Morrows Knows: Tax Planning 2014

Superannuation – a Must for Tax Planning

Check Contribution Caps

Superannuation remains a tax effective structure into which to place your retirement savings so at this time of year, it is a great opportunity to check that you have contributed what you are able under the government limits – without exceeding them! The table below shows the 2013-14 contribution limits (or caps) and potential penalties for exceeding them.

	BEFORE TAX CONTRIBUTIONS (Concessional)	**AFTER TAX CONTRIBUTIONS (Non-concessional)**
Maximum contribution 2013-14	Under age 59 at 30/06/13: $25,000 Age 59 or over at 30/06/13 : $35,000	$150,000
Tax on amounts above the cap	31.5% (PLUS the 15% paid by the super fund ie 46.5% total)	46.5%
Important information	The premiums of stand-alone superannuation insurance policies also count towards your concessional contribution cap Any concessional contribution above the limits, will count towards your non-concessional cap	If you are 64 yo or under on 1 July, you **may** be able to bring forward the next two years of non-concessional contributions increasing your limit to $450,000. This amount is changing next year and **advice is essential**. **Please talk to us if you are interested.** **(You must not make another non-concessional contribution in the next two financial years)**

How can you manage your contributions to the caps?

- ✓ Keep a precise record of your contributions to your fund(s) – to save 46.5% tax, it's worth it!
- ✓ Track any expenses paid personally for your fund – these also count towards your caps
- ✓ Advise Morrows if you have more than one fund - the caps are per individual **not** per fund
- ✓ Advise us asap if you have premiums for stand-alone insurance policies which have been paid by your fund – **these count towards your caps** also

Employee Superannuation Guarantee Payments

It is advisable to pay superannuation contributions for employees for the June quarter prior to 30 June 2014 if possible because they are only tax deductible when they are actually paid, not when you have an obligation to pay like other expenses.

All you need to do when preparing your final wages payments for the year is to ensure that superannuation payments are calculated and made prior to 30 June 2014.

An important note is that from 1 July 2014 the superannuation guarantee charge will increase to 9.50% for all employees so you will need to ensure that employees receive additional contributions from that date onwards. There is draft legislation with the Senate to freeze the contribution rate to 9.25% to the start of the 2016/2017 financial year however, at this point it is unclear whether the draft legislation will pass so it is better to pay the extra until confirmed.

And there's more

In addition to the contributions noted above, every year we each, as long as we are under age 65 or meet the work test, have several opportunities to put some of our hard earned before and/or after tax dollars into our superannuation accounts. Listed below is some basic information on opportunities for this year to get you thinking.

Strategy	Who can use it?	Key considerations
Personal contributions by the self employed Manage any CGT issues by claiming a tax deduction	Anyone who meets the "10% rule" and is under the age of 65 or 65-74 yo and meets the work test*	If you are self-employed you may be able to claim a tax deduction for your personal contributions
Superannuation Guarantee Provides business owners with tax deductions	All employees. There is no longer and age limit.	Contributions made by employers by 30 June 2014 are generally tax deductible for 2013-14
Co-contribution Make the most of the government's support	All employees up to the age of 70 and below certain income thresholds.	Contributions made from after tax dollars will be matched by the government up to a limit of $500 for 2013-14

Low Income Super Contribution Make the most of the government's support	All employees up to the age of 74	The government will rebate the contributions tax paid (15%) on all concessional contributions (by you or your employer) to super for low-income earners up to a maximum of $500
Lifetime Super CGT cap Contribute up to the cap of $1.315 million and reduce your CGT payable	Anyone who has sold a business they have owned for more than 15 years and is over 55 yo and retiring	Business must have a net value of <$6 mill or have turnover < $ 2 mill pa Nominate status at the time of the contribution up to the cap of $1.315million Not counted to your concessional or non-concessional caps.

*The work test requires that you work for a minimum of 40 hours within 30 consecutive days in the year if you are between 65 and 74 years old.

Boost your spouse's super and reduce your tax

If your spouse is on a low income, you may be able to make contributions into their super account and claim a tax offset. Other than the points you will earn with your spouse, the benefits are that contribution will form part of the tax-free component of your spouse's super account (so no further tax at retirement) and in return you may receive an 18% tax offset, reducing your income tax liability.

There are some conditions set out below and the key points are that the offset only applies to the first $3,000 of your contributions in a year, with a maximum offset of $540 and it reduces as your spouse's income rises above $10,800 pa, cutting out at $13,800 pa or more.

How do I know if I qualify?

You may be entitled to a maximum tax offset of up to $540 each financial year if:

- You did not claim a tax deduction for the contributions
- Both you and your spouse were Australian residents when the contributions were made
- You and your spouse were not living separately and apart on a permanent basis when you made the contributions
- Your spouse is under 70, or if aged between 65 and 70, they must have worked at least 40 hours within 30 consecutive days
- Your spouse's income[1] for the financial year was less than $13,800
- The contribution was made to a complying super fund

Please note: Under the superannuation law, a spouse is defined as a person who is in a genuine domestic bona fide relationship as husband or wife (married or de facto), including same sex couples.

1. Total assessable income, reportable fringe benefits and reportable employer super contributions.

Pay yourself to keep your retirement savings tax free

When you start a pension from your SMSF your investment earnings from the fund's assets are exempt from tax IF

- You ensure you pay a pension payment to yourself at least once during the financial year
- And for any pension account started on or after July 2007, a minimum amount is paid as pension payments to you, the member.

If you fail to meet these requirements your SMSF will revert to accumulation and 15% tax will be paid on all assessable income. Pension payments withdrawals will be treated as benefits paid and where a condition of release has not been met, penalties will apply.

For the 2014-15 financial years the minimum pension payment for anyone under 65 yo is 4% of the pension balance as at 1 July 2014. If you are 65 to 74 yo, your minimum is 5% of the account balance.

Here is a full table of your minimum annual pension payments according to your age for 2014-15.

AGE	PERCENTAGE OF BALANCE ON 1 JULY 2013
55-64	4
65-74	5
75-79	6
80-84	7
85-89	9
90-94	11
95 or older	14

The government has indicated that it intends to extend the pension age and also the age at which you can withdraw funds from Superannuation. Although legislation has not been passed, it may be timely to review your re-contribution strategy to increase you tax free component.

Disclaimer: *The information provided in this communication is general in nature and not intended to be advice. You should contact our office for further information or for a tailored solution to your needs.*

How can Morrows help?

Morrows Private Wealth can determine your eligibility for the Age Pension and Pension Bonus and provide strategic advice to maximise your entitlements. Seeking advice in the lead up to your retirement is particularly important as your assets and income can be structured effectively to see that you qualify for the Age Pension and maximise your entitlements.

Please contact us on 03 9690 5700 or via **mpw@morrows.com.au** for any assistance.