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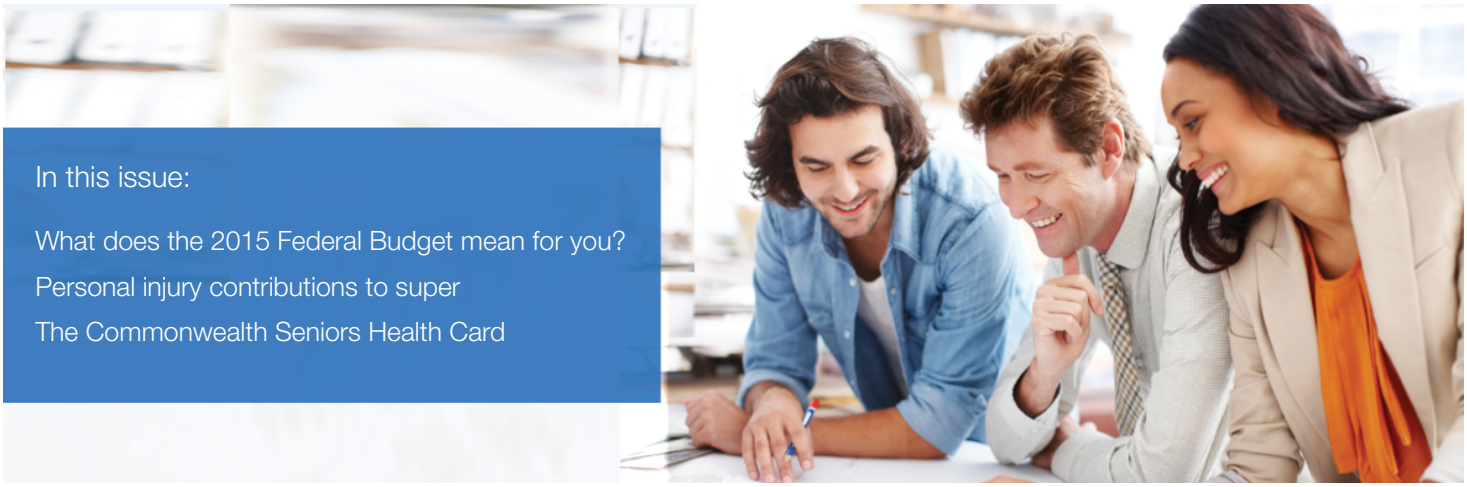
WealthDepot Financial Advisers

netwealth Investment & Superannuation



In this issue:

What does the 2015 Federal Budget mean for you?

Joe Hockey has characterized his second Federal Budget as "measured, fair and reasonable" and said it was designed to promote "jobs, growth and opportunity". He has often repeated "so now is the time for all Australians to get out there and have a go".

Despite falling resource prices and a weaker than expected global recovery, he painted a fairly upbeat picture of the Australian economy, confirming that our future economic ties were with the Asia-Pacific region and that "...the timetable back to Budget surplus is unchanged from last year".

The key winners were:

- Small business - Both incorporated and unincorporated (self-employed), with many new tax initiatives;
- Parents of young children - With improved access to child care benefits;
- Superannuation - With a promise of no new taxes under this government;
- Pensioners - Deeming thresholds will no longer be wound back and that pension asset test changes will benefit lower net worth retirees.

The losers included:

- Stay at home parents - Child Care assistance now has an activity test;
- Expectant parents - Paid Parental Leave guidelines have been tightened;
- Online consumers - GST to apply to internet based goods and services like "Netflix";
- Hospital and Benevolent institution employees - A cap introduced on meals and entertainment expenses before fringe benefits is charged;
- "Wealthy" pensioners - The Age Pension cut out threshold has been lowered.

Although a number of announcements were made, Small business was really the big winner. The Government seems to be hoping for a "small business" lead recovery. If you run your business under a corporate structure, partnership or as a self-employed person, you should really make the time to talk with both your financial planner and accountant to see how these proposed changes can be used to your benefit.

