FOR INDIVIDUALS & BUSINESS

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INDIVIDUALS AND FAMILIES

Taxable Income Threshold and Marginal Tax Rates

The following rates for 2013/14 apply from 1 July 2013:

<table>
<thead>
<tr>
<th>Resident thresholds $</th>
<th>Marginal rates %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 18,200</td>
<td>Nil</td>
</tr>
<tr>
<td>18,201 to 37,000</td>
<td>19c for each $1 over $18,200</td>
</tr>
<tr>
<td>37,001 to 80,000</td>
<td>$3,572 plus 32.5c for each $1 over $37,000</td>
</tr>
<tr>
<td>80,001 to 180,000</td>
<td>$17,547 plus 37c for each $1 over $80,000</td>
</tr>
<tr>
<td>180,001 plus</td>
<td>$54,547 plus 45c for each $1 over $180,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-resident thresholds $</th>
<th>Marginal rates %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 80,000</td>
<td>32.5c</td>
</tr>
<tr>
<td>80,001 to 180,000</td>
<td>$26,000 plus 37c for each $1 over $80,000</td>
</tr>
<tr>
<td>180,001 plus</td>
<td>$63,000 plus 45c for each $1 over $180,000</td>
</tr>
</tbody>
</table>

The above rates do not include the Medicare Levy

Deferral of Tax-Free Threshold Increase

The legislated tax-free threshold increase from $18,200 to $19,400 that was to apply from 1 July 2015 is to be deferred.

The increase in the second marginal rate (income from $37,001 to $80,000) from 32.5% to 33% will go ahead from 1 July 2015.

Medicare Levy Low-Income Threshold

From 1 July 2012 the low-income tax offset reduced to $445, and to $300 from 1 July 2015.

A low-income earner’s effective tax-free threshold is now:

- $20,542 for individuals
- $32,279 for pensioners eligible for the Senior and Pensioner Tax Offset
- $33,693 for families and the additional family threshold amount for each dependent child or student will increase to $3,094.

Medicare Levy

From 1 July 2014 the Medicare Levy will increase from 1.5% to 2%.

Medical Expenses Tax Offset Phased Out

From 1 July 2013 the net medical expenses tax offset is to be phased out. From that date, taxpayers who claimed the offset in 2012/13 will be eligible for 2013/14 if they have eligible out-of-pocket medical expenses above the $2,120 or $5,000 (if adjusted taxable income over $84,000 for singles or $168,000 for families plus $1,500 for each dependent child) expenses threshold.

Taxpayers who claim the offset in 2013/14 will be eligible to claim the offset in 2014/15.

The net medical expenses tax offset will continue to be available for taxpayers for out-of-pocket medical expenses relating to disability aids, attendant care or aged care expenses until 1 July 2019.
INDIVIDUALS AND FAMILIES (CONTINUED)

Family Tax Benefit

Rate increase for FTB Part A not proceeding

The Government has confirmed that it will not proceed with the 2012/13 Federal Budget measure to increase the maximum payment rate of FTB Part A by $300 per year for families with one child and $600 per year for families with more than one child.

Continued indexation pausing on certain benefit thresholds

Until 30 June 2017, the Government will pause any further indexation of the higher income thresholds for family payments and supplement amounts:

- The existing $150,000 upper income test limit for Family Tax Benefit Part B, Dependency Tax Offsets, Paid Parental Leave Scheme and Dad and Partner Pay will remain.
- The Family Tax Benefit Part A upper income free area will remain at $94,316 plus an additional $3,796 for each child after the first.
- FTB Supplements: $726.35 per child FBT (A) and $354.05 per family FBT (B).

Time period to claim Family Tax Benefit

Beginning from 2012-2013, families will have 12 months rather than 2 years from the end of the financial year for which the family is claiming FTB to reconcile their income, initiate lump sum claims and satisfy any requirements for the end of year supplements.

Changes to age eligibility for Family Tax Benefit Part A

From 1 January 2014, payments will cease at the end of the year when the child 16 years or older completes schooling.

Baby Bonus

The Baby Bonus will be removed and replaced with a Family Tax Benefit (FTB) Part A payment for each child from 1 March 2014.

Under the previously announced changes, for babies born on or after 1 July 2013, the rate of the Baby Bonus was to be $5,000 for the first children and all multiple births and $3,000 for all subsequent children.

As a result of the 2013/14 Federal Budget announcements, the Government would increase the FTB Part A payments in the year following the birth or adoption of a child as follows:

- $2,000 for a first child and each child in multiple births
- $1,000 for all subsequent children.

Parents who take up paid parental leave would not be eligible for the additional FBT Part A component.

