

- **The Low Income Offset** – after 1 July 2012 is reducing to \$445 due to the increasing tax free threshold. For the 2012 year it is \$1,500 and phases out between \$30,000 and \$67,500.
- **Super Contributions** – as from 1 July 2012 the maximum tax deductible Contributions to Superannuation will be capped at \$25,000. If you are over 50 years of age, this is the last year that you can contribute \$50,000 to your Super Fund either by Salary Sacrifice for employees or tax deductions for self employed.
- **Super Co-Contributions** – for 2012 low income earners can have a Government Co-Contribution paid into their super fund of up to \$1,000 where the taxpayer has contributed \$1,000 into their superannuation fund from after tax income. From 2013, the amount of Co-Contribution to be paid has been reduced to \$500 for an after tax super payment of \$1,000. Low income is deemed to be for 2012 - \$31,920 for full Co-Contribution and phases out at \$61,920. Income thresholds for 2013 - \$31,920 to \$46,920.
- **Low Income Super Contribution** – from 1 July 2012, the Government will provide a new Super Contribution up to \$500 annually for eligible low income earners. The payment will be 15% of the eligible concessional contributions, including employer contributions, to a super fund made by or for individuals with adjusted taxable income of up to \$37,000.
- **Spouse Offset** is disallowed for a dependent spouse whose date of birth is after 1 July 1971. If your adjusted taxable income is more than \$150,000 you are also denied the claim.
- **Mature Age Offset** is being phased out. As from 1 July 2012, this offset will be denied to taxpayers born after 1 July 1957.
- **ATO Tax Agent Portal** – Although we have access to your details on the Tax Agent Portal and normally download that information onto your tax return prior to your appointment, we cannot wholly rely on the accuracy and information may not be complete. The Tax

Office upgrades the information on the Portal as they receive it from employers, financial institutions, share registries, health funds etc. We would still like to see your original documentation as this will assist us with creating a correct tax return for you.

Previously announced measures that are not proceeding:

- Company Tax Rate remains at 30% and will not be reduced to the promised 29%.
- 50% discount on assessable interest income.
- Standard deductions for work related expenses.

Notes from the Tax Office:

Overtime Meals Allowance – to claim a deduction, the Overtime Meal Allowance must be shown on the **PAYG Payment Summary** – the maximum amount for meals is \$26.45 per meal but they warn that this is not an automatic deduction and you should only claim the amount actually spent on overtime meals.

Uniform Claims – Non Compulsory Work Uniform - These uniforms must be registered with the "Textile, Clothing and Footwear (TCF) Corporate Wear Register" to be able to claim a deduction.

Minors – The amount of tax free threshold for unearned income for a minor has been reduced to \$416. This means children will have to submit a tax return if their income from savings, Trust distributions, and other non work income exceeds \$416.

Default Assessments – The Tax Office is warning taxpayers with outstanding lodgments that they may issue Default Assessments (which is their estimate of your taxable income) and included will be an **additional 75% penalty** on top of the tax.

**Have you checked out our website?
www.wolffaccountants.com.au**

Please note: It is the policy of this firm to only lodge returns upon receipt of payment and signed declarations.

Again this year, I will prepare your children's first return free of charge when completed with the parent's return.

**Registered Tax Agents
For Taxation & Business Solutions**

Tax Report 2012



- **Tax Changes**
- **Superannuation**
- **Medical Expenses Tax Offset**
- **Default Assessments on unlodged Tax Returns**

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Col Grant is now located at Manly West.
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We look forward to seeing you soon
Please phone 3396 1025 for an
appointment

Dear Clients,

Death and Taxes – we can't avoid these. Whereas death will happen, the tax we pay goes towards running this great country of ours. I would also like to acknowledge those volunteers who unselfishly give their time. Without their efforts and us paying tax, this country would come to a standstill. The Treasurer each year (via the Budget) makes decisions on how to collect a portion of the wealth of this country and allocate the tax collected to benefit the nation and to repay our ever increasing national debt.

