TAX MATTERS

Tax strategies for you and your business

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KEYPOINT

Tax Accountants. Business Advisors.

Reduced super concessions under Division 293 tax

Individuals with high incomes may soon be faced reduced concessions on their superannuation contributions as a result of Division 293 tax from 2014.

Division 293 tax was introduced to reduce the concession on superannuation contributions for individuals with income greater than $300,000 per annum. Under Division 293 of the Income Tax Assessment Act 1997 tax will be payable on certain contributions made from 1 July 2012.

If an individual's income for surcharge purposes, plus their low-tax contributions are greater than $300,000, they may be liable to pay an extra 15 per cent tax on their taxable contributions. For individuals who are members of a defined benefit fund Division 293 tax may be calculated on notional contributions, which are not capped. There are also modifications to the contribution calculation for constitutionally protected state higher level office holders or Commonwealth justice.

To calculate whether an individual has income and low-tax contributions greater than $300,000 the ATO will be looking at:

- income reported on the individual's income tax return, including:
  - taxable income
  - total reportable fringe benefit amounts
  - net financial investment loss
  - net rental property loss
  - amounts on which family trust distribution tax has been paid
  - super lump sum taxed elements with a zero tax rate.
- contributions reported in their member contribution statement
- self managed super fund annual return

The ATO will begin issuing Division 293 tax notices of assessment for the 2012-13 financial year to affected individuals from early February 2014.

The Division 293 notice of assessment will state:

- the total earnings for tax purposes
- taxable contributions
- the amount of Division 293 tax (15 per cent of taxable contributions) that is due and payable by a set date

Individuals are responsible for paying their Division 293 tax by the due date, which is generally 21 days after the Commissioner gives notice of assessment.

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Medicare levy increase

The Medicare levy will increase from 1.5 per cent to 2 per cent from 1 July 2014.

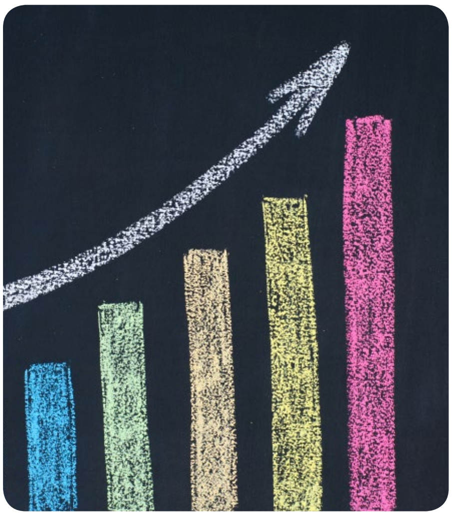
The money raised from this increase will be placed into a National Disability Insurance Scheme (NDIS) fund. Individuals could be affected if they are individual taxpayers, individuals and trustees who are in the pay as you go instalments system, trustees with liabilities or employers with fringe benefits tax impacts.

The government is expecting the 0.5 per cent increase to raise $3.2 billion towards funding for the NDIS in the first year. It is estimated that a total of $20 billion will be raised between 2014 and 2019. The increase will see taxpayers who earn $30,000 a year pay an extra 41 cents per day.

Low-income earners will continue to receive relief from the Medicare levy through the low income thresholds for singles, families, seniors and pensioners.

Current exemptions for the Medicare levy will also continue to be in place, including sickness allowance recipients.

All revenue raised from this increase will be paid into the DisabilityCare Australia Fund.



TAXTIP

Businesses lodging quarterly activity statements electronically, or via a registered tax agent/BAS agent, may qualify for an extended time period to lodge and pay.

Avoid common lodgement errors

In recent years, the ATO have noticed an increase in the number of invalid objections and withdrawn objections lodged by clients.

In 2012-13, the ATO received over 2,600 invalid objections and 2,800 objections that were lodged and subsequently withdrawn, predominantly because they were unable to be made valid.

This increase in invalid and withdrawn objections is putting a strain on the ATO's ability to provide timely decisions to clients.

Common errors

The ATO have identified common errors that have resulted in objections being deemed invalid. These include:

- Objections lodged where there are no objection rights, such as
  - for shortfall interest charge where no remission decision has been made
  - general interest charge
  - co-contribution determinations
- Incomplete or missing declarations and missing signatures for objections lodged by fax or post
- Reasons for objections that do not have a sufficient explanation
- Objections lodged after the due date, without providing a clear explanation of the reasons seeking an extension time
- Objections that are lodged despite the ATO not issuing a notice or decision
- Objections that are lodged with a lack of evidence to support the claims being made

Tips to correctly prepare and lodge an objection

The following tips can help to avoid unnecessary delays when preparing and lodging an objection:

- Lodge objections via the Tax Agent or BAS Agent Portal as it ensures that the objection is immediately directed to the appropriate area and removes the need for a signature
- Refer to a tax specialist for expert knowledge on the correct procedures to follow.
- Check the ATO for information

Ending paper statements

In 2014, the ATO will be implementing changes to stop paper activity statements being sent.

Businesses use activity statements to report and pay a number of tax obligations, such as GST, PAYG instalments, withholding and fringe benefits tax.

This decision follows a thorough consultation process, including a six month pilot with tax practitioners and BAS agents, phone interviews and discussions at consultative forums.

Feedback from this consultation process has been used to develop the rollout of this change.

A few forms are exempt from this change, so it is important that businesses keep up to date with their obligations.

Online paper activity statements are a much faster and efficient approach for businesses and, in some circumstances, are given a two week extension to lodge the statements.

Businesses should review their practices to accommodate the move away from paper statements.