

## BENEATH THE SURFACE

### Superannuation as an investment

The taxation rules on superannuation are highly complex. However, complexities aside, whether you're an employee or self-employed, you can potentially pay much less tax through better use of

your super.

If you're an employee

Ask your employer if they will allow you to invest before tax pay into super through salary sacrifice.

If you're self-employed

See the article entitled :

"Government moves on Super".

Spouse Rebate

A rebate of up to \$540 applies where a taxpayer contributes to a superannuation fund for the benefit of a low income/non-working spouse. The spouse must be earning less than

\$10,800 to get the full rebate and it cuts out totally when the spouse earns more than \$13,800. (Earnings for this purpose also include reportable fringe benefits).

### OUTDOOR WORKERS CAN NOW CLAIM SUN PROTECTION PRODUCTS!

- Following a recent Court decision, the Tax Office has accepted that outdoor workers such as builders, farmers, and road workers who buy sunscreen, hats, and sunglasses to use at work can now claim these products as work expenses.
- If you work outdoors and are exposed to the sunlight for extended periods, keep your receipts.

### One in three working Australians has unclaimed super – Are you the one?

Recent advertisements on television advise of the millions of dollars of unclaimed superannuation money. Could some of it be yours? If so, you should first contact your current super fund and request that they conduct a search for you via **SuperMatch** (a specialised software).

If your fund doesn't have **SuperMatch** you can phone the Tax Office on **13 10 20** to arrange for your superannuation fund to have the authority to access this search facility.

Alternatively, if you do not have an existing superannuation fund or do not know the name of your previous superannuation fund, you can complete the **Lost Members enquiry form** which is located on the superannuation website at [www.ato.gov.au/super](http://www.ato.gov.au/super) under Lost Members Register. Or simply phone our office to request a copy.

### GOVERNMENT MOVES ON SUPER

The Government has been progressively implementing the superannuation initiatives proposed as part of its 2001 election campaign. The following are some of the changes:

#### Superannuation for Children

Legislation has been expanded to allow undeducted (ie from net or after-tax income) contributions to be made on behalf of children. A child is defined as an individual under age 18.

The contributions can be made by any person other than the employer of the child and are limited to \$3,000 over any 3 year period.

#### Self-Employed Deductions

The tax deduction for contributions by self-employed and unsupported persons has increased to a maximum of \$5,000 plus 75% of the balance of the contribution up to the taxpayer's age-based limit. The self-employed contribution required to gain age-base contribution limits are:

Income year	<35	35 – 49	50 – 70*
2002-03	\$15,201	\$45,184	\$114,521

\*When a self-employed or other eligible person reaches 70 years they can claim a deduction only if it is made before the 28<sup>th</sup> day of the month following their 70<sup>th</sup> birthday.

#### Contributions beyond 70

Untaxed contributions can now be made by a person between the ages of 70 and 75 as long as they are gainfully employed for at least 10 hours per week at the time of the contribution. Employers are not required to make compulsory contributions for persons aged 70 or over unless they relate to salary paid before the employee turned 70.

*Untaxed contributions are not tax deductible and are not taxed by the superannuation fund.*

All the above changes are effective from 1 July 2002.

**Other proposals** not legislated as yet include the Government's idea to provide a \$1,000 co-contribution for low income earners contributing to superannuation voluntarily and also the proposed reduction in the superannuation surcharge rate on a progressive scale over 3 years down to 10.5% by 1 July 2004. The government has tied these two measures together in one Bill in an attempt to have the surcharge reduction passed by the Upper House.

In the 2001 election campaign the Government also proposed allowing **couples to split their superannuation contributions**. In a consultation paper released for public comment, it appears that the intention is to restrict the split to a maximum of 50% of employer contributions and that splitting will not apply to existing balances in super. It also appears it will not be available for deductible self-employed contributions ie it will only apply to employer contributions and undeducted personal contributions. The intention is that this legislation will apply from 1 July 03.

## MEDICAL EXPENSES

You can claim a tax reduction of 20 per cent of allowable medical expenses over \$1,500 (from 1 July 2002). This is net of refunds from Medicare and private health funds.

Not all medical expenses are allowed to be counted (eg chiropractors, massage therapists, osteopaths etc unless you can show that you were getting therapeutic treatment – usually by providing a medical referral certificate). Dental and optical expenses are included, so keep your receipts.

## Holidays – had one lately?

A story on A Current Affair (Ch 7) reported that thousands of Australians work more than 100 hours per week, some happily, some reluctantly. A recent survey turned up alarming results:

- Millions of Australian workers are officially workaholics
- We have the second longest working week in the world, after Korea
- Consistently working long hours leads to acute burnout, ie anxiety, demotivation and chronic tiredness

**Solutions** according to Coaching Psychologist, Tony Grant, Uni of Sydney:

- Learning to enjoy life outside of work
- Switch roles (from work) before you walk in the door (at home)
- Eat regularly
- Cut out caffeine
- Power nap when you can
- Exercise and stretch
- Reassess your working day – you may put in the hours but are you efficient?

If it's not possible to cut back your working hours, Tony says: "lighten up and make sure you enjoy what you do because at the end of the day, we all end up in a hole in the ground and they throw dirt in your face."

Please Note: Many of the comments in this publication are general in nature. Anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the applicability of the information to their particular circumstances.

## Tax Planning Opportunity – proposal to split superannuation between couples

Whilst not yet law, these changes can provide some of you with planning and retirement opportunities. Below are the general details, it's unlikely there will be major changes.

Super contribution splitting will achieve the following objectives:

- Provide single income couples, including those not able to make voluntary contributions, with access to two ETP\* low-rate thresholds and two RBLs\*\* in the same way as dual income families; and
- Provide low income or non-working spouses with their own superannuation assets under their own control and their own income in retirement.
- It may also provide non-earning spouses with access to cost effective death and disability cover

\* ETP: eligible termination payment low-rate threshold is \$112,405 for 2002-03, and each component is taxed or exempted from tax accordingly.

\*\* RBL: reasonable benefit limit for lump sum payout is \$562,195 for 2002-03. The RBL system operates to determine the maximum amount of superannuation and similar benefits that a person is entitled to receive during his/her lifetime on a concessional tax basis.

## POSITIVE CASH FLOW STORY

Stella (not her real name) is a successful businesswoman. Yet when she first came to see us, she was in the habit of borrowing money to contribute to super each June. The debt would then be reduced by repayments during the year, but on 30 June it was back up to \$20,000 again. A continuous cycle.

By implementing the practice of paying small and regular amounts off the loan consistently, and at the same time saving cash for superannuation, we were able to gradually break this sequence of events.

This took some discipline in the beginning, but now (three years

later) the debt is paid off completely and contributions to super are in excess of \$20,000 each year.

If you are struggling with cash flow management, call our office to make an appointment.

Rana Jewell

Public Accountant & Lifestyle Consultant

13 Park Rd

Ferny Hills Q 4055

M 0408 51 0001

P 07 3351 4689

F 07 3851 0132

E ranapaul@qldnet.com.au

Our office will be closed for summer holidays from Monday 23 Dec – Friday 3 Jan 2003 inclusive.