Child Care Rebate

The maximum amount of the Child Care Rebate (CCR) that can be paid will remain at $7,500 a year until 30 June 2017.

HECS-HELP Discount and Voluntary HELP Repayment Bonus to end

From 1 January 2014 the following discounts for voluntary and upfront HECS-HELP repayments will be removed:

- The 10% discount available to students electing to pay their student contribution up-front
- The 5% bonus on voluntary payments made to the Tax Office of $500 or more.
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INDIVIDUALS AND FAMILIES (CONTINUED)

Income Free Threshold Increased

Newstart Allowance, Sickness Allowance, Parenting Payment Partnered, Widow Allowance, Partner Allowance Benefit and Partner Allowance Pension.

Currently, allowance recipients can earn $62 per fortnight before there is a reduction in the amount of allowance payment.

From 20 March 2014 the threshold will increase by $38 per fortnight to $100 per fortnight.

From 1 July 2015 this new $100 threshold will also be indexed in line with movements in the CPI.

Work Related Self-Education Expenses

From 1 July 2014 employee deductions for work-related self-education expenses would be capped at an annual amount of $2,000 per person.

The expenses identified include undertaking courses of study but also include other educational activities such as conferences and workshops and expenses such as tuition fees, text books, professional and trade journals and computer expenses and stationery.

The cap is not to apply for FBT purposes unless the expenses are salary sacrificed.

Fringe Benefit Tax (FBT)

With the increase of the Medicare Levy (by 0.5% per annum) from 1 April 2014, there will also be an increase in the FBT from 46.5% to 47%.

Where an employer is entitled to a GST credit the FBT gross-up rate will be 2.0802.

Where an employer is not entitled to a credit the FBT gross-up rate will be 1.8868.

Military Compensation for Legal Advice – Tax Exemption

From 1 July 2013 - Income tax exemption for compensation provided for legal advice to beneficiaries under the Military Rehabilitation and Compensation Act 2004 (MRC Act). (Note: Extends existing tax exemption for financial advice).

Native Title – No CGT Implications

Resulting from the transfer of native title rights (or the right to a native title benefit) to an Indigenous holding entity or Indigenous person, or from the creation of a trust that is an Indigenous holding entity over such rights.

10% Withholding Tax on Disposal of Australian Property by Foreign Residents

From 1 July 2016 a 10% non-final withholding tax will apply on disposal of Australian residential property by foreign residents for transaction exceeding $2.5 million.

Under this measure, the purchaser of the property will need to withhold 10% of the purchase price and forward it to the ATO as a form of withholding tax. As a result, the vendor will only receive 90% of the sale proceeds up-front. They will need to lodge a tax return if they want to receive any of the remaining 10%.

Child Care Assistance (CCA) Tax Claims

Reduction in time to claim CCA: from 1 July 2012 families will have 12 months (not 24 months) from the end of the financial year for which they are claiming the benefit to reconcile their income, claim lump sums and satisfy requirements to receive end of year supplements.
Closing Late Registrations to Pension Bonus Scheme

From 1 March 2014, the Government will cease accepting late registrations for the Pension Bonus Scheme. The Pension Bonus Scheme was closed for new entrants on 20 September 2009 and replaced by the Work Bonus.

Housing Help for Seniors

From 1 July 2014 the Government will run a pilot to assist older Australians to move to more age-appropriate housing. An exemption will apply to Age Pension recipients who downsize their family home.

Eligibility:

- Ownership of the family home: at least 25 years.
- At least 80% of the excess sale proceeds (up to $200,000) to be deposited in a special account with an authorised deposit taking institution.
- The excess sale proceeds being the amount remaining after purchasing the new home.

The amount held in the account plus interest earned will be exempt from means testing for up to 10 years provided there are no withdrawals during the life of the account.

Disaster Income Recovery Subsidy (DIRS) – Exempt from Income Tax

Payments provided between 3 January 2013 and 30 September 2013 and Ex-gratia payments to New Zealand non-protected Special Category Visa holders affected by natural disasters occurring in 2012/13.

Exempt Foreign Income

Amendments to section 23AG of the Income Tax Assessment Act 1936 took effect on 1 July 2009, limiting the foreign employment income, which is eligible for exemption.

Note: Exempt foreign income will need to be included in your income tax return as it is used in the income tests for the purposes of discerning eligibility for certain tax offsets. It is also used to calculate the tax rate on your other assessable Australian income.

