

2014 Q2 - Update



June 2014

We couldn't have asked for a better finish to the Financial Year with May being our best ever Month, then bettered again in June! Sincere thanks to all our Clients & Referrers as this wouldn't have happened without your valued support. We hope you enjoy being our Clients as much as we love having you on board – Thank You!! ☺ To help celebrate the EOFY & take your mind off your budget burdens, we're giving away 3 x \$100 Gold Class Movie Cards – instructions in your email. ☺

For those who missed it, we waved goodbye to Phil as our silent partner at the end of April – thanks for your support & involvement over the past 8 years mate – don't spend it all at once while in Brazil (on Brazilians)!

Confidence is still quite evident in the market place. Interest rates also remain static and will continue to do so for the remainder of the year, barring any major financial catastrophe in the wider international community.

Lenders are still lending, though there's some tightening in the low deposit (5%) space – more on that a little later.

As is now customary at this time of the year, we have our annual Tax Tips courtesy of Poulsen Partners – thanks Mark & Team!

On a personal front, the Fish continue to splash happily without threat though I have managed the odd trip in the last few months thankfully. Mid-way through the Soccer season and my O35's Div 3 Team sits at the top of the table with only 1 (unlucky) loss in our ledger, while Jibreel's U8's team is undefeated. While I've butchered a few opportunities in front of goal, (I know it's coming – praying anyway), Jibreel has managed a few in the past few weeks.

Interest Rates/Lending

From today's RBA Board Meeting:

“Inflation is expected to be consistent with the 2–3 per cent target over the next two years.”

With this in mind, we could be in for a lengthy period of low rates – rejoice! No need for panic or concern over Interest rates but I strongly recommend that everyone take advantage and hammer their home loan – make hay while the sun shines so to speak.

Fixed Rates remain competitive particularly within the 2 & 3 year space. 2 year Rates can be nabbed somewhere in the 4.79% - 4.99% range while 3 years can be locked for 4.95% - 5.24%. If you wish to explore Fixing or Switching, please contact me for a prelim discussion...

While Bank's continue to lend if you cross the 't's' & dot the 'i's', we are seeing some tightening in the high LVR space ie loans with a 5% deposit. Only a handful of Lenders continue to cap LMI above 95% - the Westpac group inc St George & RAMS, the Commonwealth Bank group inc Bankwest, and ANZ & Suncorp for existing Clients albeit with set conditions. While these Lenders exist, Credit Scoring has been tightened significantly which acts as a further 'culler' in this space.

Investment wise, those few that do 95% lends are inclusive of LMI.

I have no doubt this is being strongly driven by the Australian Prudential Regulation Authority (APRA), and wouldn't be surprised to see further tightening in this space. Not necessarily a bad thing from a 'responsible lending' perspective, but not such good news for predominantly first home owners.

Property Market

The Market in SE Qld continues to hum along at a steady pace, one which I personally feel is very comfortable & sustainable. We continue to see property that is priced correctly sell reasonably quickly - different story for overpriced property. Land is being snapped up as quick as it hits the market with some Stockland Communities that I service taking Expressions of Interest well before some Stages are released to the market.

So what are the numbers saying...? Brisbane inc the Gold Coast region has recorded YTD growth of 2.7%, translating into an Annual change of 6.6%. Not bad at all in my opinion. Sydney continues to be the standout with a YTD of 5.4% and Annual growth a whopping 15.4%! Combined Capital Cities sit at 3.2% YTD and 10.2% Annually.

The Average Time on the Market in Brisbane is 60 days with the Average Vendor Discounting sitting at 6.4% (average % difference between the original Listing Price and the final Selling Price).

From the HSL view over the past quarter (% of our business) - YTD in ()...

Land &/or Construction*	47%	(40%)
Purchase Existing (Investment)	10%	(8.5%)
Purchase Existing (1 st Home)	10%	(20%)
Purchase Existing (Upgraders)	20%	(19%)
Refinance	13%	(12.5%)

* Combination of 1st Home Owners & Upgraders

EOFY Tax Tips & Impending Changes

Individual Tax Rates

Current Rates (applicable for 2013/2014 and 2014/2015)

0-18,200	NIL
18,201 - 37,000	19.0
37,001 - 80,000	32.5
80,001 - 180,000	37.0
180,001 +	45.0

The above rates do not include the Medicare levy (currently 1.5% of taxable income).

The Government is seeking to increase the Medicare levy by 0.5% to 2.0% as from July 1, 2014 to help fund Disability Care Australia.

Debt Levy

NEW - One of the more contentious measures contained in the 2014 Federal Budget, the 'temporary' debt levy has passed in the Senate and will apply for three years from July 1, 2014. The levy will add 2% to the top marginal rate, meaning individuals with a taxable income of more than \$180,000 will now attract a marginal tax rate of 49% including the Medicare levy.