We believe at Trevor Wolff & Associates that we should all pay our fair share of tax – the correct amount (no more no less) - and we will help you achieve this goal.

The Tax Office is always looking for ways to increase their tax collection. They are active in work related audits. This is where they take your tax return offline, delay your refund and write you a letter requesting details of:

- your income and expenses you have claimed and why.
- how you can justify the claim.
- do you have evidence of the expenses?
- letters from employer as to why you incurred expenses as part of your duties, and
- how you have calculated offsets (Rebates) for spouse and medical expenses.

They also want receipts for your donations. If you cannot supply what is required, or if the Tax Office considers that the expenses don't relate to your earning of income, they will amend your tax return, reduce your refund and add penalties.

The Tax Office has had large success in this area and they have amended at least 80% of returns subject to audit. With this in mind, they will increase their audit activities this year.

The moral of the story is to claim what you can prove and keep receipts and other documentary evidence such as log books and diaries. You are required to keep these documents for five years.



Changes that may affect your refund:

- **Flood Levy** (if not exempt)

Taxable Income	Levy
\$0 - \$50,000	Nil
\$50,001 - \$100,000	½ cent for each \$ over \$50,000
\$100,000+	\$250 + 1 cent for each \$ over \$100,000

The good news is that the Flood Levy is only for the 2011/2012 year.

- **Education Tax Offset** has been scrapped this year and cannot be claimed on your tax return. The School Kids Bonus starts January 2013. The Bonus amount will be paid to recipients of FTB A (paid from Centrelink) and is \$410 for Primary School students and \$820 for Secondary School students. From 1 July 2012, this will be in two equal instalments in January and July each year. The advantage of the new scheme is that you won't need to keep receipts for your children's education expenses. For this year, a payment in full should be made from Centrelink in July to compensate for not being able to claim on the tax return.
- **Net Medical Expense Tax Offset** – your out of pocket medical expenses must exceed \$2,060 for 2012 before you can claim 20% of the excess over \$2,060. For 2013, the threshold increases to \$2,120.
- **Net Medical Expense Tax Offset – Means Test** – 1 July 2012 – if your adjusted taxable income (e.g. taxable income with rental losses and salary sacrifice added back) exceeds: Single - \$84,000; Couple \$168,000 (with adjustments for children), you will only be able to claim 10% of out of pocket medical expenses when they exceed \$5,000 (indexed annually).

- **Medicare Levy Surcharge** due to rise after 1 July 2012 for high income earners who do not hold Private Hospital Insurance.

	Tier 1	Tier 2	Tier 3
Singles	\$84,001 - \$97,000	\$97,001 - \$130,000	\$130,000+
Couples/ Families*	\$168,001 - \$194,000	\$194,001 - \$260,000	\$260,000+
	1%	1.25%	1.5%

*Family income threshold increases \$1,500 for each child after the first.

- **Private Health Insurance Rebate** is also being reduced for high income earners. Currently, the Government allows a rebate (or reduction in premiums paid to the Health Fund) of 30%. As from 1 July 2012, the Rebate will be reduced for adjusted taxable income which exceeds \$84,000 for Singles and \$168,000 for Couples to 20% and phases out once incomes exceed \$130,000 for Singles and \$260,000 for Couples.
- **Tax Free Threshold** has been increased to \$18,200 which means you may not need to lodge a Tax Return if your income is under this figure and if you have paid tax on your income you will receive a 100% refund.

2012 Tax Table	
\$0 - \$18,200	Nil
\$18,201 - \$37,000	19c for each \$ over \$18,200
\$37,001 - \$80,000	\$3,572 + 32.5c for each \$ over \$37,000
\$80,001 - \$180,000	\$17,547 + 37c for each \$ over \$80,000
Incomes over \$180,001	\$54,547 + 45c for each \$ over \$180,000

The above rates also attract Medicare Levy of 1.5% where applicable.

From time to time during the year, we will email you information that we think you may be interested in. If you do not wish to receive these emails, please advise us and we will take you off our email list.