

Change in the FBT rate – 2014/15

FBT Rate – 2013/14 & 2014/15

The FBT rate of tax has been increased by half a percent from 1 April 2014. The new rate of tax and the consequent increased gross-up rates follow:

FBT Year Ended	Rate of Tax
31 March 2015	47.0%
31 March 2014	46.5%

Gross-up Rates – 2013/14 & 2014/15

Description	Gross-up Rate	
	2013/14	2014/15
Type 1	2.0647	2.0802
Type 2	1.8692	1.8868

Note: With the increase in the FBT rate to 47% from 1 April 2014 (due to the Medicare levy 0.5% increase), it's important that employers immediately adjust their salary sacrifice arrangements with their employees. If you need a hand with this, please call our office.

Education sometimes comes at a 100% cost!

Over the years there has been an increase in the number of 'success seminars' where thousands sit in an audience for one or two days and listen to a presenter on a big stage. They are short, intense programs without the active involvement that would be expected from a TAFE or uni student. As a result, the ATO considers the material covered by these seminars as being too generic and not specific enough to a taxpayer's income-earning activities.

Please read this update and contact this office if you have any queries

In this month...

In the last month we have slowly seen the Government's intention to bring down a 'not so great' Federal Budget in May.

The old cliché of "the budget we had to have" is already doing the rounds and the start of this process is the 'comparatively low' maximum superannuation caps and the spotlight areas of education courses, year-end superannuation deductions and fines and penalties that will form part of the government's general revenue from 1 July 2014.

With only 5 weeks for returns to be lodged on time if you haven't contacted us by now to finalise your 2014 income tax return it's also time to pick up the phone.

At a Glance

- New superannuation caps have been introduced and released which will allow some end of year tax planning for clients. Although \$25,000 per year never seems enough in some cases, there are still advantages to not only taking this up to release year-end tax pressure, but the recipient of the payment is eventually yourself! Please contact us if you wish to understand the new measures.
- Bookkeepers beware! Simply because bookkeepers feel they are only part of the administration process on behalf of their clients, does not mean the ATO do not extend their liability penalties beyond the actual taxpayer or lodging entity.
- I know it might sound unorthodox but the small-business panel can only bring a voice to taxpayers who feel their major concerns are being neglected. Contact us if you feel that you would like to be part of the process.
- It seems to be a recurring theme but SMSF trustees can now be directly fined for breaches by the fund. This all comes into play on 1 July 2014 and needs to be addressed urgently if your superannuation fund is in contravention of its deed.

Small business panel to boost ATO's expertise

Note: The ATO has issued a media release in relation to a new small business consultancy panel.

The ATO is inviting Australia's small business owners to apply to join its new 'small business consultation panel' to help cut red tape and boost the ATO's small business expertise.

The consultation panel will bring together small business operators with:

- At least two years' experience running a business; and
- An annual turnover of less than \$2 million.

Note that taxation, consulting or accounting experience is not necessary.

ATO Second Commissioner Neil Olesen said: "We encourage small business owners from a range of industries to apply to join the panel so they can help shape the future of how the ATO and other government agencies interact with small business.

"Our objective for the panel is to explore opportunities to reduce the time it takes for business operators to comply with their employer, super and tax obligations so they can get back to the important job of running their small business."

Business operators joining the panel may be contracted on a short-term, as-needs basis to participate in consultation activities (including workshops and user testing) to provide feedback from a small business perspective.

Successful applicants will be paid for their services.

Now I know on initial reading this may feel you are doing 'a deal with the devil' but every year we hear not only from our clients the concerns they have about their voice not being heard, but as your tax agent we also whine about 'wasting our time complaining'. This may be an opportunity that some clients may wish to avail themselves off.

Interested small business operators should email smallbusinessconsultation@ato.gov.au to request an information and application pack, or download the information from www.tenders.gov.au (search for ATM 14.008a).

