

## 2007 Autumn Newsletter

### Medicare Levy Surcharge Is Here To Stay

The federal government has stated it has no plans to revise the Medicare Levy Surcharge [MLS] income tests.

The MLS was designed to penalise higher income earners who did not have private patient hospital cover.

The initial thresholds, such as the \$50,000 threshold for single taxpayers without dependents, have remained the same despite average annual wages having increased from \$36,000 to \$54,000.



A spokeswoman for the Labor party has criticised the Federal Government's failure to index the MLS thresholds and uphold its promise of only taxing wealthier Australians.

Health Minister Tony Abbott has defended the scheme, saying that it has encouraged 3 million people to take out private health insurance.

Private Health Insurance Administrative Council statistics indicate that the number of people with private patient hospital cover remained static for three years following the implementation of MLS.

However, more people took out private health cover after the introduction of the 30% tax rebate on health insurance.

It is estimated the MLS has produced in excess of \$1 billion in revenue since its inception.

### Privacy Concerns Surrounding ASIC and Tax Office Data Sharing



The ASIC and the Tax Office recently announced their plans to share information that will assist both agencies in a wide range of criminal investigations.

In a bid to crack down on tax evasion and corporate crime, Treasurer Peter Costello plans to overhaul secrecy provisions which have been in place since 1936.

Taxation and legal professionals around Australia have called for strict provisions and safeguards to ensure that shared tax data remains private and secure.

Some concern has been expressed that the information shared could be used in a manner that is inconsistent with the purpose for which it was gathered.



In addition, some believe that tax information, once released by the Tax Office to other organisations such as the ASIC, could get into the wrong hands.

It has been suggested that, rather than swapping information, the agencies should obtain the information directly from individuals and companies.

The Tax Institute of Australia believes that the changes could adversely affect public confidence in the Tax Office and its handlings of tax returns.

## New PAYG Payment Summary

According to the Tax Office, the new form:

- a. Presents information more logically and is more closely aligned with the way the information appears in the tax return;
- b. Has increased in size to A4;
- c. Includes an amendment indicator that, in future, will allow for the automation of processing of amendments to previously lodged payment summaries; and
- d. Has no sprocket holes and is no longer available in continuous format.

The new form will not be available for use until April 2007.

The Tax Office will provide copies of the new version to entities that provide the payment summary annual report to the Tax Office in paper form in May 2007.

A sample version of the form is available on the Tax Office's website at [www.ato.gov.au](http://www.ato.gov.au).

## Making Post Tax Super Contributions before June 30, 2007

One of the changes to superannuation announced in the last Federal budget was to allow taxpayers to make up to \$1 million of post-tax contributions between May 10, 2006 and June 30, 2007.

On December 7, 2006, the Government clarified that:

- a. Contributions made in excess of a person's age-based limit will generally count towards their \$1million post tax contribution limit; and
- b. Individuals will be able to withdraw, without penalty, excess post-tax contributions that were made before December 7, 2006.



An application must be made to the Commissioner of Taxation to withdraw the money without penalty before June 30, 2007.

Taxpayers whose post tax contributions exceed \$1 million, and who do not apply for a release authority

by June 30, 2007, will be liable to tax at 46.5% of the excessive amount.

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The Commissioner may, however, exercise his discretion to disregard or reallocate excess post-tax contributions to a different income year in limited circumstances.

## The Tax Office to Minimise Refund Delays

The Tax Office has been criticised for not being proactive or prompt enough in notifying taxpayers or their tax agent of delays in refunds and the cause of these delays.

In order to meet its benchmark of 28 days in issuing tax refunds the Tax Office has implemented certain measures.



A tax agent may contact the Tax Office fourteen days after lodgement if a refund has not been issued.

The Tax Office will then:

- a. Direct the case to a review section; and
- b. Issue a refund or contact the tax agent to clarify any details within fourteen days.

If the time frame is not met, an enquiring agent will be transferred directly to the review section where the case is handled.

The Tax Office sighted several reasons a refund may be held back including incomplete data, error or fraud.

The Tax Office is also considering means to automatically advise taxpayers of delays with their refunds through either the tax agent's portal, telephone or by mail.

## Industry Group Pushes For Tax Cuts

The Australian Industry Group [AIG] is pushing for the Government to cut income tax rates for those earning between \$25,000 and \$30,000 from 30% to 15% in this year's budget.

The AIG's view is that lower taxes improve incentives for investment, saving and workforce participation.

The industry body said that it generally supported returning funds to individuals rather than holding taxation at high levels and running high budget surpluses.



The AIG has also proposed that the Government refund the tax on employer superannuation contributions for low income earners and middle income earners aged over 50.

It has further proposed that the Government increase the amounts it will pay under the Superannuation Co-contribution Scheme.

The AIG also said that consideration could be given to:

- a. Reducing the tax rate on incomes between \$75,000 and \$100,000 from 40% to 30%;
- b. Reducing the top marginal rate to 40%; and
- c. Phasing down the company tax rate from 30% to 25%.

## **It's here – Parliament Passes Superannuation Reform**

Parliament has passed sweeping changes to the legislation governing taxation on superannuation.

The reforms are aimed at simplifying the superannuation tax provisions, while encouraging older Australians to remain in the workforce.



Treasurer Peter Costello, has described the changes as the most significant reforms to the taxation of superannuation in Australia's history.

The laws were passed with the backing of Labor and the minor parties although both expressed caution over the lack of detail.

Nick Sherry, Labor's superannuation spokesman, likened attempts to obtain more detail on the cost of the reforms to "extracting teeth", while Australian Democrat, Andrew Murray, said the lack of "modelling" did not give a clear indication of the long term effects of the package.

Liberal senator, Grant Chapman, said the "groundbreaking reforms" will significantly benefit millions of Australians in the future.

## **How much does the Government contribute to your super?**

Employees earning less than \$58,000 may be entitled to claim the superannuation co-contribution.



From July 1, 2007 this incentive will be extended to eligible self-employed people.

According to the Minister for Revenue and Assistant Treasurer Peter Dutton, 799,156 co-contribution payments worth more than \$631 million were made to Australian workers during the period October 1, 2006 to December 31, 2006.

Mr Dutton further stated that in the first 3 years of the scheme, more that 2.7 million payments worth approximately \$ 2 billion had been paid.

Given the figures stated above, Mr Dutton has called on Kevin Rudd to "personally give Australia an assurance that the co-contribution is here to stay".