Venn Milner Accounting Services Pty Ltd.
Suite 1, 10-12 Chapel Street, Blackburn VIC 3130. PO BOX 118, Blackburn VIC 3130.
Phone: +61 3 9894 1044. Fax: +613 9878 3190.
Liability limited by a scheme approved under Professional Standards Legislation.

2012 Tax Planning Highlights

Dear Clients,

With the 30 June 2012 financial year end looming, we would like to bring your attention to some of the most important tax planning opportunities that need to be considered prior to 30 June 2012.

Please note that this list is not exhaustive as it is provided for general information only. It is not intended to represent any individual client advice or recommendation. Any clients should contact Venn Milner Accounting Services Pty Ltd before acting on any information contained herein.

General

1. **Deferring assessable income**
    a. Consider the deferral of sales and/or any other income until next financial year.
    b. Consider the deferral of realizing capital gains and/or foreign exchange gains until after year end.
    c. Consider the appropriate valuation method for trading stock. Identify any obsolete stock and scrap any unwanted stock prior to 30 June 2012.

2. **Accelerating Deductions**
    a. Consider realizing assets that will produce capital or revenue losses which can be used to offset capital or revenue income in the income year.
    b. Ensure superannuation contributions are paid by 30 June 2012 (to ensure deductibility of the contributions for the 2012 financial year) and that you meet any of the required conditions as is the case with deductions claimed by self employed taxpayers.
    c. Consider prepaying deductible expenses that are less than $1,000 (incl GST). Please note that if you are a small business (with turnover under $2 million) there is no limit on claiming deduction for prepaid expenses provided that the relevant services will be wholly provided within 12 months of the date of the expenditure.
    d. Consider prepaying interest on investment loans.
    e. Review bad debts to see if there are any that should be written off.

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2012 Tax Planning Highlights (continued)

3. **Reporting contractor payments for businesses in the building and construction industry –** Please note that from 1 July 2012, businesses in the building and construction industry will have to report the total payments they make to each contractor for building and construction services each year. Please contact us if you have not received a letter from us but you believe that your business will have to comply with this requirement.

4. **Small business capital allowance incentives** –Small business entities will be able to write off a depreciating asset with a cost of less than $6,500 that is purchased from 1 July 2012. Small business entities will also be able to immediately write off up to $5,000 for motor vehicle purchased from 1 July 2012.

5. **Salary Packages -** Ensure that salary packages for 2012/13 that include fringe benefits and/or employer's superannuation contributions are negotiated and documented prior to 30th June 2012. ***Please note that concessional/deductible super contributions for the year ending 30th June 2013 must not exceed $25,000.***

6. **PAYG instalment -** If you have varied down your PAYG instalments for any of the first three quarters of the 2012 financial year, ensure that the total PAYG instalments paid for the year, including the one for the last quarter (June 2012 quarter) is sufficient to cover the estimated income tax liability in respect of your business & investment income. If not, then you will need to vary up your June 2012 quarter PAYG instalment.

7. **School kids bonus** – Please note that for the 2012 financial year, the Education Tax Refund will be replaced by a one-off 'School Kids Bonus' lump sum payment to eligible families in June 2012. Eligible families will not be required to maintain receipts and invoices as proof of education expenditure.

2012 Tax Planning Highlights (continued)

8. **Medical expense tax offset** – You can claim a net medical expense tax offset equal to 20% of net medical expenses that exceed $2,060 for the 2012 financial year. Please note that from the 2013 financial year, singles with adjusted taxable income of more than $84,000 and couples/families with an adjusted taxable income of more than $168,000 will only be able to claim tax offset equal to 10% of net expenses above $5,000.

9. **Private health insurance rebate –** Effective from 1 July 2012, the government's rebate on private health insurance will be tested against your or your family's income. There will now be a threshold for being eligible for the 30% rebate which will be $84,000 for singles, and $168,000 for families/couples. This means as people's earning levels increase they will receive a reduced level of private health insurance rebate, or if they are in the highest earning tier, no rebate at all.

   If your income is above the threshold, you may still be able to get the 30% rebate for the coming financial year provided that you pre-pay your 2013 private health insurance premium by 30 June 2012. Please confirm with your private health insurance provider before you pre-pay your premium.

   Superannuation contribution

10. **Personal Superannuation contribution -** Self-employed taxpayers can consider making a tax deductible superannuation contribution provided that their employment income represents less than 10% of their assessable income including reportable fringe benefits and reportable superannuation contributions. Please contact us for the limits applicable to your circumstances.

11. **Super co-contribution –** If you are less than 71 years old, have total income between $31,920 and $61,920, with 10% or more of the total income coming from eligible employment-related activities, carrying on a business or a combination of both, consider making a non-tax deductible super contribution of up to $1,000 to get the government to match it (via super co-contribution). Please contact us to estimate your total income to determine your eligibility.

2012 Tax Planning Highlights (continued)

Discretionary Trusts/Family Trusts

12. **Trust distribution resolutions** – Most Trust Deeds require the Trustees to make their distribution resolution on or before 30 June, in some cases the 28th or 29th of June. The ATO is looking to ensure that resolutions are made in accordance with the Trust Deed, and has announced that it intends to review the distribution determination and the evidence of when the determination or resolution has been made. Please contact us if you require further advice in relation to distribution resolutions.

13. **Trust streaming** – Under the new streaming provisions, trustees are permitted to stream franked dividends and capital gains to specific beneficiaries. To be able to stream franked dividends and/or capital gains, the Trust Deed must not restrict these amounts being streamed to specific beneficiaries. Please contact us before 30 June 2012 if your Trust wishes to stream franked dividends and/or capital gains so that we can make sure that the streaming is allowed by the current Deed and that the streaming is appropriately reflected in the trust resolution.

