CLIENT ALERT

SEPTEMBER 2014

SuperStream starting 1 July for many employers

Under 'SuperStream', employers will need to be able to make super contributions on behalf of their employees by submitting data and payments electronically.

Equally, all superannuation funds, including SMSFs, will need to be able to receive contributions electronically.

Employers with 20 or more employees
From 1 July 2014*, these employers should start using the SuperStream standard to send contribution data and payments electronically.

Note(*): The ATO is being flexible on the start date, provided the employer is doing their best to implement SuperStream, and has a firm plan to do so no later than 30 June 2015.

Employers with 19 or fewer employees
From 1 July 2015*, these employers will also be required to send contributions data and payments electronically. However, some may choose to implement SuperStream sooner.

Note(*): The ATO is also being flexible on this start date, provided the employer has a firm plan to do so no later than 30 June 2016.

Employers
Employers have two options for meeting SuperStream; either:

(a) using software that conforms to SuperStream; or

(b) using a service provider that can meet SuperStream on their behalf.

The ATO recommends that employers start investigating their options now, and has provided information and a list of providers on its website.

Project DO IT update

The ATO says that its voluntary disclosure initiative, Project DO IT (in relation to taxpayers coming forward and disclosing overseas income and assets), is receiving a strong response with a number of people having already come forward to make a disclosure.

Response so far

- Over 350 inquiries.
- Almost 100 disclosures lodged.
- Strong indication that many others will make a disclosure in the near future.

Editor: To remind clients, Project 'DO IT' (i.e., 'disclose offshore income today') is an amnesty for taxpayers with offshore assets or income to voluntarily come clean by 19 December 2014.

Under Project DO IT, taxpayers:

- ❑ *are encouraged to disclose omitted income or over-claimed deductions relating to their offshore activities;*
- ❑ *will not be investigated or referred for **criminal investigation** by the ATO; and*
- ❑ *will generally only be assessed for the **last four years**.*

ATO Div.7A benchmark interest rate

The benchmark interest rate for 2014/15, for the purposes of the deemed dividend provisions of Div.7A, can now be calculated as 5.95% (down from 6.20% for 2013/14).

ATO warning on 2013/14 work-related deductions

This tax time the ATO says that, in relation to work-related expenses, it will not be limiting its attention to certain occupations.

Instead, particular attention will be paid to work-related expense claims relating to:

- overnight travel;
- transporting bulky tools and equipment; and
- the work-related proportion of use for computers, phones or other electronic devices.

2014/15 Luxury car tax (LCT) limit

The LCT threshold for the 2014/15 financial year is $61,884 (increasing the previous year's LCT threshold of $60,316 by an indexation factor of 1.026).

Important tax changes from 1st July

Medicare Levy

The Medicare levy rises from 1.5% to 2%.

2% Deficit Levy

The new "Deficit Levy" (tax on high income earners) applies to taxable income in excess of $180,000.

Tax rates for the 2014/15 income year are as follows:

Taxable Income $	Taxable Payable $
0 – 18,200	Nil
18,201 – 37,000	Nil + 19% of excess over $18,200
37,001 – 80,000	$3,572 + 32.5% of excess over $37,000
80,001 – 180,000	$17,547 + 37% of excess over $80,000
180,001+	$54,547 + 47% of excess over $180,000

The above rates do not include the Medicare levy of 2%.

SGC

The compulsory employer paid super contribution rises from 9.25% to 9.5%.

Superannuation contribution caps

The general concessional contributions cap rises from $25,000 to $30,000. For individuals aged 49 or over on 30 June 2014, the concessional contributions cap is $35,000.

The non-concessional cap is increased from $150,000 to $180,000. That means the 3-year bring forward rule increases from $450,000 to $540,000.

SMSFs and succession planning

In a recent speech, an ATO Deputy Commissioner emphasised how important it was for trustees of SMSFs to have a plan in place for the succession and control of the SMSF on the death or incapacity of members who are trustees (or directors of the corporate trustee).

He said that other documentation such as wills, enduring powers of attorney (EPoA), binding death benefit nominations and reversionary pension documents should be checked to ensure they are consistent and in agreement with the members' goals.

In some cases, surviving member/s of the fund may not wish to continue as trustee/s (or director/s of the corporate trustee).

An exit strategy, that can enable the surviving members to enjoy the benefits of the fund without having to remain trustees, is to appoint an approved trustee licensed by APRA (that is, become a small APRA fund).

SMSFs and trauma insurance

From 1 July 2014, an SMSF can generally only provide an insured benefit for a member that is consistent with one of the following conditions of release of a member's superannuation benefits:

- ❑ death;
- ❑ terminal medical condition;
- ❑ permanent incapacity (causing the member to permanently cease working); or
- ❑ temporary incapacity (causing the member to temporarily cease working).

Trauma insurance is not consistent with any of these conditions of release.

Trauma insurance typically pays out a lump sum where an insured person is diagnosed with one of the critical illnesses, or injuries, defined in the policy, such as cancer, stroke, coronary bypass and heart attack.

Therefore, from 1 July 2014, an SMSF that takes out a *new* trauma insurance benefit in relation to a member will generally be in breach of the new regulation. The new regulation does not apply to insured benefits for members who joined a fund before 1 July 2014, and were covered by that benefit before 1 July 2014.

CPI – June 2014 quarter

The CPI indexation factor for the June 2014 quarter is 105.9 (an increase of 0.5 from the December 2013 quarter of 105.4).

This indexation factor is now basically only used (in a taxation context) for FBT purposes in relation to remote area housing.