Avant's last minute 2013 EOFY Planning

…… and some things to consider for the year ahead

www.avantfinancial.com.au

Table of Contents

Before 30 June 2013

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. If you put in more than the allowable cap of $25k you may pay the top marginal tax rate of 46.5%, including the Medicare levy.

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 2013.

To be eligible for the full spouse contribution tax offset the receiving spouse's total income must be less than $13,800 and you must contribute $3,000. A partial tax offset is payable where income is below $13,800. There is no income test on the contributing spouse.

Government Co-Contribution

Make an after-tax contribution (non-concessional) into super to qualify for the government co-contribution. To be eligible to receive the Government co-contribution for 2012/13, your personal super contribution must be received by your fund by 30 June 2013.

For 2012/13, if your total income is below $31,920 you will benefit from the 50% matching rate for contributions made before 30 June. The amount of co-contribution phases out to $0 when your income passes $46,920. If you are within these income brackets you are able to calculate your potential co-contribution 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 2013 (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 2013 the tax deduction can be brought forward into the 2012/13 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; and
- Income protection premiums.

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.).

Self Employed

Personal Contributions

The self-employed need to ensure their superannuation fund receives their personal contribution by 30 June 2013, in order to be able to claim a tax deduction for 2012/13.

To ensure a tax deduction can be claimed for personal contributions made in 2012/13, personal tax deduction notices need to be provided to the superannuation fund before the earlier of the time you either lodge your 2012/13 tax return or 30 June 2014. 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 2013

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 2013/14. If you are aged 60 or more then your concessional contribution cap will lift from $25,000 to $35,000 p/a.

Superannuation Splitting

Consider whether you should be splitting your super contributions into your spouse's super account. This may be beneficial in light of the recently introduced 15% tax on pension accounts which earn more than $100,000 p/a.

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 transitional concessional contributions cap will remain at $25,000 for 2013/14 unless you are aged 60 or above.

- changes in your TTR pension account balance may mean changes in the minimum and maximum income limits that can be drawn in 2013/14. 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 2013/14.
- whether you will have surplus TTR pension income as a result of the increase in minimum pension payments for 2013/14
- 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 will increase in 2013/14.

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.