Welcome to our latest e-newsletter.

The end of the financial year is nigh!

So we thought we'd get this edition of our newsletter out a little early. There's plenty you can do before the end of the year to pre-empt some changes that will take effect from 1st July, and also some costs you should defer until after 30th June if possible. Read on for more information and of course, please give us a call if you have any questions.

In this edition...

Take action before 30th June!

We often talk about tax planning in the lead up to the end of a financial year. But this year there are a number of specific changes and new measures that will take effect on 1st July. So it's important to act now, before the end of the financial year.

There's a lot here! **We suggest at the very least skimming through and reading the 'Action' points.**

<u>Superannuation</u>

Action: If you're aged over 50, or you earn more than $300,000 per annum, you should try to put as much into superannuation via salary sacrifice as you can before 30th June (within allowable limits).

Details:

- If you're over 50, this is the last year you can put away extra superannuation and still have it taxed at the concessional rate of 15%. For people under age 50, the maximum amount of superannuation you can put away in any given year is $25,000 (and still be taxed at the reduced rate of 15%). For those over 50, there has been a special concession that allowed you to put away $50,000. That is due to end 30th June this year. There were plans to extend the concession for over 50's beyond this year where their balance in super was under $500,000, but that was deferred in the May Budget. The effect is that every individual after 30th June 2012 can only put away a maximum of $25,000 per annum in superannuation (at the reduced rate of tax), regardless of age.

- In addition, for those that earn over $300,000 per year, all of your salary sacrifice or tax deductible superannuation contributions up to those limits will be taxed at 30% starting 1st July 2012. This was also announced in the recent budget. So any such contributions you put into super next year will be taxed at twice the rate. If you happen to be over 50 and earning more than $300,000 per year, all the more reason to get as much into super before 30th June as you can, since you can put away $50,000 and only have it taxed at 15%.

- It's worth noting that these 'limits' are all about what you are able to contribute in salary sacrifice or tax deductible superannuation contributions. You're still able to contribute up to $150,000 from your own after-tax income. There may not be an immediate tax benefit on the contributions but there is still a potential advantage in having future earnings on those savings taxed at the super fund rate of 15%.

Superannuation Co-Contribution

Action: For lower income earners, try to put away your full $1,000 in personal superannuation contributions before 30th June.

Details:

- The superannuation co-contribution is a measure for lower income earners where for every dollar you put away into superannuation, the Federal Government will match it dollar for dollar up to a maximum of $1,000. The income thresholds for eligibility are reasonably low, but it is a measure many take advantage of, particularly for dependent spouses or partners. From 1st July 2012 the maximum amount that the government will 'co-contribute' will drop from $1,000 to $500. So if you can make your contribution before 30th June, you'll get an extra $500 of co-contribution over and above what you'll receive after that date, compliments of the Federal Government. Other eligibility criteria do apply.

Medical Expenses

Action: Where practicable, try to bring elective type medical expenses forward before 30th June if you're planning to claim the Medical Expenses offset in your tax

return.

Details:

- The rules for claiming the medical expenses offset in your income tax return are being tightened from 1st July 2012 for those earning over $84,000 a year ($168,000 for couples). Currently all taxpayers can get a rebate of 20% of the excess medical expenses over $2,060 (for the year ended 30th June 2012). From 1st July, taxpayers exceeding those income thresholds will only be entitled to 10% of the excess over $5,000. That's a significant drop in the overall value of the rebate. Naturally, medical expenses are not always something that can be controlled! But if you're planning an elective procedure of some kind or even just thinking about a check-up, financially at least it might be better to try to do it before 30th June if you are eligible for the offset under the old rules. Note that cosmetic surgery is ineligible.

Defer income and bring forward deductions

Action: Where possible, try to delay any income until next financial year and bring forward any expenses that you can.

Details:

- Income tax rates for resident low and middle income earners are dropping from 1st July 2012 as a compensation measure for the introduction of the carbon tax. So any income you earn may be taxed less next year and likewise, any deductions may be worth more in this financial year.

Health Insurance

Action: For singles earning over $84,000 a year (or families earning over $168,000), prepay as much of next year's health insurance as you're able to before 30th June.

Details:

- The health insurance rebate will be means tested from 1st July 2012. Previously everyone, regardless of income levels, was entitled to a rebate on their health insurance premiums. From 1st July, if you earn over $84,000 pa as a single ($168,000 for families) the value of the rebate reduces. For singles and families earning more than $130,000 and $260,000 respectively, there is no rebate available at all. If you're likely to be affected, prepaying your 2012-13 health insurance premiums before 30th June could save you hundreds of dollars by ensuring you get some or all of a rebate this year that you would not be eligible for next year. You might even get a discount for paying early! Note that the thresholds for family income increase by $1,500 per child after the first child.

Family Tax Benefit

Action: Review your eligibility for the Family Tax Benefit.