SMSF trustees may soon be fined for breaches by their fund

Note: In the ATO's latest edition of its "SMSF News", it cautions trustees of self-managed superannuation funds (SMSFs) about new penalty provisions that are coming into play on 1 July.

Newly enacted legislation will apply to impose penalties on trustees for contraventions occurring in their super fund from 1 July 2014.

They will also apply to contraventions that were made prior to 1 July 2014 and continue after that date.

For example, if a fund has lent money to a member or relative and the loan still exists on or after 1 July 2014, the trustee will be liable for a penalty.

Under the measures, penalties will vary according to the type of breach. In the example above:

- Each individual trustee would be personally liable for a penalty of \$10,200.
- For an SMSF with a corporate trustee, each director would be jointly and severally liable for a penalty of \$10,200.

The penalty cannot be paid using the resources of the SMSF.

The ATO says that if trustees are making progress in resolving contravention(s) by 1 July 2014, it would consider these circumstances in any request to remit any imposed administrative penalties.

Tax Fact: There is no CGT if you transfer a property to your former spouse under a court order following the breakdown of your marriage.

This rollover ensures the spouse who gives the assets disregards a capital gain or capital loss that would otherwise arise, and the one who receives the asset (the transfer spouse) will make the capital gain or capital loss when they subsequently dispose of the asset.

The important thing to note on this legislative measure is that there must be a court order for this to occur...not simply an amicable separation.

Why we must all exercise great care with super at year end

Note: This case involves a taxpayer being penalised with excess contributions tax (ECT) because payments that his bookkeeper was supposed to make in the 2009 and 2011 years inadvertently all ended up in the 2010 year. As is often the case with ECT, it all ended in tears.

The taxpayer was the sole director of his company and a member of a superannuation fund with AMP Life Limited.

On **30 June 2009**, his bookkeeper made two payments by Bpay to his AMP account, one salary sacrifice payment of \$30,000 and an employer contribution of \$8,499 for the 2008/09 year.

However, each of the two payments was received by AMP and applied to the taxpayer's AMP account on **1 July 2009**.

On **27 May 2010**, the bookkeeper made a payment of \$13,970.66 as a salary sacrifice payment to his AMP account. This payment was incorrectly paid several weeks early as it was meant to be paid in **July 2010**.

In September 2011, the Commissioner issued a notice of assessment for ECT of \$16,905.20 in respect of excess concessional contributions of \$53,667.42 for the year ended 30 June 2010.

We deal with many bookkeepers over the year and can sometimes be in a position to offer our assistance with ongoing advice and compliance measures... Please let us know if we can help.

Note: Long story short – the taxpayer objected, was knocked back, and then appealed to the Federal Court. Basically, the Judge disallowed the appeal saying that, as the taxpayer was in a position to supervise and control the actions of the bookkeeper, he was responsible for the mistakes that she had made.

Super caps increased for 2014/15

The ATO has announced the following changes to the superannuation contributions caps.

Concessional contributions cap

These include:

- Employer contributions (including those under a salary sacrifice arrangement); and
- Personal contributions claimed as a tax deduction by a self-employed person.

The amount of the cap will be increased from \$25,000 in 2013/14 to \$30,000 in 2014/15.

Hopefully one day the ATO will see reason to increase this dramatically across the board.

Non-concessional contributions cap

Non-concessional contributions include personal contributions for which taxpayers do not claim an income tax deduction.

The amount of the cap will be increased from \$150,000 in 2013/14 to \$180,000 in 2014/15.

GIC and SIC rates for June 2014 quarter

The ATO has released the June 2014 quarter rates for the General Interest Charge (GIC) and the Shortfall Interest Charge (SIC) as follows:

GIC annual rate	9.63%
GIC daily rate	0.02638356%
SIC annual rate	5.63%
SIC daily rate	0.01542466%

Also, the Interest rate on Overpayments, Interest rate on Early Payments and Delayed Refunds Interest rate is 2.63%.

Please Note: Many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the information's applicability to their particular circumstances.