

GNS Profit Builder

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MEMBER

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Budget Wrap

If you thought you had all your tax and retirement planning strategies in place you may need to go back to the drawing board. Superannuation, income tax rates, depreciation, small business Capital Gains Tax (CGT) concessions and the Simplified Tax System (STS) are all part of the most significant changes since 2000. Whilst the majority of changes represent good news for individual taxpayers and small business owners, they need to be reviewed at an individual level to assess their impact.

(Changes to superannuation and pensions are covered in detail on pages 2 & 3, inside)

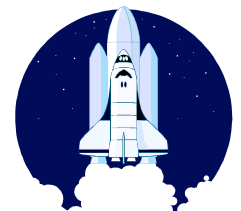
From 1 July 2006, **Tax Savings** are now being enjoyed by almost all tax payers.

Previous Tax Threshold	05/06 Tax Rates	Tax Threshold from 1/07/2006	New Tax Rates
\$0 - \$6,000	0%	\$0 - \$6,000	0%
\$6,001 - \$21,600	15%	\$6,001 - \$25,000	15%
\$21,601 - \$63,000	30%	\$25,001 - \$75,000	30%
\$63,001 - \$95,000	42%	\$75,001 - \$150,000	40%
\$95,001+	47%	\$150,001+	45%

In addition, the low income tax offset will increase from \$235 to \$600 resulting in no tax payable on individual incomes of less than \$10,000.

Accelerated depreciation is back! The government has raised the Diminishing Value rate for determining depreciation deductions from 150% of the straight line rate to 200%. This is equivalent to a 33% increase in the allowable depreciation rate for assets used for a taxable purpose acquired on or after 10 May 2006.

Year	Depreciation deduction – Cost \$4,000 – 4 Yr Life		
	Straight Line	Diminishing Value	
		Old 150%	New 200%
1	\$1,000	\$1,500	\$2,000
2	\$1,000	\$938	\$1,000
3	\$1,000	\$586	\$500
4	\$1,000	\$366	\$250



Changes announced to the **STS** make the concessions more accessible to taxpayers by:

- * increasing the STS annual turnover threshold from \$1million to \$2 million
- * removing the \$3 million depreciating asset test from the STS eligibility requirements
- * allowing STS taxpayers to be eligible for the CGT small business concessions without having to satisfy the CGT Net Asset Value test.

(continued back page)

Federal Budget 2006 – Changes to Superannuation

On 9 May 2006, Treasurer Peter Costello announced a number of major changes to the Superannuation System and Social Security. These measures will simplify the super environment and increase its tax effectiveness. **It is important to note that these changes are only proposals, and may change prior to becoming law.**

Undeducted contributions are subject to a limit of \$150,000 per financial year, effective from 9 May 2006. The Government will now allow contributions under the cap to be 'brought forward' over 3 years to accommodate larger one-off payments. Under these arrangements, a person could make a maximum one-off contribution of \$450,000 every 3 years. The annual entitlement would operate on a 'use it or lose it' basis, that is, if a cap is not fully utilised in any year then the unused amount could not be credited to a future year.

Effective from 1 July 2007, **deductible contributions** will be limited to \$50,000 per financial year. This flat limit replaces the current 'age based limits', which increase as you get older. For those under 50, your limit will increase under the proposed change, however, if you are 50 or over, your limit will decrease substantially. For this reason the Government has proposed a transitional limit of \$100,000 pa for those people 50 and over until the 2012/13 financial year (at which time it will reduce to \$50,000). In addition, the current maximum age for making deductible contributions to superannuation will increase from 69 to 74 from 1 July 2007.

In order to **remain in the accumulation phase of super** you must currently meet an annual employment test once you reach age 65. When you reach age 75, you are then required to withdraw your benefit or commence a super pension. From 1 July 2007, you will be able to remain in the accumulation phase of super indefinitely. No employment test or age limit will apply.

From 1 July 2007, there will be two new components for **lump sum withdrawals from super**: the 'exempt' component, and the 'taxable' component. There will also be a change in the tax treatment of death benefits paid from super. From that time, if you have reached age 60, any withdrawal that you make from super will be tax-free*.

If you are under age 60, from any withdrawal that you make, the exempt component will be tax free, but some tax may be payable on the taxable component.

*excluding payments made from an untaxed source.

The **Reasonable Benefit Limit (RBL)** is the maximum amount of super that you are able to accumulate while receiving concessional tax treatment. From 1 July 2007, RBLs will be **abolished**, effectively allowing you to accumulate any amount of superannuation while still receiving generous tax treatment.

The current **tax treatment of super pensions** includes a deductible (tax-free) amount, with the remainder of the pension payment being taxed as ordinary income. Most pensions then receive a 15% tax rebate. From 1 July 2007, pension payments for those 60 and over will be tax-free. For those under age 60, the existing rules continue to apply. Also from 1 July 2007, a new, more flexible type of pension will replace the pensions currently available through super. A minimum annual payment will be required, however, no maximum payment will apply.

The **Age Pension Assets Test has been relaxed** and from 20 September 2007, the Age Pension reduction of \$3 per fortnight for every \$1,000 of assessable assets over the threshold will reduce to \$1.50 per fortnight. This will allow a greater number of people to access a part Age Pension. Also from this date, the 50% Age Pension Asset Test exemption will be removed. Existing pensions will continue to receive their current full or partial Asset Test exemption. These pensions will continue to be favourably treated under the Incomes Test.

From January 2007 **pensioners living on rural property** with at least a 20 year attachment to the land may have all the land on the same title as the family home excluded from the Assets Test.



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Federal Budget 2006 – Changes to Superannuation

(continued from page 2)

Self employed are to receive full deductibility for contributions.

