

2013: the year ahead

Time for a little crystal ball gazing and take a look at what 2013 holds.

For business**No age limit for super contributions**

From 1 July 2013, the upper age limit for superannuation contributions will be abolished. Employers will be required to contribute to the complying super funds of eligible mature age employees aged 70 and older.

Payslip reporting of super payments

From 1 July 2013, employers will need to provide additional information about superannuation contributions on an employee's payslip. Employers will need to report the amount and expected date of contributions they are making.

Living away from home

If you have employees living away from home, you need to know about the changes to the Living Away From Home Allowance system. The Government tightened the eligibility rules from 1 October 2012 for all new agreements entered into from 8 May 2012. Transitional rules can apply to arrangements entered into prior to 8 May 2012 but the full set of new rules will apply from 1 July 2014 or when the arrangement is modified (whichever comes first).

Basically, the new rules limit the concession to 12 months in a particular work location (except for fly in fly out employees), require temporary residents and non-residents to maintain a home in Australia, and receipts to be kept for all expenses.

In-house fringe benefit changes

The concessional fringe benefit tax treatment of in-house fringe benefits provided by employers under salary sacrifice arrangements was abolished from 22 October 2012 (transitional rules apply until 1 April 2014 for existing agreements). This change will particularly affect retailers providing discounted goods such as clothing, and organisations such as private schools that provide discounted education for children of employees.

Previously, in-house property and residual benefits were eligible for a 25% reduction in the taxable value. While this change occurred in 2012, we are likely to see the full effect in 2013 and beyond.

Building and construction industry reporting

A new reporting regime came into effect on 1 July 2012 requiring businesses in the building and construction industry to report payments to contractors. The first of these reports is due on 21 July 2013. Businesses affected by the reporting regime need to report the contractor's ABN, name, address, gross amount paid for the financial year, and total GST included in the gross amount.

The general environment**The impact of the Federal Election**

Next federal election needs to be between 3 August 2013 and 30 November 2013. The Prime Minister's recent comment that the election will be "around 3 years since the last one" has speculation rife about an August election. The problem with elections, and particularly where there is a potential change, is that business slows down as the big end of town sit and wait to see the outcome before committing to new initiatives.

Interestingly, the latest Neilson Poll shows the Coalition ahead on a two party preferred basis by 53 to 47: an identical polling result to the 7 June 2010 poll held just prior to Kevin Rudd being deposed as leader. For a live commentary on voter sentiment you can always turn to SportsBet. SportsBet currently has the Coalition on \$1.28 to win and Labor at \$3.50. But pre election polls and sentiment are not reliable because people are not truly invested (no pun intended) in the outcome until the weeks leading up to the actual vote.

Banks and lending

We're already seeing signs that the mining boom is slowing and along with it, the capital spending boom. Unemployment is rising marginally and while there is employment growth, it is weak. It's not all doom and gloom though with low interest rates feeding growth. However, banks will still be picky about who they lend to and are sensitive about reliability. In 2013, you will need to ensure that you have a good relationship with the bank. Don't let problems get out of control or they might just shut you down before you have a chance to try and talk them around.

For individuals

Super guarantee increases

On 1 July 2013, the first of the proposed incremental increases to superannuation will come into effect. The change will lift the superannuation guarantee rate to 9.25% for the 2013/2014 financial year. So, for an individual on a base salary of \$60,000, the change will represent \$150 extra compulsorily contributed to superannuation. The super guarantee rate is then proposed to increase every year until reaching 12% on 1 July 2019.

High income earners to pay higher tax rate on super

While not yet law, the controversial increase to the tax rate of super contributions for high income earners is due to come into effect on 1 July 2013. This will mean that if you earn over \$300,000, you will pay 30% instead of 15% on superannuation contributions (only on the portion above \$300,000).

Non-residents

Life is getting harder for non-residents. The big issue is the Budget announcement that locked non-residents out of the 50% CGT discount. This means that if you are not a resident of Australia and make money on the sale of an asset, you cannot access the 50% CGT discount from 8 May 2012. However, we have not seen the legislation supporting this change. In general, you can expect to see some of the tax benefits previously available to non-residents slowly whittled away as the Government seeks to achieve a surplus.

Paid parental leave for Dads

New paid parental leave for Dads comes into effect on 1 January 2013 providing two weeks of Government funded pay. The paid parental leave applies if the Dad or partner (including same sex couples) is an Australian resident, meets the work test, has an adjusted taxable income of \$150,000 or less, and is on unpaid leave or not working during the two weeks. The entitlement to parental pay does not change your entitlement to leave itself.

For your super fund

Focus areas

With \$458,451 million tied up in Self Managed Superannuation Funds (SMSFs), it is not surprising that the Tax Office takes an active interest in this area. 2013 will see an even greater focus on ensuring that the assets of superannuation funds are kept separate from their members until they retire. There is a lot you can do with your superannuation and through a superannuation fund but you need to understand the rules.

For SMSFs, property investment using Limited Recourse Borrowing is a major area of focus. If the purchase of the property is not structured correctly, trustees may be forced to sell the asset.

The value of assets contributed to superannuation is another area the Tax Office is sensitive about. Earlier this year, the Tax Office released final valuation guidelines on how superannuation fund assets must be valued. These guidelines require fund assets to be valued at market value and apply now. In 2013, you can expect to see a greater focus and enforcement of these valuation rules.

Off market transfers

An off market transfer is when assets from a related party are transferred to or disposed of by a SMSF outside of the underlying market. For example, when a trustee transfers shares directly to a SMSF - instead of the trustee disposing of the shares on the market and then the SMSF purchasing the shares. A ban on off market transfers was due to come into effect on 1 July 2012 but delayed until 1 July 2013. From this date, all acquisitions and disposals of assets between SMSFs and related parties must be conducted through that market, or if no market exists, must be supported by a valuation from a suitable qualified independent valuer. The big question in 2013 is, when we see the final detail of the ban, what assets will be covered.

Quote of the month

"Be at war with your vices, at peace with your neighbors, and let every new year find you a better man."

Benjamin Franklin