Bank Account Details Required

From 1 July 2013 the ATO won’t be issuing refunds via cheques. All refunds will need to be banked into a bank account. Irrespective of whether you are giving us authority to deduct your refund, we will still require your bank account details i.e. Name of Bank, BSB Code and Account Name and Account Number.
SUPERANNUATION

Superannuation Guarantee (SG) Rate will increase over the next 7 years

From 1 July 2013 the SG rate will increase from 9% to 9.25%.

<table>
<thead>
<tr>
<th>Year Range</th>
<th>SG Rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012/2013</td>
<td>9</td>
</tr>
<tr>
<td>2013/2014</td>
<td>9.25</td>
</tr>
<tr>
<td>2014/2015</td>
<td>9.5</td>
</tr>
<tr>
<td>2015/2016</td>
<td>10</td>
</tr>
<tr>
<td>2016/2017</td>
<td>10.5</td>
</tr>
<tr>
<td>2017/2018</td>
<td>11</td>
</tr>
<tr>
<td>2018/2019</td>
<td>11.5</td>
</tr>
<tr>
<td>2019/2020</td>
<td>12</td>
</tr>
</tbody>
</table>

Superannuation Guarantee Contributions for Employees over 70

From 1 July 2013 Superannuation Guarantee Contributions will be required for workers aged 70 or over. Employers can claim a tax deduction for the super contributions paid.

Increase in Concessional Contribution Cap

The current concessional superannuation cap is $25,000 regardless of age. This cap will increase as follows:

- From 1 July 2013 aged 60 and over $35,000 cap
- From 1 July 2014 aged 50 and over $35,000 cap

(replacing the previous proposal of higher cap for over 50s with balances under $500,000)

- The $25,000 cap will remain for individuals who don’t meet the new age requirements and it is projected that it will reach $35,000 in July 2018.
- From 1 July 2013 individuals will be able to withdraw any excess concessional contributions and the marginal tax rate will apply plus an interest charge instead of being taxed at the top marginal rate of 46.5%

Minimum Pension Drawdowns

The Government has not announced any further extension of the minimum draw down relief for superannuation income streams.

The minimum pension drawdowns will return to their standard level from 1 July 2013 as shown in the following table:

<table>
<thead>
<tr>
<th>Age of beneficiary at 1 July</th>
<th>Minimum percentage from 1 July 2010</th>
<th>Minimum percentage from 1 July 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 65</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>65—74</td>
<td>3.75</td>
<td>5</td>
</tr>
<tr>
<td>75—79</td>
<td>4.5</td>
<td>6</td>
</tr>
<tr>
<td>80—84</td>
<td>5.25</td>
<td>7</td>
</tr>
<tr>
<td>85—89</td>
<td>6.75</td>
<td>9</td>
</tr>
<tr>
<td>90—94</td>
<td>8.25</td>
<td>11</td>
</tr>
<tr>
<td>95 or more</td>
<td>10.5</td>
<td>14</td>
</tr>
</tbody>
</table>
SUPERANNUATION (CONTINUED)

Higher tax on concessional contributions for high income earners:

Previously announced in the 2012 Budget, an individual with “total income” in excess of $300,000 will be subject to an additional 15% tax on their concessional contributions to super up to their relevant concessional contribution cap limit.

Changes to Tax Free Treatment of Superannuation in Pension Phase

From 1 July 2014 earnings on assets supporting a superannuation income stream will be tax free up to $100,000 per year for each individual.

Earnings above $100,000 will be taxed at 15%

The $100,000 threshold is to be indexed to the CPI and increase in $10,000 increments.

Transitional rules will apply in respect of capital gains that accrue on assets acquired before the commencement of this measure (i.e. pre 1 July 2014). These rules are as follows:

- For assets acquired prior to these announcements (i.e. pre 5 April 2013), any capital gains realised (as a result of the assets being sold by the fund) before 1 July 2024 will remain tax free and will not be included in the calculation of the $100,000 threshold. Where the asset is sold after that time, only the gain that accrues from 1 July 2024 is included in the calculation.
- For assets acquired between 5 April 2013 and 30 June 2014, individuals will have the choice to apply the reform to the entire gain on disposal, or only that part of the gain that accrues from 1 July 2014.
- For assets acquired on or after 1 July 2014, the entire capital gain will be included in the calculation.

Note: This reform will not affect the tax treatment of withdrawals: they will continue to remain tax-free for those aged 60 and over, and face the existing tax rates for those aged under 60.

Extending Normal Deeming Rules to Superannuation Account Based Income Streams

From 1 January 2015 the social security deeming rules that currently apply to financial investments will apply to new superannuation account-based income streams assessed under the age pension income test rules.

All pensions in place before 1 January 2015 will continue to be assessed under the existing rules, unless the product is changed on or after that date.

