the excess contributions tax.*

* Change has been announced but has not become law.

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