



Adept Accounting & Tax Pty Ltd

T/A Blue Sky Accountants CPA



Adept Accounting & Tax Pty Ltd is a CPA practice

## CHANGES TO PRIVATE HEALTH INSURANCE REBATE AND MEDICARE LEVY SURCHARGE

From 1 July 2012 onwards, **the private health insurance rebate is income tested based on income** for surcharge purposes, range from 0%-40% depending income and your age. This means that if you have a higher income, your rebate entitlement may be reduced, or you may not be entitled to receive any rebate at all.

You will be income tested on your share of the private health insurance policy. This may mean that your household will get more than one annual statement from your insurer for the one policy if there was more than one adult on the policy when the premiums were paid.

There have also been changes to Medicare levy surcharge, the surcharge rate is income tested based as well and rate could be 1%, 1.25% or 1.5%.

If you and all your dependants do not have an appropriate level of private patient hospital cover for the full year and your income is more than the relevant income test threshold, the Medicare levy surcharge may apply. For example, a couple with no dependant child, their combined income exceeds threshold of \$168,000.00(2012/13), with wife earned \$40,000 and husband earned \$138,000, even though husband has had proper private health insurance but not wife, in this case both of them will be liable to pay Medicare levy surcharge at 1%, i.e. \$1,780.00 to the ATO,

## SIMPLIFIED DEPRECIATION RULES

From the 2012-13 income years:

- the small business instant asset write-off threshold has increased from \$1,000 to \$6,500
- small businesses can claim an accelerated initial deduction for motor vehicles acquired in 2012-13 and subsequent years

- the long life small business pool and the general small business pool have been consolidated into a single pool to be written off at one rate.

**Note:** The government has announced its intention to reduce the instant asset write off threshold to \$1,000 and remove the special depreciation rules for motor vehicles from 1 January 2014. For

If you have non-business income, such as salary and wages, you will also claim a deduction for depreciating assets you use in earning your employment income under these simplified depreciation rules.

## **EXCESS SUPER CONCESSIONAL CONTRIBUTION**

For 2012-13 and earlier years, any amount over the concessional contributions cap will be taxed at an additional 31.5%. You're personally liable for this tax, but you can use the release authority we give you to ask your super fund to release money up to the amount of this tax. The excess amount will also count towards your non-concessional contributions cap.

*For 2013-14 and later years, any amount over the concessional contributions cap will be included in your assessable income and taxed at your income tax marginal rate. You will also be liable for the excess concessional contributions charge. You will receive a non-refundable tax offset equal to the 15% tax paid by your fund on this amount. You can elect to have 85% of your excess concessional contributions released from superannuation, and the released amount will not count toward your non-concessional contributions cap.*

## **THE TEMPORARY RESIDENT EXEMPTION RULES**

There are changes applying to temporary residents that came into effect from 1 July 2006. You may be affected if you are an Australian resident for tax purposes and you also qualify as a temporary resident. From 1 July 2006, you will not have to pay tax on most of your foreign income if you:

- are an individual who is an Australian resident for tax purposes
- satisfy the requirements of being a temporary resident

If you were a temporary resident, the only foreign income you will need to include as assessable is income that you earned from foreign employment while a temporary resident, all other foreign income as a temporary resident is non-assessable non-exempt income.

If, at any time on or after 6 April 2006, you have been an Australian resident for tax purposes but not a temporary resident, you will not be entitled to the temporary resident exemptions from that time, even if you later held a temporary visa.

To summarize: if you are an Australian resident for tax purposes and meet the requirements to be a temporary resident, the temporary resident rules mean:

- Most of your foreign income is not taxed in Australia except income earned from employment performed overseas for short periods while you are a temporary resident. This income is subject to income tax and would still be declared in your return for the year in which you earned it. Where you paid tax in a foreign country, you may be entitled to claim a foreign income tax offset when you lodge your tax return.
- If a capital gains tax event occurs on or after 12 December 2006, a temporary resident is not liable to capital gains tax (nor is treated as having made a capital loss) unless the asset is 'taxable Australian property'.
- If a capital gains tax event (such as the sale of an asset) occurred between 1 July 2006 and 12 December 2006, a temporary resident was not liable for capital gains tax (nor was the temporary resident treated as having made a capital loss) unless the asset had a 'necessary connection with Australia'. Special rules apply to capital gains on shares and rights acquired under employee share schemes
- Interest you pay to foreign residents (for example, foreign lenders) is not subject to withholding tax.
- Controlled foreign company record keeping obligations are partly removed

## **91 DAYS OR MORE FOREIGN INCOME EXEMPTION**

From 1 July 2009, there are limited exemptions on foreign employment income, i.e. only particular types of foreign services, not all, will continuously be eligible for 91 days or more income exemption.

If you are an Australian resident for tax purposes, you pay tax in Australia on your employment income, such as salary, wages, commissions, bonuses and allowances earned from foreign services unless it is exempt from Australian tax.

Your foreign employment income is exempt from tax if **ALL** of the following applies:

- you are an Australian resident for tax purpose and
- you are engaged in continuous foreign service as an employee for 91 days or more and
- your foreign service is directly attributable to **ANY** of the following:
  - delivery of Australian official development assistance by your employer
  - activities of your employer in operating a public fund declared by the Treasurer to be a developing country relief fund
  - activities of your employer in operating a public fund established and maintained to provide monetary relief to people in a developing foreign country who are distressed as a result of a disaster (a public disaster relief fund)
  - activities of your employer as a prescribed charitable or religious institution exempt from Australian income tax because it is located outside Australia or the institution is pursuing objectives outside Australia
  - deployment outside Australia by an Australian government (or an authority thereof) as a member of a disciplined force
- And you are not excluded from exemption by the non-exemption conditions.

If your foreign service is not directly attributable to these activities, you will need to include the foreign employment income in your tax return as assessable income, i.e. even though you worked overseas continuously more than 91 days.

You may be entitled to a foreign income tax offset for amounts of foreign tax you have paid.

## **AUSTUDY ABSTUDY YOUTH ALLOWANCE RECIPIENTS**

The law has been changed so that, for the 2012 year and later years, you cannot claim a deduction for expenses you incur that relate only to your receipt of Austudy, ABSTUDY and Youth Allowance to study.