Details:

- If you don't currently claim Family Tax Benefit (FTB), it's worth reviewing your circumstances to see if you're eligible. It's especially important at this time of year though. Generally speaking you can be back-paid the current year and two years prior, where you work out that you had been eligible for FTB but hadn't been claiming it. What this means is that come 1st July, you can no longer claim back payment for 2009-10 whereas right now, you can. Once 1st July ticks over, the 'current year' is 2012-13 of which there will only have been a few days, and 'two years prior' becomes 2010-11 and 2011-12. But right now the 'current year' is almost the full year 2011-12, plus you get to claim for all of 2009-10 and 2010-11.

Small business

Action: Defer the purchase of assets costing under $6,500 until after 30th June and consider whether to do the same for any motor vehicle purchases.

Details:

- From 1st July 2012, small businesses (those with turnover less than $2 million per annum) can claim an immediate tax deduction for assets costing less than $6,500. This is an increase from the current limit of $1,000. In addition, the first $5,000 of any motor vehicle purchase can be claimed as an immediate deduction, however this is a little more complicated. There are other factors that need to be taken into account to determine whether or not you should defer your purchase, such as the cost of the vehicle, how it is financed and the relevant rates of depreciation. If you're thinking about buying a car it's worth crunching the numbers a little more, as a day either side of the end of financial year could save - or cost - you a lot. Please contact us if you'd like us to quickly have a look at it for you. Both of these immediate deductions are more of a timing benefit rather than an outright saving because eventually if you hang onto an asset long enough, you can write off the full value over a number of years. The benefit is that they bring forward a cash-flow advantage into the first year rather than having it trickle in over an extended period of time.

Entrepreneur's tax offset

Action: If your business earns around the $75,000 mark in revenue, try to defer any extra income until next year to ensure you stay under $75,000 and remain eligible for the Entrepreneur's tax offset.

Details:

- The Entrepreneur's tax offset effectively provides a 25% discount on any tax you need to pay on business income, if your total turnover is less than $50,000 in a year. It gradually phases out above $50,000 and stops completely once business incomes hits $75,000, This financial year is the last year in which the offset can be claimed, however, so if you are close to the $75,000 mark for the year and can defer any income until next year, it might be worth delaying in order to get the rebate this year. The limit is only for income derived from a business, not total income for the year, however it is also means tested so there are other eligibility criteria that come into play. It is of considerable value though if you are able to make it work for you in its final year.

Tax planning is an important discipline. This year it's even more worthwhile taking the time to consider how you might be affected, and whether there is action you can take to reduce your tax.

There's still two weeks to go before 30th June!

Please contact us if you'd like further advice.

Some other year end changes that you're already on top of

If you have a family trust, it's now a requirement that you make a resolution prior to 30th June 2012 as to how the income of the trust will be distributed. The idea is that this will further ensure that trusts are used in the legal spirit that they were originally intended, rather than purely as a tax planning tool. It can be the case that income distributions are worked out after the end of the financial year based on the overall financial picture. Technically though, preparing a resolution before the end of the financial year has always been the legal requirement. This

SRC 2012 Recap - The value of financial modelling

The 2012 Southern Regional Congress for Optometrists was held in Melbourne from 19th - 22nd May, and we at Dewings were pleased to have Kathy Allen and Michael Denholm presenting in conjunction with ODMA (the Optical Distributors & Manufacturers Association).

We demonstrated a financial model developed with ODMA that helps optometrists know their practices better. Building a robust business is much like an engineering project. Having the right is more of an enforcement measure that has now come into the spotlight. Dewings has always, as a matter of policy, ensured that all trust distributions are resolved prior to 30th June to reduce the risk to our clients in the event of an audit.

The Tax Office has also signalled its intent to crack down further on what we call 'Division 7A' issues, which is using the funds or assets of a private company for personal purposes. Once again, we've always ensured that our clients are made well aware of this distinction and put in place measures to keep that separation clear. And even where any potential Division 7A issues become apparent, we develop a plan to address them immediately so that they are resolved as quickly as possible and, more importantly, in a way that is legally compliant.

These are not explicit services that are obvious in their delivery. They're just a part of how we do things. We like to think that at least one of the Dewings differences is the quality that underpins all that we do. Like buying a safer car, we hope that this level of safety is something that you never need. But in the event that something serious does happen (in this case, an audit) you can have faith that the integrity of the product will give you the best chance of emerging unscathed. We hope you don't mind us giving ourselves a plug from time to time!

information, and as much of it as possible, is integral to its reliability and longevity. The more information you have, the better you can 'engineer' a business to withstand what lies ahead and thrive into the future. The model we presented allows optometrists to analyse the financial components of their practice in detail and then test various scenarios, whether for growth, innovation, adapting to market conditions - whatever the case may be.

You can read a summary of our presentation, or check out a demonstration of the model.

Financial modelling is a tool that is useful for any business, and we can prepare a similar model for your business. Please contact us if you'd like to know more.