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Welcome to our December 2011 issue of our 'Horsey Jameson Bird Newsletter'.

The purpose of this newsletter is to keep you informed of developments in financial planning and taxation services. We aim to keep you up-to-date on relevant industry and regulatory changes as well as advising you of the services provided by Horsey Jameson Bird (HJB).



Di's Christmas Message

Our talented HJB Team and I wish you a safe holiday season and a prosperous new year.

We thank you for your continued support and look forward to working together in 2012. All the very best for Christmas and may 2012 bring you good health and much happiness.



Mini-budget – super and tax announcements

On 29 November 2011, the Federal Government released details of measures to assist in achieving their objective of returning the Federal Budget to surplus in 2012/13.

Superannuation

Extension of drawdown relief for super pensions

The Government has announced it intends to extend the 25% drawdown relief for the 2012/13 year.

Low income superannuation contribution

The Government has previously announced and introduced legislation to effectively provide a refund of 15% contributions tax for low income earners from 1 July 2012. Taxpayers with adjusted taxable income of up to \$37,000 will receive a low income superannuation contribution (LISC) up to a maximum of \$500.

The Government intends to simplify the process for eligible individuals. There will be no requirement to lodge a tax return and the ATO will use available information to determine an individual's eligibility. This is an important measure as the tax-free threshold is proposed to increase from 01 July 2012 to \$18,200.

Only individuals who receive at least 10% of their income from employment or business income will be eligible for this contribution. Temporary residents will not be eligible for this payment. The maximum payment is \$500 and minimum is \$20. It is calculated as 15% of concessional contributions.

Superannuation co-contribution

The Government intends to reduce the matching rate and maximum payment for the superannuation co-contribution from 1 July 2012. This coincides with the commencement of the LISC. The co-contribution will reduce from \$1,000 to \$500. The matching rate reduces from \$1 to \$0.50 and eligibility for the co-contribution cuts out at \$46,920. Currently the cut off threshold is \$61,920.

Abolition of age limit for Superannuation Guarantee (SG)

From 1 July 2013, employers will be required to make SG contributions for eligible employees aged 70 or older. Other existing exemptions from paying SG will continue to apply, such as an employee earning less than \$450 per month.

Trust deed clauses

The Government will amend legislation to ensure clauses in a superannuation trust deed cannot be used to avoid the contributions caps.

Currently, some trust deeds include a clause which treats amounts that would otherwise be a contribution as not being accepted if that amount would lead to a breach of the contribution cap.

Under the proposal, a fund will be deemed to have accepted the contribution if the contribution has not been promptly returned and effectively been intermingled with other fund assets.

Pause on concessional contribution indexation

The Government will pause the indexation of the concessional contribution cap (currently \$25,000) for one year in 2013/14.

Taxation

FBT living away allowance and benefits

Effective from 1 July 2012, access to the tax exemption for temporary residents will only be made available if the person maintains a residence for their own use in Australia and are living away as a result of work. Expenditure beyond the statutory amount on food and accommodation will need to be sustained.

Dependent spouse tax offset

Effective from 1 July 2012, the Government will phase out the dependent spouse tax offset for taxpayers with a dependent spouse born on or after 1 July 1952. The original phase out was for taxpayers with a dependant spouse born on or after 1 July 1971.

Taxpayers entitled to zone, overseas forces and overseas civilian tax offset or whose spouse is an invalid, permanently disabled or a carer will not be affected by the change.

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Authorised Representative Profile – Jessica Read

Jessica Read joined HJB in February 2008 as a Financial Planning Coordinator, while she was completing her undergraduate studies.

Jessica graduated from QUT with a Bachelor of Business Degree, majoring in Banking & Finance and Accounting in June 2010. Jessica has also achieved RG146 Compliance and she was appointed to the role of Authorised Representative in June 2011.

Jessica possess strong technical skills and is able to take a holistic approach when constructing complex strategies. Jessica devises integrated financial services solutions across a spectrum of investments which includes shares, managed funds, superannuation, retirement planning, risk management, estate planning, insurance and taxation planning. Jessica has a mature outlook and is very focused on adopting a tailored approach to assisting our clients achieve the best outcome possible and meet their individual needs.

Jessica has also been learning French which should hold her in good stead when she travels to France for a holiday in 2012.



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Deferral of tax reforms

The commencement of the standard \$500 pa work related expenses from 1 July 2012 will be deferred until 1 July 2013 and the standard \$1,000 pa work related expenses that were to commence on 1 July 2013 will now not start until 1 July 2014.

The 50% discount for interest income will be deferred until 1 July 2013, with further consultation to occur before this date.

The commencement of the phase down of the interest withholding tax for financial institutions will be deferred until 2014/15. To allow for further consultation on the new system for managed investment trusts, the start date is now 1 July 2013.

Car fringe benefit rules

In the Federal Budget, the Government announced a transitional period to move from multiple statutory rates to a single flat rate of 20% when determining the taxable value of car fringe benefits.

This announcement will be modified to allow employers to elect to apply the 20% flat rate immediately rather than apply the transitional rules. This measure only applies to new contracts. Arrangements entered into prior to 10 May 2011 (before Budget night) will not be able to use this change.

The election by the employer must be made with the consent of the employee where the employee would be worse off by the employer making this election.

Social Security

Pause on Baby Bonus indexation

From 1 July 2012, the Government will pause the indexation of the Baby payment for three years. The payment rate will also be reset to \$5,000 per child from 1 September 2012. The current rate of the baby bonus is \$5,437. The Baby Bonus will remain to be paid in 13 fortnightly installments. In addition to the Baby Bonus, eligible families will remain able to claim Family Tax Benefit (FTB) Part A and/or Part B.

FTB Part A conditional on immunisation

From 1 July 2012, the Government will make payment of the FBT Part A supplement conditional on a child being fully immunised.

From 1 July 2013, children will also be required to receive specific vaccines for meningococcal C, pneumococcal and varicella (chicken pox) to be assessed as fully immunised. It is important to note immunisation is already a condition of the Child Care Benefit.

From 1 July 2012, these arrangements will replace the Maternity Immunisation Allowance.

Changes to FTB fortnightly payments in certain circumstances

The Government will cease fortnightly payments of FTB installments to taxpayers who claim FTB but are found to have no actual entitlement for two consecutive years following the end-of-year reconciliation with their income tax return. Taxpayers no longer receiving FTB Part A or Part B installments would still be able to make a lump sum claim at the end of the financial year.

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