prp keeping you informed

June2016

What the 2016 Federal Budget means for you

2016 Federal Budget superannuation proposals

On 3 May 2016, the Turnbull Government delivered its first Federal Budget; it is also the last Federal Budget to be delivered by the current Government given the impending election.

Following is a summary of the proposals and how they may impact you. We say "may impact you" as these proposals are just announcements at this stage and the final form of the announcements may differ when they ultimately become law.

All of the superannuation measures, with one notable exception, are due to commence from 1 July 2017. This is important as it gives you time to manage your retirement planning over the next 12 months with the certainty of the existing rules and it also means you have time to prepare for how you work with the proposed changes to continue maximising your opportunities from July 2017.

The measure that takes effect prior to 1 July 2017 was announced to commence immediately (ie from 7:30pm on 3 May 2016) and this is the imposition of a $500,000 lifetime cap (will be indexed in $100,000 increments) on non-concessional (after tax) contributions, based on any such contributions made from 1 July 2007. You will be able to contact the ATO to find out your level of contributions up to 30 June 2015.

The good news if you have already exceeded this level of contributions is that no penalties will apply for being in excess and you won't be forced to withdraw any excess contributions; however, you won't be able to make any further non-concessional contributions.

Non-concessional contributions made after 7.30 pm on 3 May 2016 that exceed the lifetime cap will need to be withdrawn (along with 85% of the assessed earnings on the excess amount) or penalties will apply.

The superannuation changes due to apply from 1 July 2017 are:

- The concessional contributions cap will be lowered to $25,000 pa for all age groups (currently $30,000 for those under 50 and $35,000 for those aged 50 and over). It's important to remember that this cap includes salary sacrificed contributions, personal deducted contributions and compulsory superannuation guarantee contributions.
- If you have less than $500,000 in super and you don't use all of your $25,000 pa concessional cap in an

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Did you know?

We have accounting and taxation services in both Adelaide and Renmark? We would be happy for you to refer friends and family to have their tax returns completed by us!

Do you know someone who would benefit from PRP Group Services? Why not pass along this newsletter to introduce us!

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income year, can carry the unused amount forward for up to 5 years, which means you could actually contribute more than $25,000 in a subsequent year.

- Age and work status limitations on contribution rules are to be simplified or removed to allow you to make any sort of contribution (subject to the above limits) until you turn 75.
- If you have assessable income of more than $250,000 in an income year, you will be subject to the additional 15% tax on concessional contributions (reduce from the current level of $300,000 of assessable income in a year).
- There will be limit of $1.6 million per person that can be moved to a retirement income stream (such as a superannuation pension) that attracts the tax exempt status on earnings in super. This limit applies to existing pensions as well as those yet to be commenced. Amounts in excess of this limit must remain in (or be rolled back to) super in the accumulation phase (and be taxed at the standard super rates of up to 15%) or be withdrawn from superannuation altogether.
- Earnings on assets backing a "transition to retirement" income stream will be taxed at the standard super rates of up to 15%, irrespective of the amount in the income stream. There is no change to the tax treated of the income payments you receive.
- The income threshold for low income spouse superannuation tax offset (an offset of up to $540) will increase to $37,000 (currently $10,800).
- A low income superannuation tax offset (LISTO) will be introduced to reduce tax on concessional contributions for low income earners (income of up to $37,000). The maximum offset is $500 and is calculated as 15% of any concessional contributions made.

2016 Federal Budget taxation proposals

Following is a summary of the proposed tax changes, which for a pre-election budget are unusually short of benefits for voters. Please remember they are just announcements at this stage and the final form of the proposals may differ when they ultimately become law.

From the 2016-17 income year, companies with annual turnover less than $10 million will have a company tax rate of 27.5%.

This will decrease the tax rate for around 870,000 companies who employ around 3.4 million workers.

Since many small businesses are not companies, from July 1, 2016, the government will also increase and extend access to the unincorporated small business tax discount to unincorporated businesses with turnover of less than $5 million.

The rate will increase to 8%, capped at $1,000. After the initial increase, the discount will be increased in phases to a final discount rate of 16% from July 1, 2026.

Each year the government will also continue to step up the turnover threshold for access to the lower company tax rate of 27.5% for more businesses, from $10 million to $25 million in 2017-18, to $50 million in 2018-19, and to $100 million in 2019-20.

The table on the back page shows the proposed personal tax rates for 2016-2017. The only change is an increase in the 32.5% threshold, which increases from $80,000 to $87,000 resulting in a maximum tax saving of $315.

AGED CARE: WHAT YOU NEED TO KNOW...TODAY

It seems like every year the government decides to move the goal posts for retirees, and they always claim it is to make things fairer and simpler.

The rules for Aged Care are no different and since superannuation, pensions, Centrelink & Aged Care are all connected, changes in one area can, affect the other areas. Then you have some changes being grandfathered (do not affect current holders/residents) and other changes that are retrospective and affect everyone.

So what are the current rules for Aged Care.

Please note that if you went into an Aged Care facility before 1 January 2016, then the current rules do not apply to you. You remain under the rules that applied when you entered the Aged Care facility.

If you are contemplating a move to an Aged Care facility, or you are looking to change facilities, then the current rules will apply to you.

Firstly, the notion of low care and high care has been abolished. In its place is a focus on enhanced care at home so you can stay at home as long as possible before needing to go into an Aged Care facility.

Whilst this article focuses on the rules for entering an Aged Care facility, you should know that there is financial assistance available to assist you in staying in your home as well.

