

13th June 2018

Taxation & Financial Planning Newsletter for 2017/18

Resident Individual Tax Rates for 2017/18 (same as previous year)

Taxable income	Tax on this income
\$0 – \$18,200	Nil
\$18,201 – \$37,000	19c for each \$1 over \$18,200
\$37,001 – \$87,000	\$3,572 plus 32.5c for each \$1 over \$37,000
\$87,001 – \$180,000	\$19,822 plus 37c for each \$1 over \$87,000
Over \$180,000	\$54,232 plus 45c for each \$1 over \$180,000

The above rates do not include the Medicare levy of 2%. Foreign residents pay tax from the first dollar earned. Minors (under age 18) pay increased rates after \$416 for non-employment income.

- ❖ The Low-Income Tax Offset is \$445 for 2017/18, phasing out after \$37,000 by 1.5 cents in the dollar to a maximum of \$66,667. The low-income offset will effectively increase the tax-free threshold to \$20,542 in 2017/18.
- ❖ Medicare levy of 2% is normally payable for income above \$21,335 on top of the above tax rates. In addition, Medicare levy surcharge may be payable as per the table given below.

Taxable income = Assessable Income (less) Allowable Deductions.

Tax credits and offsets (rebates) may directly reduce the resulting tax payable

Company and Fringe Benefit Tax Rates:

- ❖ Company tax is 27.5% for small business and 30% for other companies. Fringe Benefits tax rate is 47% for FBT year ended 31 March 2018.

‘Cents per Km Rates’ to claim car expense up to 5000 km: This is done at a rate of **66 cents** per kilometre for assessable travel.

Private Health Insurance offset & Medicare levy Surcharge:

The private health insurance tax offset is reduced, and Medicare surcharge levy may be payable (if the appropriate cover is not held). In a single year, two separate PHI rebate percentages will be applied in calculating taxpayer’s whole year rebate. The impact from 1 July 2017 is shown in the table below.

Income for surcharge purposes between	Single	\$90,000 or less	\$90,001-\$105,000	\$105,001-\$140,000	Over \$140,000
	Couple (combined)	\$180,000 or less	\$180,001-\$210,000	\$210,001-\$280,000	Over \$280,000
Medicare levy surcharge		0%	1%	1.25%	1.5%
Private health insurance offset (PHI)					
1 July 2017 to 31 March 2018		Offset entitlement 25.93%*	Offset entitlement 17.29%*	Offset entitlement 8.64%*	No offset
1 April 2018 to 30 June 2018		Offset entitlement 25.42%*	Offset entitlement 16.94%*	Offset entitlement 8.47%*	No offset

*The offset entitlement for those below age 65

Superannuation:

Super Contribution Cap: The concessional contribution cap is \$25,000 for financial year 2017/18 and 2018/19.

Maximise non-concessional contributions: Personal contributions, where no tax deduction is claimed, count towards the non-concessional contributions cap. This cap is \$100,000 for 2017/18 and 2018/19 with some bring forward provisions.

Salary Sacrifice and / or direct Member Contributions: Both reduce your assessable income & hence tax impact. Please contact us if you would like advice on these strategies.

Super Co-Contribution: The maximum co-contribution is \$500 for financial year 2017/18 for those who earn up to \$36,813 and make a personal contribution of \$1000. The co-contribution decreases on a sliding scale after \$36,813 and ceases at \$51,813.

Spouse contributions tax offset: If you make a personal contribution on behalf of your spouse (spouse's total income must be less than \$37,000) before the end of the financial year, you will be eligible for an 18% tax off-set for contributions up to \$3,000, which means up to a \$540 tax off-set.

Low Income Superannuation Tax Off-set (LISTO): If you earn less than \$37,000, the government may pay a benefit up to \$500 directly to your super fund if set-up properly. Please contact us for advice.

Budget 2018:

The budget released last month has proposed some changes to taxation & superannuation. We'll continue to monitor which proposals pass through parliament.

Key Budget announcements include:

- Low & Middle-Income Tax Off-set to be introduced in 2018/19 offering up to \$530 for those earning \$37,000 to \$90,000.
- Adjusting the 32.5% Income Bracket from \$87,000 to \$90,000 in 2018/19, with further potential changes on tax brackets in later years.
- Small business immediate deduction to extend to June 2019 for purchases less than \$20K.
- Medicare Levy to remain at 2% (compared to previously announced increase).
- Individuals aged 65-74 to be allowed to contribute to Super, 12-24 months after retirement if their balance is less than \$300K.
- Self-managed super funds to be allowed up to 6 members (compared to 4 currently).
- Pensioner work bonus to increase to \$300 per fortnight.

Business at Palani & Associates:

We are looking to grow in Tax, Financial Planning & Mortgage Broking. Your referrals are most welcome. Ramiah as well as Arjun, Karthik & David will effectively work for your best outcomes this Tax Season.

Tax planning before the end of June 2018 can potentially save a large amount of tax – so plan your tax rather than just pay tax! Tax planning is best done throughout the year, not just at year end.

<i>For tax planning, financial planning & mortgage advice on creating and maximizing your wealth for the future please do not hesitate to contact us.</i>		
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We appreciate and value your business

As Certified Practising Accountants and Members of InterPrac Financial Planning, we specialise in helping you, our valued client to take control of your financial future and maximise benefits.

Disclaimer

We have attempted to cover a wide range of topics in this paper. However, you should not solely act on the basis of information contained here because points are of a general nature & tax laws may apply differently depending on circumstance.