Low income Superannuation Contribution (LISC)

The LISC is a refund of up to $500 of the tax paid on superannuation concessional contributions for individuals with adjusted taxable income up to $37,000.

Previously the LISC was not paid if less than $20. Now it will be paid to individuals with an entitlement below $20 and entitlements under $10 will be rounded up to $10.

Tax on Lump Sum Super Withdrawals

The Government has confirmed that the current tax treatment for lump sum withdrawals will continue (including tax free withdrawals for those at least age 60).

Deferred Lifetime Annuities—Earnings Tax Free

From 1 July 2014 the same concessional tax treatment that applies to superannuation pensions will be extended to deferred lifetime annuities, i.e. earnings will be tax free.
SUPERANNUATION (CONTINUED)

Unclaimed Superannuation

The minimum amount deemed to be “lost” and therefore transferred to ATO will increase from $2,000 to $2,500 from 31 December 2015, and to $3,000 from 31 December 2016.

Annual Supervisory Levy

Payment of the SMSF levy will be brought forward so that it is levied and collected in the same year of income. This change will be phased in over the 2013/14 and 2014/15 years.

In 2013/14, SMSFs must pay the $191 levy for the 2012/13 year and half the $259 levy for the 2013/14 year.

In 2014/15, SMSFs must pay the other half of the $259 levy for the 2013/14 year and the $259 levy for the 2014/2015 year.

From 2015/16, SMSFs pay the full levy in the relevant income year.

<table>
<thead>
<tr>
<th>Tax Year</th>
<th>Annual Levy</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013/2014</td>
<td>$259</td>
</tr>
<tr>
<td>2012/2013</td>
<td>$191</td>
</tr>
<tr>
<td>2011/2012</td>
<td>$200</td>
</tr>
<tr>
<td>2010/2011</td>
<td>$180</td>
</tr>
<tr>
<td>2009/2010</td>
<td>$150</td>
</tr>
<tr>
<td>2008/2009</td>
<td>$150</td>
</tr>
<tr>
<td>2007/2008</td>
<td>$150</td>
</tr>
<tr>
<td>2006/2007</td>
<td>$45</td>
</tr>
<tr>
<td>2005/2006</td>
<td>$45</td>
</tr>
</tbody>
</table>
Small & Medium Enterprises

There were no changes to the company tax rate, the taxation of Trusts, the small business Capital Gain Tax (CGT) relief concession or any changes to depreciation rates.

However the 2012/2013 budget announced small businesses, that elect to use the simplified depreciation rules, will be able to:

- Immediately deduct the cost of any new business asset costing less than $6,500 for as many assets as they purchase from 1 July 2012
- Write-off assets costing $6,500 or more in a single pool (15% in the year they are purchased and 30% in each subsequent year)
- Instantly write-off the first $5,000 of the cost of a new or used motor vehicle.

Company Tax Loss Carry Back Measures

As previously announced in the 2012/13 Budget, Companies will be allowed to carry back tax losses in 2012/2013 to offset against tax paid in 2011/2012 to get a refund against the tax previously paid.

From 2013/2014, tax losses can be carried back and offset against tax paid up to two years earlier.

Only tax losses up to $1,000,000 can be carried back each year. The loss carry-back is only applicable to revenue losses and is limited to a company’s franking account balance.

Monthly PAYG Instalments - Extension to Include all Large Entities in the PAYG Instalment System

This will include superannuation funds, trust, sole traders and large investors.

- Companies with turnover of more than $1b will still move to monthly PAYG instalments from 1 January 2014.
- Companies with turnover of $100m or more will still move to monthly PAYG instalments from 1 January 2015.
- Companies with turnover of $20m or more, and all other entities in the PAYG instalment system with turnover of $1b or more, will move to monthly PAYG instalments from 1 January 2016.
- Non-corporate entities with turnover of $20 million or more will move to monthly PAYG instalments from 1 January 2017.

Dividend Washing

Currently, share investors can receive two sets of franking credits for the same parcel of shares by selling shares with a dividend and then immediately buying equivalent shares that still carry a right to a dividend.

Integrity measures will be introduced from 1 July 2013 to prevent “dividend washing” by changes to the 45 day rule to prevent access to double franking credits for certain cum-dividend trades.

Farm Management Deposit (FMD) Scheme

To be eligible to claim a tax deduction for FMD scheme deposits, a taxpayers’ non-primary production income for the income year cannot exceed $65,000.

