

# Radio Days – 2012-06-02

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## *Discussion - Tax Changes In July*

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This year there are to be some major changes to the Australian income tax regime. This means that, if you are using an accounting program to keep track of your payroll, you will need to upgrade to the latest version to keep abreast of the changes, especially the changes to the tax payable by your employees.

Please note that I am not an accountant and I do not have the detailed knowledge of just how these changes will affect your business. If you need more information please contact your accountant or the tax office.

Here are some of the changes which you may need to take into account in your business.

- **Income Tax Changes:** perhaps the most significant change is that the tax-free threshold will increase threefold. For the current financial year (1 July 2011 to 30 June 2012) the tax-free threshold is \$6,000. This means that the first \$6,000 of a person's income does not incur any income tax. All amounts earned over \$6,000 are then taxed. From 1 July 2012 the tax-free threshold rises to \$18,200. This means that for most employees their income tax will be reduced. For example, an employee who currently receives \$500 per week pays \$46.00 in income tax. From 1 July this same employee will pay \$28.50 per week in income tax. This means that employers will have to make changes in the way that they calculate the income tax withholding from their employees' pays each week. The easiest way to do this is to upgrade to the latest version of their current accounting program.
- **Medicare Surcharge Levy:** this is a levy for people who earn more than \$84,000 and who do not have private health insurance hospital cover. The amount paid under this levy starts at 1% of income for those earning \$84,000 and rises to a top level of 1.5% of income for those who earn more than \$130,000.
- **Private Health Insurance Rebate:** at present, all people who hold private health insurance cover receive a 30% rebate from the federal government. From 1 July this will change. This rebate is now to be means-tested so that, for people who earn more than \$84,000, the rebate will be reduced depending on their income. For people earning more than \$130,000 the rebate will be reduced to 0%. On the other hand, for older people the rebate will rise, for those earning less than \$84,000, from 30% to 40% for those aged 70 and over.
- **Contractor Payments:** for businesses in the building and construction industry there is a new provision for reporting the payments made to contractors. Apparently some building contractors are suspected of not paying the full amount of tax due to the ATO. The reports are to be made each year, and the first report is due in July 2013 (next year, at the end of this financial year) so you will have time to ensure that your records are kept correctly. If you make quarterly BAS payments then your first report is due by 28 July 2013, but it is due by 21 July 2013 for monthly BAS payments.
- **Removal of the Flood Levy:** the temporary flood levy for employees earning more than \$50,000 has now been removed. This means that these employees will be paying less tax as a result of this removal. This has been included in the tax scales which will operate from 1 July 2012.
- **Depreciation Changes:** there are other changes which make depreciation of new assets easier to calculate. If you buy a new asset after 1 July 2012 which costs less than \$6,500 (excluding GST) you can depreciate the asset immediately. This means that many items, such as computers, which cost more than \$300 can now be expensed in the year in which you bought it. Of course, you must wait until 1 July 2012 to make the purchase. This means that you could find that it will pay you to wait for a few weeks to buy your expensive new computer.

This is a summary of some of the changes which will take place in the accounting part of your business next month. This is by no means a complete discussion of all the changes which will take place next month. For more details please contact your accountant or the tax office. The phone numbers for the ATO are:

- Business: 13 28 66
- Personal: 13 28 61

### ***Further Information***

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Australian Tax Office (ATO) [www.ato.gov.au](http://www.ato.gov.au)

QuickBooks [www.quicken.com.au](http://www.quicken.com.au)

MYOB [www.myob.com.au](http://www.myob.com.au)