In either case, before anything can happen you need to be assessed by an Aged Care Assessment Team (ACAT). Comprised of specially trained medical personnel, the ACAT assessment will assist older people and their carers to determine what kind of care will best meet their needs.

Once assessed as needing to go into an Aged Care facility, the next step is to find a facility that provides the services you want/need, in a location that is suitable and that you can afford.

A good place to start in researching Aged Care facilities is the government's "My Aged Care" website (www.myagedcare.gov.au), which provides access to a list of all facilities with availability.

Aged Care Costs

The fees and charges associated with aged care can be confusing – particularly as they are calculated on an individual basis according to assessable assets, private income and pension entitlement.

There are two main types of fees payable for aged care:

- Accommodation payments
- Ongoing care fees

Accommodation payments

The accommodation payment is a lump sum payment for "the right to occupy" in the Aged Care facility. The amount of the accommodation payment (up to $550,000) is set by the facility and is determined by a number of factors including quality of the facility, location and demand.

The amount you actually pay is determined by your level of assets. If you are of very limited means you will not be required to make a payment, if you are of limited means you will be expected to cover part of the payment (called an accommodation contribution) and the government will make up the rest; but for most people you will need to meet the full payment amount.

The accommodation payment can be paid as:

- a lump sum (known as a Refundable Accommodation Deposit or RAD);
- regular periodic payments (known as Daily Accommodation Payments or DAP);
- or a combination of both (including the option of paying the DAP from the RAD).

You decide on the structure that is best for you subject to the minimum asset level that you must retain (currently $46,500). On your departure from the aged care facility the RAD (less any amount used to pay the DAP) is refunded to you (or your estate).

Ongoing care fees

Basic daily care fee

All aged care residents pay a basic daily care fee which is equivalent to 85% of the maximum single age pension.

Means tested fee

The means tested fee is an additional daily care fee that you pay if you have sufficient means to help fund your care. The means tested fee is capped at $25,731.05 per annum or $61,754.55 over your lifetime.

As with the Age Pension, Centrelink calculate your means tested amount using a formula that takes into consideration your level of assets and your level of income.

The family home is exempted when calculating the Age Pension but once you move into an Aged Care facility the rules change.

- For Aged Care purposes, if you keep the family home it is included as an asset (capped at $157,987.20) for determining the means tested fee and any rental income it generates is also included unless you are paying part of the accommodation payment as a DAP, when the rent is exempted.
- For the Age Pension calculation, on entering an Aged Care facility, the family home is exempt for a minimum of 2 years after which it may be included unless a further exemption applies. Paying part of the accommodation payment as a DAP and renting the family home is included in the list of exemptions; but for the Age Pension the exemption applies to both the asset value and the rental income.

Extra services fees

Some aged care facilities are approved by the government to provide extra services across the whole facility or in a designated part of the facility for an extra fee. In addition to designated extra service facilities, some standard aged care facilities may offer extra services for an extra fee on an opt-in basis.

FINANCIAL ADVICE FOR YOUR SITUATION

As can be seen above, some major decisions need to me made by those considering aged care and seeking advice helps to understand the complex financial implications. Decisions like keeping and renting or selling the family home can have an impact on pension entitlements, tax and aged care costs. Uninformed financial decisions can cost thousands of dollars, and in some cases restrict the options of care available to you.

Each financial decision should be given careful consideration to ensure entitlements, fees and charges and your assessable assets are all working in the best way possible for your individual circumstances.

With the advice of our Aged Care Accredited Financial Advisers, Darron Reid (Adelaide Office) and Garry Pinnington (Renmark Office), you will be better placed to make the best decisions about aged care to ensure both physical and financial wellbeing.

IMPORTANT INFORMATION
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The Federal Budget and Small Business

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MYOB Portal for Accounting Clients

Our Practice currently uses MYOB for all our computer accounting requirements. MYOB has introduced a MYOB Client Portal which is a new online collaboration tool that will allow us to:

- Transfer documents to you, the client, securely via the portal
- Accept digital approval of documents
- Documents including Tax Returns can be approved from anywhere, anytime
- Eliminate postage waiting times

Please contact us on 08 8586 6644 if you are interested in creating a Portal and we can setup and assist you with this.

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Behind the Scenes at PRP

Welcome Jemma Smith

Jemma Smith is PRP's newest employee having commenced with us in January of this year. A Uni SA graduate with a Bachelor of Commerce (major in Accounting), Jemma had her sights set on working in the Accounting and Finance industry.

A lifelong Renmark resident, Jemma spends her leisure time enjoying the ocean for relaxation, fishing and crabbing and reading books in her hammock. She is a green thumb and loves succulents and also spends time baking pastries and creating tasty desserts.

Stop Press Tax Rates for 2016-2017 (as proposed in May's Federal Budget)

Australian Residents

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

Medicare Levy of 2% applies (not applicable to low income earners).

Budget Repair Levy of 2% on taxable incomes in excess of $180,000

Compulsory superannuation rate: 9.5%
*Upper threshold to be increased from $80,000 under budget proposal

Non Residents

TAXABLE INCOME	TAX ON THIS INCOME
$0 – 87,000	32.5c for each $1
$87,001 – 180,000	$28,275 plus 37c for each $1 over $87,000
Over $180,000	$62,685 plus 45c for each $1 over 180,000

Budget Repair Levy of 2% on taxable incomes in excess of $180,000

Compulsory superannuation rate: 9.5%

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