It is proposed that the non-primary production income threshold will increase to $100,000 from 1 July 2014. This will help primary producers to diversify their sources of income.
BUSINESS (CONTINUED)

Denied Access to R&D Tax Incentive to Large Australian Business

From 1 July 2013 large Australian businesses are expected to be denied access to the R&D tax incentive. Multinational companies and groups with income assessable in Australia of $20 billion or more would no longer be eligible to make a claim for the R&D tax incentive.

The new test would still allow multinational groups with a turnover of more than $20 billion, but less than $20 billion assessable in Australia, to access the Australian R&D tax incentive.

Changing the Write-Off Period for Mining Intangibles Used in Exploration

The immediate deduction for the cost of a depreciating asset first used for exploration or prospecting will exclude the cost of mining, quarrying or prospecting rights or information, subject to limited exceptions:

- Expenditure under farm-in/farm out arrangements
- Costs of acquiring a mining right from a relevant government authority
- Costs of acquiring mining information from a relevant government authority
- Costs incurred by the tax payer in generating new information or improving existing information.

Instead the cost will be spread over the shorter of 15 years or its effective life (broadly the life of the mine, quarry or petroleum field).

Building and Construction Industry Reporting

If you are in the building or construction industry there is a new reporting obligation. You need to report the total payments you make to each individual contractor for building and construction services each year with the following details; ABN, Name, Address, gross amount paid including GST and the amount of GST. You are required to report by the 21 July each year which means the first report is due 21 July 2013.

For more details visit www.ato.gov.au/taxablepaymentreporting including obtaining forms. We strongly recommend that you obtain and record these details as you make each payment throughout the year so that the information is available at year end. Please contact us if you would like assistance in this matter.

Employee vs. Contractor

Consideration should also be given to the classification of contractors, some contractors are actually considered to be employees. Your obligations in relation to employees include:

- Super Guarantee Contributions
- PAYG Withholding
- Workcover


PAYG Withholder Reporting Obligations

We remind you that you must provide payment summaries to your employees by the 14 July 2013 and submit your payment summary annual report by the 14 August 2013.
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BUSINESS (CONTINUED)

Payroll Tax Threshold

Requirement to Register for Payroll Tax

If you are an employer (or group of employers) who employs in Queensland and your Australian taxable wages are $1.1 million or more a year, then you must pay payroll tax (4.75%).

You must register for payroll tax within 7 days after the end of the month in which you:

- Pay more than $21,153 a week in Australian taxable wages or
- Become a member of a group that pays more than $21,153 a week in Australian taxable wages.

You must register for payroll tax if you meet the above criteria, even if you think that you will pay less than $1.1 million in Australian wages in a year.

Penalties may apply if you do not register on time.

Taxable Wages

Any payments liable for payroll tax made to an employee for their services are called taxable wages. In general, payments are liable for payroll tax if they are:

- A reward for services rendered by an employee and/or director
- Payments to which the recipient has an enforceable right
- Taxable termination payments.

This includes cash salary that an employee elects to forgo in return for other benefits.

Calculating Payroll Tax

Liability for payroll tax in Queensland will be calculated on the employer's Queensland taxable wages less any deduction entitlement calculated on the employer's (or group of employers) net Australian taxable wages.

Steps to calculate:

1. Determining your total taxable wages
2. Subtracting any deductions

Multiplying this amount by the current tax rate of 4.75%.


WorkCover

If you have a business in Queensland and employ workers, you are required to insure them against workplace accidents with WorkCover Queensland.

There is no threshold that you must reach before insuring in Queensland. If anyone you employ meets the definition of a worker, then you must insure them within five days of commencing employment. Penalties may apply if you insure them any later than this.

From 1 July 2013 the definition of “worker” for the purposes of workers’ compensation legislation in Queensland will be narrowed.
WorkCover (continued)

The new definition of “worker” will be:

- A person who works under a contract; and
- In relation to the work, is an employee for the purpose of assessment for PAYG withholding under the *Tax Administration Act 1953* (Cth).

This means that business owners will only be required to include an individual contractor under their workers’ compensation policy if the contractor works under a contract and is an employee for PAYG taxation purposes. For further information refer to:


Super Guarantee

There are quite a few upcoming changes which will affect you as an employer under the Government’s Super-Stream initiatives. One of the main changes is to make online transactions mandatory for all employers, effectively phasing out the use of cheques and paper-based contribution methods.

Your Online Options

You will still have many avenues to make your employee SG contributions including:

- Web-based administration systems—for certain employers, contribution data can be uploaded directly from your payroll software or by electronic spreadsheet in an approved format
- A clearing house facility.

You will be able to forward payment— in conjunction with a reference from one of the above methods— using BPAY®, authorised bank transfer or electronic funds transfer (EFT).