From 1 July 2007 self employed persons (including those who are substantially self employed and unsupported persons) are able to claim a full deduction for contributions made to a superannuation fund, up the allowable deduction. Previously this was limited to \$5000 + 75% of contributed amount up to the age based limit.

The Government co-contribution is to be extended to the Self employed.

From 1 July 2007 self employed people can make both personal deductible contributions and undeducted contributions in order to receive the co-contribution. Eligibility will depend on the percentage of income earned from conducting a business and/or eligible employment, and whether total income falls within the existing co-contribution income thresholds.

The **Senior Australian Tax Offset (SATO)** thresholds have been raised with no income tax payable for a single retiree whose taxable income is less than \$24,867 and a member of a couple whose income is less than \$20,680.

To ensure these proposed changes are applied effectively to your own personal financial circumstances you should seek financial advice from our Financial Adviser Linda Briers.

Linda is now a regular contributor to Monday's Herald Sun "Your Money" section, answering reader financial queries.

*To know and
not to do is not
to know*



Recent Changes At GNS Group

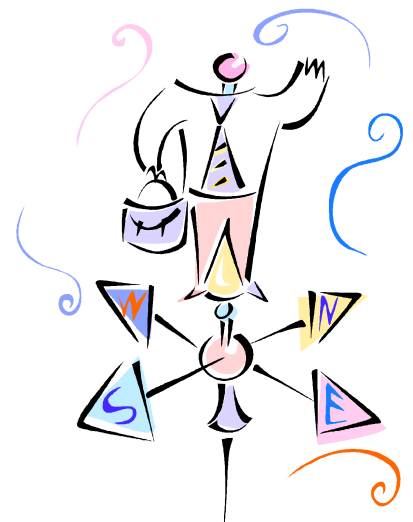
They say that the only constant in life nowadays is change! And GNS has seen some recent personnel changes.

First up we'd like to welcome **Anthony Sinclair** as a new partner at GNS Group. Anthony has been with the business for over 6 years and in this short space of time he has gained the respect of clients and peers alike. He has tremendous talents and technical skills and will assume the responsibility of Tax Manager at GNS Group, working with our team to continually do the best we can for all our customers.

Many of our long standing customers will know the name **Debbie Farrell**. Debbie worked with us at GNS for 16 years looking after the Corporate Secretarial area. Debbie took a 3 year break from the business but is now back with us once again looking after Corporate Secretarial and providing support to our Financial Planning and Tax areas. Welcome back Debbie.

Last but not least we'd like to welcome **Jennifer Wood** to GNS. Jen will take on the responsibilities of the reception area and provide support throughout the office. Most of you will speak with Jen over the phone or in person over the coming months and I'm sure you'll find her great to deal with.

Despite these changes, one thing remains the same: our commitment to provide our clients with timely and accurate information to make their businesses more profitable, more valuable and to give them an improved lifestyle.



Budget Wrap (continued from page 1)

* removing the need to account on a Cash basis for Tax

The **CGT small business concessions** have also been made accessible to more taxpayers. Key changes are:

- * increasing the non indexed, net asset value test from \$5 million to \$6 million
- * replacing the 50% controlling individual test with a 20% significant individual test
- * more flexible operation of the active asset test and the net asset value test
- * each partner in a partnership can access the small business concessions when the net assets of the partnership exceed the net asset test.

The **Fringe Benefits Tax (FBT)** rate has been reduced from 48.5% to 46.5% from April 1 2006. The minor benefits exemption threshold will increase from \$100 to \$300 on 1 April 2007. The Reportable FBT amount will also be increased to \$2000 from 2007 along with the 'in-house' benefit exemption from \$500 to \$1000.

GST & WET (Wine Equalisation Tax) have also been modified. The Cash Accounting Threshold has been increased from \$1mil to \$2mil. The WET producer rebate will also increase from \$290,000pa to \$500,000pa, however the eligibility requirements have not changed.

Increased **Audit** attention will follow the announcement that an additional \$81 million has been allocated to checking high wealth individuals and a further \$46 million for GST compliance.

In State news:

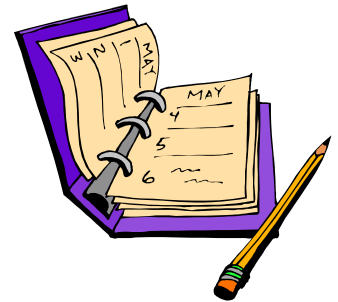
Victoria has cut the Individual Land Tax rates for 2006/07, the Indexation of property values has been scrapped and workcover premiums will be cut by a further 10% this year. The Payroll Tax rate will also be reduced from 5.25% to 5% over the next 3 years (5.15% in 06/07; 5.05% in 07/08; 5% in 08/09).

NSW will abolish 5 indirect taxes over the next 6 years and property values for land tax purposes will be averaged over a 3 year period. There are also changes for land holdings within family Unit trusts which can now access the tax free threshold again after it was removed a few years ago.

Queensland Payroll tax thresholds have been increased by \$150,000 to \$1 million and the land tax threshold for individuals has been increased from \$450,000 to \$500,000. The land rich provisions for companies & unit trusts will be strengthened from 1 July 2006 and first home buyers will be eligible for a stamp duty concession on vacant land worth less than \$250,000.

Some important dates for your diary....

- 14/7/06 - Provide employees with their 2005/06 PAYG summaries
- 28/7/06 - Final date for payment of the June quarter super contributions without penalties
- 28/7/06 - ATO lodgement & payment date for June quarter BAS/IAS (if client prepared)
- 14/8/06 - Send completed original PAYG Summary & Reconciliation Statement to the ATO
- 24/8/06 - ATO lodgement & payment date for June quarter BAS/IAS (if GNS prepared)



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