

## Merry Christmas!

We wish to thank our clients for their continued support during the 2011 calendar year.

We would like to wish you all a happy and safe Christmas and New Year, and look forward to catching up with you again in 2012.

### Office Closure

Please note that our offices will be closed from 12 noon Friday 23rd December 2011, and will reopen on Tuesday 3rd January 2012.

## Christmas Gifts

As businesses often provide gifts to clients and staff this time of the year, we thought we would now discuss how they are handled "taxwise".

### Gifts which ARE NOT considered to be entertainment

These generally include, for example:

- a Christmas Hamper, a bottle of whisky, wine, etc, and
- gift vouchers, a bottle of perfume, flowers, a pen set, etc.

Briefly, the general FBT and income tax consequences for these gifts are as follows:

- gifts to employees and family members — FBT is payable (except where the less than \$300 minor benefit exemption applies) and a tax deduction is allowed; and
- gifts to clients, suppliers, etc. — no FBT, and a tax deduction is allowed.

### Gifts which ARE considered to be entertainment

These generally include, for example:

- tickets to attend a theatre, live play, sporting event, movie or the like; and
- a holiday airline ticket or admission ticket to an amusement centre.

Briefly, the general FBT and income tax consequences for these gifts are as follows:

- gifts to employees and family members — FBT is payable and a tax deduction is allowed (except where the minor benefit exemption applies); and
- gifts to clients, suppliers, etc. — no FBT and no tax deduction.

## Proposed New Individual Tax Rates

Related to the Government's Carbon Tax Legislation are some proposed tax cuts next year. Note the triple increase in the tax free threshold is deceptive as the Low Income Tax Offset (LITO) currently meant that the effective tax free threshold was \$16,000 (not \$6,000), so the increase is really only \$2,200. **See table below.**

## Living away from home allowances (LAFHA)

### Effective from 1 July 2012

Payments of a LAFHA generally can qualify for tax exempt treatment as well as concessional (or exempt) treatment for fringe benefits tax (FBT) purposes.

The government has proposed to amend the FBT treatment and prevent misuse of the exemption by

Tax Scales	2011-12		2012-13		2015-16	
	Threshold (\$)	Marginal Rate	Threshold (\$)	Marginal Rate	Threshold (\$)	Marginal Rate
1st Rate	6,001	15%	18,201	19%	19,401	19%
2nd Rate	37,001	30%	37,001	32.5%	37,001	33%
3rd Rate	80,001	37%	80,001	37%	80,001	37%
4th Rate	180,001	45%	180,001	45%	180,001	45%
LITO	Up to \$1,500	4% withdrawal rate on income over \$30,000	Up to \$445	1.5% withdrawal rate on income over \$37,000	Up to \$300	1% withdrawal rate on income over \$37,000
Effective Tax Free Threshold*	16,000		20,542		20,979	

\* Includes the effect of the tax free threshold & the Low Income Tax Offset.

Rates exclude medicare & flood levies.

allowing non-residents to only access the benefit if they also maintain a home for their own use in Australia, which they are then living away from to qualify for the LAFHA. This change will essentially treat non-residents in the same manner as permanent residents.

In addition, individuals (residents and non-residents) in receipt of a LAFHA will need to substantiate their actual expenditure on accommodation and food beyond a statutory amount. The Government currently publishes tables on reasonable amounts for food and accommodation for various locations within Australia and many employers only pay to these levels for administrative ease. Where payments now exceed these levels, the recipient will need to substantiate that they have actually spent their allowance on food and accommodation to continue concessional tax treatment.

## Bill Introduced to Increase Super Guarantee to 12%

The Superannuation Guarantee (Administration) Amendment Bill 2011 has been introduced to the House of Reps to provide for an increase in the rate of the superannuation guarantee to phase in to 12% over 7 years starting 2013/14 as follows:

Year Starting	Super guarantee rate
1 July 2013	9.25
1 July 2014	9.5
1 July 2015	10
1 July 2016	10.5
1 July 2017	11
1 July 2018	11.5
1 July 2019	12

### Effective 1 July 2013

From 1 July 2013, the current exclusion from SGC for those over 70 will be removed. As a result, employers will now be required to make SGC payment for all eligible employees who are over age 70. Amendments to give effect to this change in SGC legislation, contributions rules and deductibility of these contributions is currently before Parliament.

## Super Contribution Limits 2011/12

A reminder that the contributions caps for the current financial year are as follows:

Item	Concessional cap*	Non-concessional cap
2011–12 financial year	\$25,000 pa under 50 y.o. \$50,000 pa over 50 y.o.	\$150,000
Tax on amounts over the cap	31.5% (in addition to the 15% paid by the super fund)	46.5%
Other Information	Any concessional contributions in excess of the cap will also count towards your non-concessional contributions cap.	If you are under 65 years old at any time during the financial year, you may be able to bring forward the next two years of contributions, but certain conditions apply. This effectively allows you to contribute up to three times the cap at once, or at any time during the financial year.

\* The \$25,000 concessional cap will apply to all taxpayers from 2012/13, and will be frozen at this level until 1/7/14.

## Superannuation Common Mistakes Made by Employers

Employers are reminded of their superannuation obligations. Some common mistakes include:

- paying insufficient super contributions for eligible employees;
- missing the quarterly cut-off dates (28 October, 28 January, 28 April, 28 July);
- not understanding that in some circumstances super should be paid for contractors, even if the contractor quotes an ABN (super contributions need to be paid for contractors employed under a contract that is wholly or principally for the contractor's labour);
- not keeping accurate records;
- not lodging a Superannuation Guarantee charge statement if they

have not paid their employees' super to the fund by the due date or don't pay the correct amount; and

- not passing on an employee's tax file number to their super fund. Employers must provide their employee's tax file number to their super fund within 14 days of receiving it. If they don't, the employees' super contributions will be subject to extra tax and may not be accepted by the super fund (and the employer may also be penalised).

## Warning: Investing in Overseas Property

ASIC has recently received a number of complaints about promoters who are encouraging Australians to invest in the United States property market.

The distressed property market in the United States means a house can be bought much more cheaply than in Australia.

However, investing in overseas property is a lot more risky than investing in property in Australia, and it is much more difficult to make sure the investment suits the investor's needs without local knowledge and the ability to regularly inspect the property.

According to ASIC, some people have lost a lot of money in the US property market, including investors who are sold properties that need extensive renovations and repairs, or that are in neighbourhoods which are prone to squatters and vandalism, making it almost impossible for owners to find reliable tenants or property managers.

Investors must also factor in Australian tax laws, local property taxes, insurance, management costs and ongoing repairs.

ASIC recommends: "If you've been 'invited' to invest in a supposedly 'cheap' overseas property, ask yourself why they need someone in Australia to invest. Why aren't savvy locals investing? Chances are it's a dud investment.

"Remember — if it sounds too good to be true, it probably is".