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The key changes for small businesses include the following:

Reduced small company tax rate

From the 2015-16 income year, the Government will reduce the company tax rate to 28.5 per cent for companies with aggregated annual turnover less than $2 million. The current maximum franking credit rate for a distribution will remain unchanged at 30 per cent for all companies.

Reduced tax rate for unincorporated businesses as well

Individual taxpayers with business income from an unincorporated business that has an aggregated annual turnover of less than $2 million will be eligible for a small business tax discount. The discount will be five per cent of the income tax payable on the business income received and capped at $1,000 per individual for each income year, and delivered as a tax offset.

Expanding accelerated depreciation provisions

The Government will expand accelerated depreciation by allowing small businesses with aggregate annual turnover of less than $2 million to immediately deduct assets they start to use or install ready for use, provided the asset costs less than $20,000. This will apply for assets acquired and installed ready for use between 7.30pm (AEST) 12 May 2015 and 30 June 2017. There is a lot more detail around these proposed changes so it is important to talk to your financial planner or accountant to understand the full detail.

Immediate deductibility for professional expenses

From the 2015-16 income year onwards, the Government will allow businesses to immediately deduct a range of professional expenses associated with starting a new business, such as professional, legal and accounting advice.

Changes to fringe benefits tax for work-related electronic devices

The Government will allow a fringe benefits tax (FBT) exemption from 1 April 2016 for small businesses with an aggregated annual turnover of less than $2 million that provide employees with more than one qualifying work-related portable electronic device, even where the items have substantially similar functions.

Accelerated depreciation for primary producers

For income years commencing on or after 1 July 2016, primary producers will be able to immediately deduct capital expenditure on fencing and water facilities such as dams, tanks, bores, irrigation channels, pumps, water towers and windmills. They will also be able to depreciate over three years, all capital expenditure on fodder storage assets such as silos and tanks used to store grain and other animal feed.

Looking at the 2015-16 Budget in its entirety, and in comparison to last year's, one could be forgiven for thinking that it was an election year! There are many issues that are going to impact across the whole spectrum of our community - mainly, but not in all cases, positively.

The one critical thing to do with this Budget will be to stay in close contact with your financial planner and accountant to watch the progress of these proposals through parliament and to be ready to take advantage of the many positive initiatives.

To find out more, visit our website www.wealthdepot.com.au.

Personal injury contributions to super

Every day we hear about personal tragedies because of accidents and personal injuries. Sometimes, these people may receive large sums of money, say as a result of a court case, to compensate and provide for them into the future. Superannuation may offer a very convenient and tax effective investment vehicle to accept these payments if certain conditions are met.

Contributions to superannuation made from the proceeds of certain payments for personal injury can be excluded from the non-concessional contributions cap when certain conditions are met. There is no limit on the amount of contributions that can be made under the personal injury exemption and, best of all, it forms part of the tax free component.

In order to be able to contribute all or part of the settlement payment to superannuation, the following requirements should be met.

Medical evidence of permanent disablement must be provided - specifically:

"Two legally qualified medical practitioners must certify that, because of the personal injury, it is unlikely that you can ever be gainfully employed in a capacity for which you are reasonably qualified because of education, experience or training."

The payment must be as a result of:

- A structured settlement – essentially a written agreement for compensation or damages for personal injury based on the commission of a wrong against the defendant by someone who is not their employer or under workers compensation.
- A structured order – essentially the same as a structured settlement but in this case it is as a result of a court order; or
- A lump sum workers compensation payment.

There are also timing considerations. The contribution must be made within 90 days from the later of:

- The day the personal injury payment is received,
- The day an agreement for settlement of personal injury payment was entered into, or
- The day on which a court order for the personal injury payment was made.

A contribution can be excluded from the non-concessional contributions cap under the personal injury exemption but only if the individual provides their super fund with a completed ATO 'Contributions for personal injury' form before or at the time the contribution is made. A copy of this' form is available from the ATO website.