14. **Distribution to minors -** please note that from the 2012 financial year onwards, discretionary trusts can only make tax- free distribution of $416 to minors.

15. **Distribution to children who have turned/turning 18 years old -** consider making distributions to children who have turned/turning 18 years old by 30 June 2012 to take advantage of their marginal tax rates, especially to children who are currently not earning any assessable income. If you are in this position, the person turning 18 will need to have a TFN prior to 31 July 2012 for TFN reporting purposes, please see below.

16. **TFN reporting –** Trustees of closely held trusts are required to report their beneficiaries' tax file number (TFN) to the Tax Office, otherwise the Trustees will need to withhold 46.5% tax from any distribution made to those beneficiaries. Please advise us of any new beneficiaries' TFN, residential address and date of birth by 31 July 2012 if you wish to make a distribution to them for the 2012 financial year. Example of 'new' beneficiaries include beneficiaries who turned 18 years old in the 2012 financial year,

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2012 Tax Planning Highlights (continued)

beneficiaries who were previously classified as non-resident for tax purposes, and beneficiaries who will be receiving distribution from the Trust for the first time since 2010.

17. **Distribution to companies –** Please also note that any distribution to companies made in the 2011 year that remains unpaid at 30 June 2012 will need to be converted into a loan by 30 June 2012 and a written loan agreement or full repayment has to be made before the lodgement due date of the company's 2012 tax return (which will be sometime between March – May 2013) or the actual lodgement date of the tax return (whichever is earlier).

    Similarly, any distribution made to corporate beneficiaries for the 2012 year may need to be converted into a loan by 30 June 2013 and a written loan agreement or full repayment has to be made before the lodgement due date of the company's 2013 tax return (which will be sometime between March – May 2014) or the actual lodgement date of the tax return (whichever is earlier).

Companies

18. **Carry-back tax losses:** companies will be allowed to carry-back tax losses of up to $1 million, effective from the 2012-2013 income year. This means that companies will be able to carry back tax losses incurred in the 2012-2013 year and offset it against its 2011-2012 revenue to obtain tax offset/refund of up to $300,000.

19. **Inter-entity loans -** ensure that the minimum repayments in respect of any inter-entity loans that are subject to the Division 7A rules are received by 30 June 2012.

20. **Dividends -** consider declaring fully franked dividends to shareholders to bring their taxable income up to around $80,000. Only top up tax of 1.5% (being the Medicare levy) is payable in the shareholders' hands on fully franked dividends, provided that their taxable income is less than $80,000.

2012 Tax Planning Highlights (continued)

Superannuation Funds

21. **Pensions -** ensure that minimum pension limits are met for the year ending 30 June 2012.

22. **Concessional/deductible super contributions cap:** If you are over 50, you may want to consider topping up your concessional/deductible contribution to $50,000 before 30 June 2012. Please note that the concessional/deductible super contribution will be capped at $25,000 for the year commencing on 1 July 2012, irrespective of your age.

23. **High income earners superannuation contribution tax:** From 1 July 2012, Individuals with Adjusted Taxable Income (ATI) of more than $300,000 will have their concessional/deductible contributions taxed in the fund at 30%. Individuals whose ATI is below $300,000 will continue to have their concessional/deductible contributions taxed in the fund at 15%. *ATI is defined as the total of taxable income, concessional superannuation contributions, adjusted fringe benefits, total net investment losses, target foreign income and tax-free government pensions and benefits, reduced by child support.*

Appendix

Personal Tax Rates for Residents, for the year ending 30 June 2012

Taxable income	Tax on income, for year ending 30 June 2012
$0 - $6,000	Nil
$6,001 - $37,000	15% of amount over $6,000
$37,001 - $80,000	$4,650 plus 30% of amount over $37,000
$80,001 - $180,000	$17,550 plus 37% of amount over $80,000
$180,000+	$54,550 plus 45% of amount over $180,000

Personal Tax Rates for Residents, for the year ending 30 June 2013

Taxable income	Tax on income, for year ending 30 June 2013
$0 - $18,200	Nil
$18,201 - $37,000	19% of amount over $18,200
$37,001 - $80,000	$3,572 plus 32.5% of amount over $37,000
$80,001 - $180,000	$17,547 plus 37% of amount over $80,000
$180,000+	$54,547 plus 45% of amount over $180,000

Appendix (continued)

Concessional superannuation contribution caps for 2012 and 2013

Age	**Concessional (Deductible) Contribution Cap, for the year ending 30 June 2012**	**Concessional (Deductible) Contribution Cap, for the year ending 30 June 2013**
Under 50	$25,000 p.a	$25,000 p.a
50 - 65	$50,000 p.a	$25,000 p.a
65-74	$50,000 p.a Note: must be mandated employer contribution, otherwise need to pass the work test*	$25,000 p.a Note: must be mandated employer contribution, otherwise need to pass the work test*
75 and over	$50,000 p.a Note: only mandated employer contribution is allowed.	$25,000 p.a Note: only mandated employer contribution is allowed.

**to satisfy the work test, the person must work for at least 40 hours during a consecutive 30-day period in the financial year.*

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Appendix (continued)

Non-Concessional superannuation contribution caps for 2012 and 2013

Age	Non Concessional (Non Deductible) Contribution Cap
Under 50	$150,000 p.a, or $450,000/ 3 years
50 - 65	$150,000 p.a, or $450,000/ 3 years
65 -69	$150,000 p.a Note: must pass the work test*
70-74	$150,000 p.a Note: must pass the work test*
75 and over	not allowed

**to satisfy the work test, the person must work for at least 40 hours during a consecutive 30-day period in the financial year.*