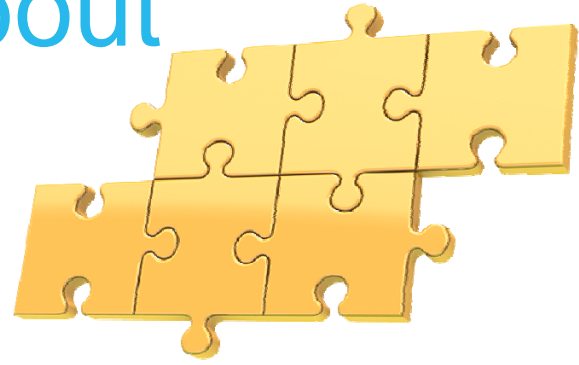


Have you thought about Tax Planning?



30 June is fast approaching and the end of another financial year draws near. We have included a tax planning checklist below to allow you to take advantage of any pre - June 2011 actions to minimize income tax. Please review this checklist and if any of the listed issues are relevant to your circumstances please contact us.

- Vary PAYG instalments** - If you are paying quarterly PAYG income tax instalments you may be entitled to vary your payment downward if your projected taxable income is lower than the 2010 year.
- Defer Income** - If you are an individual and your taxable income is forecast to be lower next year, consider "deferring" income until after 30 June 2011. This will ensure that payments of income are taxed at your lowest possible marginal tax rate.

If you operate a company then the advantage of deferral is limited to deferring tax on this income for a further 12 months.
- Prepayment of expenses** - If you are an individual and your taxable income is forecast to be higher this year, consider "bringing forward" expenses prior to June 30 2011. For example, prepay interest on an investment loan or pay any subscriptions early. This will ensure these costs are deducted at the higher marginal tax rate.

If you are a company then the advantage of pre paying most expenses is only available to businesses that qualify under the Small Businesses Entity Test (turnover of less than \$2,000,000).
- Capital losses** - If you are in a position where you have a realised capital gain in this year because you sold an asset and made a capital profit, consider disposing of assets that are currently in a capital loss position e.g. shares. This will ensure that your capital gains are reduced and your tax is minimized.
- Capital gains** - If you are looking at disposing of an asset that will result in a capital gain, consider disposing of the asset after 30 June 2011. This will defer any tax payable on the gain by 12 months.
- Write off bad debts** - Bad debts are not tax deductible until the debt has been declared bad. Ensure that you have taken the necessary steps to 'write off' any bad debts prior to 30 June 2011.
- Pay employee 9% superannuation guarantee payments prior to 30 June 2011** - Superannuation contributions are not tax deductible until paid.
- Reporting of employee salary sacrificed superannuation contributions** - Employers are now required to report employee salary sacrificed superannuation contributions on employee's individual PAYG payment summaries.
- New withholding tax rates** - The Government has introduced the "flood levy" for the 2012 financial year. This will result in many employee PAYG withholding rates increasing.
- Caution with exceeding superannuation concessional contribution limits** - Concessional superannuation contributions are generally taxed at 46.5% (or 93% in some extreme cases) if you exceed the specified limits.

If you are under 50 the concessional contribution limit is \$25,000 and if you are over 50 the concessional contribution limit is \$50,000.
- Holding of assets** - Do you have any cash deposits or other liquid assets that pay income? Could these cash deposits or other assets be transferred to another member of your family on a lower marginal tax rate for the 2012 financial year?

12. **Withholding variations** - Do you have a negatively geared investment property or negatively geared investments? Do you have substantial tax deductions that entitle you to a tax refund at the end of the year?

If so, you are entitled to complete a Withholding Variation and request that your employer reduces your PAYG withholding tax from each pay period.

13. **Salary sacrificing into superannuation** - Most employees have the ability to forego some of their salary payments and direct these amounts into their superannuation fund. The advantage of this strategy is that their superannuation contributions are taxed at 15% instead of the marginal tax rate which is generally no less than 31.5% and as high as 46.5%

This is a common tax strategy for people nearing retirement or individuals that have a long term, conservative investment strategy.

14. **Minimum pension amounts** - If you are receiving a pension, ensure that you have elected to receive a 2011 pension payment that exceeds the minimum pension amount for the year.
15. **Maximum pension amounts** - If you are receiving a transition to retirement pension there is a maximum 10% pension amount that can be withdrawn in any financial year.

16. **“In specie” contributions of shares into a self managed superannuation fund (SMSF)** - Do you hold company shares in your personal name?

Under the SIS regulations, as long as certain criteria are met, an individual may be able to contribute shares to their SMSF account. This is classified as an “in-specie contribution”.

The market value of the shares contributed is then tax deductible to the “self employed” individual (subject to limits). Depending on the individual's marginal tax rate, material tax advantages can be achieved.

17. **Superannuation co-contribution** - The government may pay up to \$1,000 into an individual's superannuation account if the following conditions apply:
- The individual makes a non-concessional superannuation contribution into their superannuation fund of \$1,000
 - The individual's superannuation fund also receives a concessional contribution from an employer or the individual
 - 10% or more of your income is from employment or carrying on a business
 - If the above conditions apply, the government will pay \$1,000 into an individual's superannuation fund account if their “total income” is below \$31,920. The government's contribution phases down to Nil once an individual's “total income” exceeds \$61,920.

If you have any questions regarding tax planning or any other tax or accounting matters, contact the team at BMG today to discuss your situation.

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