

JAMES W. MANN & ASSOC. CPA

Registered Tax Agent & Public Accountant.

370 Blackshaws Rd. Altona North 3025.

PHONE: 9314 6011, FAX: 9314 4774.

E-mail: office@jwmann.com.au Web: <http://www.jwmann.com.au/>

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Dear Valued Client,

The time has arrived for the lodgment of **2013 Tax Returns**.

Again the tax system has gone through a variety of changes, adding to the complexity of return preparation.

Individual Returns:

- **This year the ATO will NOT be issuing refund cheques.** All refunds must be deposited directly to a bank account, so please ensure that you bring your current BSB and Account Number. This also means our fee needs to be paid prior to lodgement. **EFTPOS facilities are available.**
- **Private Health Cover:** Significant changes have been made to the amount of information necessary to report on a return. This year each partner will receive a separate individual Private Health Statement. Anyone who has had Private Cover during this year will need to have their Private Health Statement before their return can be prepared. There are also new income thresholds that dictate how much Private Health offset you are entitled to: this could range from 30%, 20%, 10%, or nil. If you have ever claimed directly from your health fund the ATO will adjust your entitlement against your current tax assessment.
- **Spouse Income:** This year it will be necessary to report all Spouse Income to enable these income changes to be calculated, so please bring your Spouse Income details.
- **Net Medical Expenses:** The Government has begun phasing out the Medical Expense Claim and new income tests will apply. Also, if you are not eligible to make the claim in the 2013 year, you will be denied from making a claim in future years. To maximise this claim we require you obtain, or download, your Medical Expense Statement from Medicare, along with your Private Health Fund as soon as possible. Also required is a print out of your scripts, which can be obtained at your chemist for all members of the family.
- **Self-Education Expense Claim:** The Government has announced a \$2000.00 limit to claims for self-education expenses effective 1 July 2014.
- **Medicare Levy Surcharge:** This year it is now Income tested over three tiers, increasing the surcharge from 1% to 1.5%.
- The Government has announced an **increase in the Medicare Levy** by 0.5%. This lifts the total Levy to 2%, effective in 2014, and provides funding toward Disability Care Australia.
- From 1 January 2014, the Government will remove all current discounts applying to up-front and voluntary payments made under the **HELP loan scheme**. So any voluntary payments must be made before then.
- **Positive changes** have been announced regarding **Superannuation caps** and are subject to certain age requirements:
 - From 1 July 2013, people from the ages of 60 and over will have a \$35000.00 Concessional Cap.
 - From 1 July 2014, people from the ages of 50 and over will have a \$35000.00 Concessional Cap.
- **Dependant Spouse Offset:** There has been a further phasing out of the Dependant Spouse Offset. As of 1 July 2012, eligibility now requires your spouse must have been born before 1 July 1952, i.e. aged 60.

Rental Returns:

- **Rental properties:** The ATO is continuing it's scrutiny of Rental Properties, flagging an extensive audit program. Therefore, extra care in making claims is necessary, particularly when there has been some private use of the property. Details of all types of rental expenses claimed are now submitted to the ATO with the return, making the need for substantiated claims even greater. **The ATO will give extra attention to Depreciation claims and Loan Refinancing!**

Business Returns:

- At the time of writing, the **Company Loss Carry Back Concession** announced last year has not been passed by the Government. As such, we are unable to implement this concession until the law has been passed.

- **Superannuation compulsory contributions** have increased to **9.25%** as of 1st July 2013. This must still be **paid quarterly**, and within 28 days, or it will result in penalties and a denial of tax deduction.

- **ATO Audit Focus:** The ATO has flagged their audit activity to focus on businesses outside their industry benchmark ratios, specifically **targeting the Plastering and Cafe industries; PSI; and payments to contractors**, which come under the new reporting regime and also focus on your liability to pay Super, PAYG and WorkCover.

- **Documents** you need to email in or bring to the consultation may include PAYG summaries, pension or benefit statements, documents related to all bank accounts or other financial investments such as Term Deposits or share dividends, details of family income, employee share details.

- **Work related claims:** This year the ATO have indicated this area will come under strong audit scrutiny. Do not be discouraged from making a valid claim. However, to ensure that you keep the claim in an audit, you will need to satisfy the substantiation requirements of the ATO and sign a declaration of your responsibility to the content of your return. Work related claims must be substantiated with receipts if their balance is over \$300.00. It would help our process if you compiled your receipts and other records of your deductible expenses before making your appointment. This may include Motor Vehicle log books, travel and usage diaries. Much more detail is required this year in the tax return, showing the types of claims made. We continually undergo training to keep abreast of these changes and strive to ensure that you receive the **maximum claims** you are entitled to.

You must provide **accurate** details of bank interest income earned by you during the financial year from 1st July 2012 to 30th June 2013. The ATO's income matching system now detects a number of people who have understated their income on their return. In most cases these people have not deliberately understated their income, but did not provide their tax agent with sufficient information. **Please do not guess or estimate your interest income.** We suggest, for the sake of simplicity and confidence, that you obtain a **Statement of your Interest Income** from your bank for all accounts and bring it with you or drop off with tax information.

- **GST** clients note that the changes to the new tax system are putting greater demands upon you. We are able to provide **GST Specific** manuals or Handisoft **computer cash books** that track the GST credits you can claim back. If you have not already got one of these, call our office to ensure you do not miss out on your GST claims.

- **Personal Services Income**, commonly called the New Contractor Law, will be a big issue this year and will significantly add to the complexity of affected returns. The rules are complex and need to be treated on an individual basis.

- **Return Charges:** The fee for preparation and lodgment of your **Basic Individual Return** remains **\$130.00** GST inclusive.

- Additional charges apply for extra schedules and complex issues. These may include:

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|------------------------------|--------------------------------------|---------------------------------------|
| - Rental Property | - Contractor Income | - Business Losses and Deferred Losses |
| - Capital Gains Calculations | - Rebates for Pensions and Annuities | - Low Cost Pools |
| - PSI Schedules | - Rebates for Medical Related Items | - Employee Share Schemes |
| - Termination Payments | - Investments and Trust Income | |
| - Spouse Claims | - Depreciation Schedules | |

We also provide a complete range of other services apart from tax preparation, such as: **Business Planning, Advice and Investment Strategies. Leasing and HP Finance** at competitive rates is also now available.

Our **web page** is a convenient place for you to contact our firm. We also have **current newsletters** and useful links posted at **www.jwmann.com.au/**

Our database is always updating, so please bring along your most current **email address**.

To make an appointment for your Tax Return please **ring Nicola on 9314 6011**.

Yours Faithfully,

Peter J. Smith - CPA

James W. Mann & Associates