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Upcoming tax changes

As 1 July 2014 approaches there are some changes coming which may affect you.

Medicare Levy and Budget Repair Levy:

The basic Medicare levy will increase from 1.5% to 2.0% on 1 July. This increase should be included in your tax withholding calculations for employees. The general personal income tax rates will not change from their current levels but the 2% budget repair levy on taxable incomes exceeding \$180,000 was passed by the Senate on June 17. These two changes widen the gap between the company tax rate and the top marginal tax rate by 2.5% for high income earners from 1 July. If you would like to discuss the effects of these changes on yourself or your business please contact us to discuss the matter.

Medical expense tax offset:

The government is phasing out the medical expense tax offset. If you didn't qualify & receive it in your 2013 tax return you will not be eligible in 2014. Similarly, if you are eligible in 2014 you will be eligible in 2015 also. However, these changes will not apply for expenses relating to disability aids, attendant care and aged care expenses – the offset will still be available for these costs.

Private health insurance for those turning 31:

You may have seen the current advertising campaign by health funds regarding health cover for those turning 31. The government calculates a rebate for individuals which reduces the premium they need to pay for private health insurance. Individuals who haven't taken out and maintained private health insurance from the year they turn 31 will be penalised with a lower rebate in their 2014 and future tax returns.

Tax Office focus on deductions:

The tax office has announced that they will be paying particular attention in 2014 to work-related deductions in personal tax returns for overnight travel, transporting bulky tools and equipment, and the work-related proportion of use for computers, phones and other electronic devices. They have advised that they will not be restricting their scrutiny to particular occupations as in prior years nor will they be ignoring other work-related expenses. If you are claiming a deduction for any of the expenses listed above in your 2014 tax return please keep records of the amounts spent and the relationship to your occupation to ensure that your deductions are legitimate.

Taxable Payments Annual Report:

Any business in the building and construction industry must lodge its 2014 taxable payments annual report by 21 July 2014. This report applies to all payments to contractors in a wide range of building and construction activities. The tax office is using this information to ensure that payments to contractors are included in the taxable income of those contractors.

Tax Receipt to accompany 2014 tax assessments:

The tax office will issue a tax receipt with assessments of individuals who paid tax during the 2014 year. The receipt will include a breakdown of how the tax was spent and is intended to provide greater transparency on how the government spends taxpayer dollars.