Contributions made under the personal injury exemption will be preserved benefits and cannot be released until the individual meets a separate condition of release. Many people who have suffered an injury serious enough to warrant such compensation may often also meet the permanent incapacity condition of release. However, the actual process for allowing the individual access to their superannuation benefits due to permanent incapacity (or another relevant condition of release) is completely separate. Individuals therefore must apply to the fund's trustees to meet the condition of release and thereby gain access to the money.

Having done so, there are many advantages to having gone through the process to get the money into superannuation.
Some of these include:

- Balances held in superannuation accumulation accounts for those under aged pension age are exempt from the Centrelink Income and Assets tests and are not deemed. This can be advantageous in maximizing any Centrelink support for the disabled person;
- Once the condition of release has been met, the balance up to that date is unrestricted non-preserved. This means that it can be accessed at any time as either a lump sum or as an income stream;
- Where lump sums are taken, special tax rates apply on the taxable element from zero to 20% (plus medicare levy) dependent upon your age. From age 60 and over, lump sums are available tax free. The tax free component is always tax free at any age;
- If taken as an income stream and under 60 years of age, the taxable element is taxable at your marginal rate (plus medicare levy) less a 15% tax rebate. Again, the tax free component is always tax free. From age 60 onwards, the entire income stream is tax free; and
- As mentioned above, contributions made to super under this exemption form part of the tax free component and as such, any withdrawals or income streams can be very tax effective.

Personal injury payments usually occur at a stressful time often when the individual is least able to cope with such complexities. However, there can be some significant tax and financial benefits to dealing with such payments in conjunction with super, so it is important to seek professional financial advice to consider all the options when dealing with these situations.

To find out more, Wealth Depot can assist you. Call us on 07 3421 0100 today !

Commonwealth Seniors Health Card: A good alternative to the Pension Concession Card

One of the key reasons people actively seek to achieve even a small Centrelink entitlement is to qualify for the Pension Concession Card (PCC) in order to get the medical and other ancillary benefits. Often, other more sensible decisions are missed in the overzealous pursuit of these concessions.

However, all is not lost for the retiree who cannot qualify for the aged pension due to income and asset test limits as they may find that they can qualify for the Commonwealth Seniors Health Card (CSHC). As the table below shows, the CSHC can provide access to many of the sought after benefits to self-funded retirees, so it is well worth exploring the eligibility criteria to see if you can qualify.

Benefit available	CSHC	PCC
Concession rates on certain medicines under the PBS*	Y	Y
PBS prescriptions without charge after PBS Safety Net reached	Y	Y
Doctors (GP) bulk billing (at their discretion)	Y	Y
More refunds of medical expenses through Medicare Safety Net	Y	Y
Payment of Seniors and Energy Supplement	Y	Y
Assistance with hearing services through Department of Health	N	Y
Possible concessions for dependent children	Y	Y
Possible concessions from State, Territory & Local Governments that may be available:		
Reductions of water and property rates	Y	Y
Reductions on energy bills	Y	Y
Reduced fares on public transport	Y	Y
Free rail journeys	Y	Y

*Pharmaceutical Benefits Scheme

Eligibility

To qualify for a Commonwealth Seniors Health Card you must:

- Have reached aged pension age but not qualify for a payment from Centrelink or the Department of Veterans' Affairs;
- provide your and your partner's tax file numbers, or be granted an exemption;
- Meet the income test which is currently:
- You should have annual "adjusted taxable" income of less than:

  $51,500 for singles;

  $82,400 for couples, or;

  $103,000 couples separated by illness where one partner is in prison.
- The thresholds are indexed to inflation each 20 September
- The income limit is increased by $639.60 for each dependent child.
- You must meet residency requirements.
- NOTE: There is no assets test.

Meet these criteria and all of these benefits can be yours!

Want to know more? Call Wealth Depot on 07 3421 0100.