



Financial Navigator



Newsletter May 2013

IN THIS ISSUE



Federal Budget 2013

Wayne Swan delivered the Federal Budget speech on 14 May 2013. See what changes were announced and how they will affect you.



Benchmarking & tax audits

ATO on the audit warpath, warning to small businesses.

Federal Budget 2013

Tax rates

Taxable thresholds from 1/7/ 2013:

Resident Thresholds	Marginal rate (%)
Up to 18,200	0
18,201 to 37,000	19
37,001 to 80,000	32.5
80,001 to 180,000	37
180,001 plus	45

Taxable thresholds for non-residents from 1 July 2013:

Non-resident thresholds	Marginal rate (%)
Up to 80,000	32.5
80,001 to 180,000	37
180,001 plus	45

A decrease to personal income tax which would have applied from 1 July 2015 will not proceed on the basis that it was enacted to compensate for a higher carbon price than is now likely to arise.

Increase in Medicare Levy

From 1 July 2014 the Medicare Levy will increase from 1.5 percent to 2 percent of taxable income. The current relief for low income earners and other exemptions from the Medicare Levy are to remain in place. The Medicare Levy low income threshold for families will increase from 1 July 2012 as follows:

- Individuals \$20,542 (previously \$19,104)
- Families \$33,693 (previously \$32,743)

The increase in the Medicare Levy will be used to fund DisabilityCare Australia, a national disability insurance scheme. An agreement in relation to DisabilityCare has been reached with all states and territories with the exception of Western Australia.

Work related self-education expenses

The Federal Government announced in April that from 1 July 2014 deductions for work-related self-education expenses would be capped at an annual amount of \$2,000 per person. This is expected to save \$514 million over the forward estimates.

Other changes

- The net medical expenses tax offset will be phased out.
- The discount for voluntary and upfront HECS-HELP repayments will be removed from 1 January 2014.
- A 10 percent non-final withholding tax will apply on disposal of Australian residential property by foreign residents for transactions exceeding \$2.5 million.

Family payments

- The Baby Bonus will be removed and replaced with a Family Tax Benefit Part A payment for each child.
- The general increase in the Family Tax Benefit Part A announced in last year's Budget will not proceed.
- From 1 July 2014, the length of time that families can be temporarily overseas and continue to receive family payments will reduce from three years to one year.
- From 1 January 2014, FTB Part A will only be paid to families up to the end of the calendar year that their child, 16 or over, completes school. Youth Allowance will continue to be available to eligible young people who need financial support for post-secondary study or while they are looking for work.

Benchmarking & Tax Audits

The Australian Taxation Office has been using small business benchmarks for many years. Information obtained from activity statements provides the ATO with up-to-date trading information. This information is used to establish industry benchmarks.

The benchmarks are financial ratios such as salary and wage expenses as a proportion of turnover, the ratio of cost of goods sold to turnover and the ratio of input tax credits to turnover. These benchmarks provide guidance to the ATO as to what figures it would expect a business in a particular industry to report. If the figures reported on a Business Activity Statement vary greatly from the established benchmark then that business could become the target of a benchmarking audit.

One recent case saw a florist hit with \$55,000 in penalties by an ATO benchmarking audit.

You can read more about small business benchmarks on the ATO website by clicking on this link – [ATO benchmarking](#).

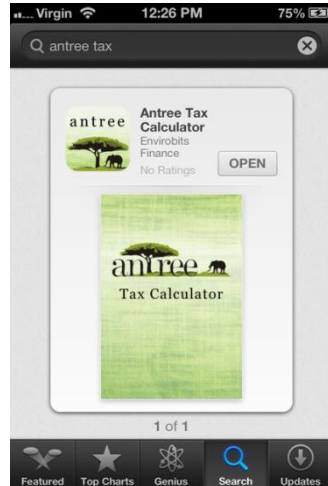
The penalties can be as high as 75% of the tax and GST shortfall so this is definitely the NEW Elephant in the Room as far as small business goes.

Expect to see a lot more benchmarking audits in the coming months!

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