Avant's last minute 2014 EOFY Planning

…… and some things to consider for the year ahead

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Before 30 June 2014

Double check your contributions

Review your concessional superannuation contributions paid during the financial year to ensure that you don't get caught with Excess Contributions Tax. This can apply to any tax deductible and non-tax deductible contributions made to super. The maximum amount of tax payable can be up to the maximum tax rate of 46.5% plus additional penalties.

The maximum amount of *tax deductible contributions* that can be made to superannuation without penalty is $25,000 if you are under age 60. For anyone age 60 and above the maximum amount is $35,000. These contributions include amounts you may make as salary sacrifice, Superannuation Guarantee or personal deductible contributions, if you qualify.

This financial year the maximum personal *after tax contribution* is $150,000, however, if you are under 65 you can contribute up to $450,000 under the "bring forward" provisions. It may be unadvisable to use the bring forward rule this financial year as it will increase from next financial year.

Spouse Contributions

To be eligible to claim a superannuation spouse contribution tax offset of up to $540 (or 18% of the spouse contribution), the spouse contribution must be received by your spouse's superannuation fund by 30 June 2014.

To be eligible for the full spouse contribution tax offset the receiving spouse's total income must be less than $10,800 and you must contribute $3,000. The spouse contribution phases out to $0 when the income reaches $13,800. There is no income test on the contributing spouse and the offset is claimed through your tax return. Further details can be found here.

Government Co-Contribution

Make an after-tax contribution (non-concessional) into super to qualify for a government co-contribution of up to $500. On an income of $31,920 a contribution of $1,000 will deliver the full $500 government co-contribution; a $500 contribution will deliver a $250 co-contribution. The co-contribution phases to $0 when your income reaches $48,516. If you are within these income brackets you are able to calculate your potential co-contribution here.

To be eligible to receive the Government co-contribution for 2013/14, your personal super contribution must be received by your fund by 30 June 2014. Full eligibility details can be found here.

Crystallise capital losses

If you have crystallised a capital gain during the financial year, you could consider turning any unrealised capital losses you have into realised losses before 30 June 2014 (where appropriate) to help reduce the tax liability on your capital gain. Alternatively, if you have any unused capital losses from previous years you could crystallise capital gains to use up these losses.

Pre-pay tax deductible expenses

By prepaying future expenses by 30 June 2014 the tax deduction can be brought forward into the 2013/14 financial year. Examples of expenses that can often be pre-paid include:

- Interest on tax deductible loans - interest is a tax-deductible expense if it has been properly incurred in producing assessable income for the taxpayer. It is important to note that prepaying interest will generally result in the client paying a fixed rate of interest;
- Income protection premiums;
- Self education expenses, professional subscriptions/membership fees;
- Repairs and maintenance on investment properties.

Spare Cash?

It is generally accepted that prior to retirement you should move your assets into the tax friendly superannuation environment. If you have a large amount of assets/cash/investments, consider contributing the allowable amount into superannuation so you don't miss out.

Make sure that any non-concessional contributions to be paid are not going to be 'excessive' (i.e. under 65 – $450,000 with bring forward rule or 65 and over – $150,000 p.a. if you meet the work test).

Self Employed

Personal Contributions

The self-employed need to ensure their superannuation fund receives their personal contribution by 30 June 2014, in order to be able to claim a tax deduction for 2013/14.

To ensure a tax deduction can be claimed for personal contributions made in 2013/14, personal tax deduction notices need to be provided to the superannuation fund before the earlier of the time you either lodge your 2013/14 tax return or 30 June 2015. It also must be done before an income stream is commenced or a full or partial withdrawal, including a rollover, is made.

Post 1 July 2014

The following are some things that should be considered for the year ahead:

Salary Sacrifice

Start establishing new salary sacrifice arrangements, or amending existing arrangements, for 2014/15. If you are aged 50 or more then your concessional contribution cap will be $35,000; for everyone else the cap will lift to $30,000.

Transition to Retirement (TTR)

Review your existing salary sacrifice and TTR strategies to determine whether any changes are required.
Some things to consider include:

- any changes in your employment arrangements since your last review;
- whether you still requires the same net income for living expenses as you did at your last review;
- the concessional contributions cap will move to $35,000 for 2014/15 if you are over 50;
- changes in your TTR pension account balance may mean changes in the minimum and maximum income limits that can be drawn in 2014/15. This may impact the level of TTR pension income you are able to receive, which may in turn impact the level of salary sacrifice contributions required for 2014/15;
- whether you will have surplus TTR pension income as a result of the increase in minimum pension payments for 2014/15;
- using any surplus income to make non-concessional contributions.

Account based pensions

Review how much you need to receive from your pension and make the required adjustments. Bear in mind that the minimum pension drawdown percentages increase with age:

Age	2014-15
Under 65	4%
65-74	5%
75-79	6%
80-84	7%
85-89	9%
90-94	11%
95 and more	14%

Contribution splitting

Contribution splitting is where one spouse splits 85% of their super contributions with the other spouse. The contributions which can be split includes SG, salary sacrifice and (mainly for self-employed), personal contributions if you have advised the super fund you will be claiming a tax deduction. Further details can be found here.

This strategy does not just build up the balance of a spouse with a lower super balance. It can also be a beneficial strategy if there is an age difference and one spouse will reach either transition to retirement age or full retirement age before the other.

SMSF Specific

Minimum pension payments

The end of the financial year is a good time to ensure that the minimum pension payment required under superannuation law has been made, to ensure the fund continues to have a zero rate of tax applied to investment earnings and capital gains. By not meeting the minimum pension will mean that the fund will not receive the 0% tax rate on income generated by assets supporting the pension (and all withdrawals will be treated as lump sums).

Ensure all paper work is up to date

Ensuring the SMSF has up to date paper work is important at any time of year, but even more so at year end. For many SMSF's that are in pension phase, the end of the financial year is a great time to lodge the funds tax return and have franking credits paid as a tax refund. SMSFs can only do this, however, if all of the required paperwork is available for the funds accountant and auditor.

In your role as trustee of the fund you also need to ensure there is sufficient documentation (i.e. minutes) of the fund's activities in the past year and that you have reviewed the fund's investment strategy. It is essential for the Investment Strategy to consider life insurance for the members.

In-Specie Transfers

Think about contributions that could be made into your SMSF by way in-specie transfer. Members can make contributions of assets such as shares, managed funds, and commercial property (including your own business premises) into super as an 'off market transfer'. You will need to appropriately consider the issues of tax (CGT), GST, and stamp duty as well as the contribution limits.

Valuations

You should consider obtaining valuations for assets such as artwork and collectibles. This is important for matters such as the in-house asset rules.

Fund expenses

For SMSF members in accumulation phase it is important to ensure all expenses are actually incurred or paid before 30 June 2014 to be deductible in the 2013-14 tax year.

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