

Collins Hume's end of year planning tips

With the 2012 Financial Year coming to an end, this special newsletter contains our commentary on many of the items you may encounter as part of your financial year-end deliberations

Prepayments - if your turnover is under \$2M, consider any prepayments prior to 30 June 2012.

Cash is King! - update your financial records to 30 June 2012 so you can discuss with us the possible variation of your PAYG instalment due by 28 July 2012.

The 2012 Federal government's budget introduced some items to which you may need to give consideration prior to 30 June 2012. These include:

- A reduction in the higher cap for superannuation contributions for people aged over 50 with under \$500,000 invested in superannuation in 2012/13. The government had originally announced that persons aged over 50, with less than \$500,000 invested in superannuation, could contribute \$50,000 per annum instead of the normal contribution limit of \$25,000 per annum in 2012/13. If you're in this category, then consideration could be given to maximising the contribution, up to \$50,000, in the year ending 30th June 2012.
- The government also announced that taxation on superannuation contributions for persons with pre-tax incomes of \$300,000 and over, will double from 15% to 30% from 1 July 2012. If you're in this category, perhaps consideration should be given to maximising your contributions to either \$25,000 or \$50,000 whichever is applicable, prior to 30 June 2012.
- The government has announced the introduction of means testing to the medical expense rebate. The rebate is currently 20% of expenditure over \$2,000 per annum. The changes are that, for singles with an income of \$84,000 or more and families on \$168,000 or more, the claim threshold would increase from \$2,000 to \$5,000 with the reimbursement reducing from 20% to 10%. This all relates to expenditure incurred after 1 July 2012. If you're in these categories and you have major medical expenses to be incurred, perhaps you should be giving consideration as to whether you should be making the payments prior to 30 June 2012.
- If you're operating your business as a small business with turnover under \$2M, payments of capital expenditure costing under \$6,500 will be eligible as a 100% deduction in 2012/13. This could be a good reason to defer capital expenditure until after 1 July 2012. The government has also announced an accelerated write-off of \$5,000 for the purchase of cars and utilities used in a business, operational from 1 July 2012. Whilst the cash flow benefit from this initiative and the write-off of assets up to \$6,500 will not accrue to taxpayers until 2013/14, there are sound reasons for deferring the purchase of a new motor vehicle or utility until after 1 July 2012.



- If you're likely to receive a 'golden handshake' in the near future and your total income exceeds \$180,000, there are benefits for receiving it prior to 30 June 2012 when the golden handshake payment will be taxed at 15%, because after 30 June 2012 a golden handshake payment to a person whose taxable income exceeds \$180,000 will increase to 30%.
- Medicare Surcharge - the government has announced changes to Private Health Insurance Rebate and Medicare Levy Surcharge which will be income tested against three income tier thresholds. In view of these changes, consideration should be given as to the financial effect of private health insurance cover. It may be possible to retain the full 30% rebate currently available for private health insurance premiums for the 2012/13 year if the premium is prepaid before 1 July 2012.

If you have any queries on items not discussed in this newsletter, or you have general matters you wish discuss with us relative to your taxation affairs for the year ending 30 June 2012, contact us in the next couple of weeks so that a timely meeting can be arranged.

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Business review 2011/2012

Now is an ideal time to talk to us about business development strategies for your business, particularly relating to:

- a business health check
- business evaluation workshop
- cash flow management, including:
 - debtors
 - stock
 - work in progress reviews
- business plan development for 2012/13
- budgets and cash flow forecasts for 2012/13
- succession planning
- buying a business - if you're contemplating expanding your business operations
- selling a business - if you're planning on selling your business
- bank's/lender's review
- gross profit analysis review
- leadership review
- sales targets and calculations of "what ifs"

As part of Collins Hume's business review process we use individually assigned questionnaires covering different key aspects of running a successful business, to assist in the think tank process so we can ensure that all aspects of your business have been considered in the business review.

Collins Hume's client reviews are currently available so phone us on 02 6686 3000 or visit www.collinshume.com.au/services/trust/index to commence your own business analysis questionnaire if you'd like to get one underway prior to 30 June 2012.

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Taxing of trading income

We clarify the two forms

There are two forms of taxing trading income, depending on whether the business is assessed on a:

- 'cash' basis - businesses are assessed when payment is received; or
- 'accruals' basis - businesses are assessed when a legally recoverable debt arises, usually at the point of invoicing.

[Click Here](#) to view our FREE End of Year Tax Planning Checklist for 2012.

Book now for Surf the Wave to Success and get a tax deduction

Book and pay before 30 June 2012 to attend Surf the Wave to Success and get a tax deduction on the 2012 financial year. Full details at

www.collinshume.com.au/services/events



The material and contents provided in The Strategist are informative in nature. It is not intended to be advice and you should not act specifically on the basis of this information alone. If expert assistance is required, seek professional advice from Collins Hume on 02 6686 3000.



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