

PALMER & ASSOCIATES

CERTIFIED PRACTISING ACCOUNTANTS

June, 2017

Tax Planning for High Income Earners

With the end of the financial year fast approaching, now is the time to ensure that your tax affairs are in order. You may wish to look at the following issues that may affect you.

Should you wish to discuss any of the points in further detail or take advantage of our tax planning service please do not hesitate to contact our office.

Increase in the Medicare Levy

From 1 July 2019, the Medicare Levy will increase from 2% to 2.5% of taxable income.

Other tax rates that are linked to the top personal tax rate, such as the Fringe Benefits tax rate, will also be increased.

Medicare Levy Surcharge

Currently those without private health insurance can pay up to 1.5% of taxable income on Medicare levy surcharge.

It is important to note that net investment losses are added to income for the purposes of calculating the Medicare levy surcharge, rather than subtracted.

Double Contributions Tax for High-Income Earners – Division 293 Tax

High income earners with incomes of \$300,000 or more pay 30% tax on super contributions they make, rather than the usual 15%.

From 1 July 2017, this threshold will reduce to \$250,000.

Family Tax Benefit A Changes

From 1 July 2018, a consistent 30 cents in the dollar income test taper, for Family Tax Benefit A families with a household income in excess of the Higher Income Free Area (Currently \$94,316) will apply.

Our aim is to provide relevant information to inform and help create opportunities for our clients. Please note: many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation of the information's applicability to their particular circumstances. If you require further information regarding the contents of this newsletter, please do not hesitate to contact our office.

Temporary Budget Repair Levy

Individual tax payers with taxable income of more than \$180,000 per year are paying an additional 2% of each dollar of taxable income over \$180,000.

This will cease to apply from 1 July 2017

Income Protection Insurance

You can claim the cost of premiums you pay for insurance against the loss of your income.

Please be aware that you cannot claim a deduction for life, trauma or critical care insurance.

Concessional super contributions

Making a personal superannuation contribution is an effective way to reduce your taxable income. Until 30 June 2017, those earning income of more than \$300,000 pays an extra 15% tax on concessional contributions. Even after taking into account the double contributions tax, it is still an effective way to reduce tax.

Lodgement due date 2017

Due date for lodgement of tax returns for all entities is 31 October 2017, unless you use an accountant, in which case lodgement date is 15 May 2018, provided you have lodged your 2016 Income Tax Return on time.

Please contact our office to confirm your lodgement date

Child Care Subsidy Limited

The Child Care Subsidy will be limited to families with incomes below \$350,000 per annum.

This upper income threshold will be indexed annually from 1 July 2018.

Private Health Insurance Offset

The private health insurance rebate is an amount the government contributes towards your private hospital health insurance.

Higher income earners may receive no rebate at all or may have to repay rebates.

Prepayments of subscriptions and memberships

Prepayments of professional publications, memberships and subscriptions can be prepaid up to 12 months in advance.

Accounting fees

You can claim a deduction for expenses you incur in managing your own tax affairs such as lodging your tax return through a registered agent, obtaining tax advice or travel to visit your accountant

Other forms of income

Please ensure you include all forms of income, including bonuses, compensation for lost salary, discounted share rights to acquire shares under employee shares schemes and eligible termination payments

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