

Welcome to the June edition of Connection Point. This month we cover:

- New private health insurance rebate thresholds from 1 April 2015
- ATO pre-assessment letters for excess concessional contributions
- Labor Party release proposed changes to superannuation
- Reminder to claim franking credits for retirees
- End of year financial planning

New private health insurance rebate from 1 April 2015

The private health insurance rebate is an income tested rebate that helps with the cost of private health insurance. The new private health insurance rebates from 1 April 2015 are (also includes the Medicare Levy Surcharge):

| | ≤\$90,000 | \$90,001 - 105,000 | \$105,001 - 140,000 | ≥\$140,001 |
|--------------------------------|------------|------------------------|------------------------|------------|
| Singles | | | | |
| Families | ≤\$180,000 | \$180,001 - 210,000 | \$210,001 - 280,000 | ≥\$280,001 |
| Rebate | | | | |
| Age | Standard | Tier 1 | Tier 2 | Tier 3 |
| < 65 | 27.82% | 18.55% | 9.27% | 0% |
| 65 – 69 | 32.46% | 23.18% | 13.91% | 0% |
| 70+ | 37.09% | 27.82% | 18.55% | 0% |
| Medicare Levy Surcharge | | | | |
| All ages | 0% | 1% | 1.25% | 1.5% |

Single parents and couples (including de facto couples) are subject to family tiers. For families with children, the thresholds are increased by \$1,500 for each child after the first.

Implications for clients

Your client's effective health insurance costs may have increased due to the reduced health insurance rebate. Consider the impact on your client's cashflow.

ATO pre-assessment letters for excess concessional contributions

The ATO has resolved a system issue that delayed processing excess concessional contributions (ECC) made in 2013/14. In most cases, the ATO is not sending out pre-assessments letters to individuals before issuing an income tax assessment notice that includes the ECC.

Implications for clients

- If your client receives an income tax assessment notice that includes ECC, it is important to reconcile the contributions that have been reported to the ATO with actual contributions made to superannuation. If incorrect, contact the ATO.
- Consider releasing the excess concessional contributions (up to 85% of the excess concessional contribution amount) from superannuation. If excess concessional contributions are not released, they count against the non-concessional contributions cap.

Labor Party release proposed changes to superannuation

The Labor Party has issued a press release stating their proposed changes to superannuation should they be elected at the next Federal election. The Labor Party indicated that they will:

- Ensure earnings of more than \$75,000 during retirement phase are taxed at 15% instead of being tax free (effective 1 July 2017)
- Remove the 10% tax offset for defined benefit income above \$75,000
- Lower the threshold for the 15% high income super charge (Division 293 tax) from \$300,000 to \$250,000.

Implications for clients

- If Labor wins the next Federal election and pass these measures, it is estimated that:
 - approximately 60,000 account holders with super balances in excess of \$1.5 million will be affected by the \$75,000 cap on earnings within the retirement phase
 - approximately 9,500 account holders will be impacted by the \$75,000 defined benefit income cap

Are your retirees claiming their franking (imputation) credits?

Many retirees don't pay tax on their retirement and investment income due to due tax concessions on superannuation income streams and the application of the Seniors and Pensioners tax offset (SAPTO). In the 2014/15 financial year, a single person eligible for SAPTO can earn up to \$32,279 without paying tax and each member of a couple can earn up to \$28,974 without paying tax (or \$31,279 if illness separated).

If your client is not required to submit a tax return, discuss claiming a refund of their franking (imputation) credits with them.

To claim franking credits received in the 2013/14 financial year, your client must complete the ATO form, 'Application for refund of franking credits for individuals - 2014'. This contains both the form and instructions on how to complete the form. Within the instructions, it states that it is not too late to claim a refund of franking credits you received in the 2001 to 2013 income years. However, the form for the relevant financial years must be used.

Implications for clients

- If your client is not required to submit a tax return, discuss the opportunity to claim their franking credits (where applicable).
- It is not too late to claim franking credits for the 2001 and 2013 income years.
- For super income stream interests, the trustee of the super fund should be claiming the refund of franking credits. In this case, the franking credits cannot be claimed by the individual taxpayer.

End of year financial planning

End of financial year is a great time to assist clients in with tax effective super strategies. The checklist below may be useful when making recommendations to clients.

| Strategy | Complete or N/A |
|---|-----------------|
| <ul style="list-style-type: none"> • Personal contribution made to receive the Government Co-contribution (2014/15) • Spouse contribution made for 2014/15 • Contribution splitting notice for 2014/15 splittable super contributions • Notice of intent to claim a tax deduction / variation for 2013/14 • Personal contribution made where there is an intention to claim a tax deduction for 2014/15 • Utilise the concessional contribution cap for 2014/15 • Utilise the non-concessional contribution cap for 2014/15 • Tax deductible expenses / donations paid for 2014/15 • SMSF trustee satisfy minimum payment for pensions by 30 June 2015 • Salary sacrifice agreement for 2015/16 | |

We have tools to assist you with end of year opportunities and to better facilitate this discussion with your clients.

As part of your end of year financial planning, it is also important to turn your attention to the superannuation thresholds that apply to the 2015/16 financial year:

| | 2015/16 | 2014/15 |
|--|--------------------|--------------------|
| Contribution caps for 2015/16 | | |
| General concessional contributions cap | \$30,000 | \$30,000 |
| Temporary concessional contributions cap | \$35,000 | \$35,000 |
| Non-concessional contributions cap | \$180,000 | \$180,000 |
| Non-concessional contributions cap – bring forward | \$540,000 | \$540,000 |
| CGT cap contribution limit | \$1,355,000 | \$1,395,000 |
| Low rate cap | \$185,000 | \$195,000 |
| Superannuation guarantee – maximum quarterly contribution base | \$49,430 | \$50,810 |
| Untaxed plan cap limit | \$1,355,000 | \$1,395,000 |

The Government Co-contribution

| | 2014/15 | 2015/16 |
|--------------------------------|-----------------|-----------------|
| Maximum entitlement | \$500 | \$500 |
| Lower income threshold | \$34,488 | \$35,454 |
| Higher income threshold | \$49,488 | \$50,454 |

Financial Services Partners Pty Ltd

Level 23, 242 Pitt Street, Sydney, NSW 2000, Australia

ABN 15 089 512 587 AFSL 237590

T 1800 006 216 W www.fspadvice.com.au