For affected taxpayers, there is an obvious incentive to bring income forward into 2013- 2014 and defer deductions to 2014-2015.

Other strategies to avoid the levy in 2014-2015 could include:

- Contribute more to superannuation (taxed at 15% instead of 49%, a saving of 34 cents in the dollar). If you are an employee and not eligible for a tax deduction for contributions, you could still achieve the same effect by salary sacrificing into super. Be mindful of the contribution caps (see item 1).
- Make investments which produce positive income in the name of a lower income spouse.
- Negative gearing may become more attractive since the tax office is effectively subsidising any investment loss to the tune of 49%. Of course, investors must weigh up the tax deductibility of investment losses against the prospects for eventual capital gain for negative gearing strategies to be fruitful.
- Business owners operating through companies can elect to pay themselves a lower salary if they are happy to keep the extra funds invested in their business.
- There may be opportunities to package concessional fringe benefits, although the corresponding increase in the fringe benefits tax rate to 49% from April 1, 2015 essentially makes the current situation unchanged.

Private Health Insurance

The private health insurance rebate is means tested. Refer below table for details:

Singles Families (2)	<\$88,000 <\$176,000	\$88,001-102,000 \$176,001-204,000	\$102,001-136,000 \$204,001-272,000	>\$136,001 >\$272,001
Rebate (1 July 2013 – 31 March 2014)				
<Age 65	30%	20%	10%	0%
Age 65-69	35%	25%	15%	0%
Age 70+	40%	30%	20%	0%
Rebate (1 April 2014 – 30 June 2014)				
<Age 65	29.04%	19.36%	9.68%	0%
Age 65-69	33.88%	24.20%	14.52%	0%
Age 70+	38.72%	29.04%	19.36%	0%
Medicare Levy Surcharge				
All ages	0.0%	1.0%	1.25%	1.5%

(1) Adjusted income is taxable income + reportable fringe benefits + reportable super + net investment losses

(2) The families' threshold is increased by \$1,500 for each dependent child after the first. Families include couples and single parent families.

Medical Expenses Offset

A rebate of either 10% or 20% is available for out-of-pocket medical expenses over certain thresholds depending on your adjusted taxable income and family status.

Singles with adjusted income of \$88,000 or less and families with adjusted income of \$176,000 or less will receive a 20% offset on net medical expenses over \$2,162.

Singles with adjusted income of more than \$88,000 and families with adjusted income of more than \$176,000 will receive a 10% tax offset on net medical expenses over \$5,100.

Eligible expenses include payments to doctors, nurses, dentists, chemists and optometrists, but excluding medical cosmetic procedures where a Medicare Benefit is not payable and cosmetic dental procedures.

This offset is being phased out. Subject to certain exceptions, only those taxpayers who claimed the offset for the 2012/2013 year will continue to be eligible for the 2013/2014 year if they have eligible out of pocket expenses above the relevant thresholds. Similarly, only those who claim the offset in 2013/2014 will continue to be eligible for the offset in 2014/2015.

Family Tax Benefit (FTB)

Certain families are entitled to FTB. To get FTB you must lodge a claim with the Family Assistance Office

Note that entitlement to FTB (Part B) will not be available where the principal earner has adjusted taxable income of \$150,000 or more.

Child Care Benefit (CCB) and Child Care Rebate (CCR)

CCB and CCR are claimed through the Family Assistance Office. You can't get the CCR unless you are registered for CCB. CCR rebate covers 50% of out of pocket costs for approved child care (total fees charged for approved child care less actual CCB entitlement). A maximum rebate payable of up to \$7,500 per child per year can be claimed.

CCB is means tested. CCR is not means tested, but the Government has it in their sights.

Rental Property Deductions

Don't forget you may be eligible for capital write-off deductions on rental properties.

Deductions include depreciation of furniture and fittings (outright deduction available for items costing less than \$300) and a special building write-off on construction costs (including subsequent improvements). You will require a quantity surveyor's or builder's report for rental properties to be able to do this. Call us if you would like us to arrange a depreciation report.

Super Contributions

Rate will increase to 9.50% in 2014-2015 and gradually rise to 12% by 2021-2022.

Super Contributions Tax – High Income earners

Individuals with income (1) greater than \$300,000 (2) have super contributions taxed at 30% rather than the 15% rate. If this applies to you the tax office will issue you a separate assessment for the extra 15% tax. You can opt to pay the tax yourself or have your super fund make the payment.

- (1) *Taxable income + all deductible super contributions (Including SGC) + reportable FBT + investment losses + target foreign income + government pensions – child support.*
- (2) *If income without super is less than \$300,000 it is only the amount of super that causes the income to exceed \$300,000 that is taxed at 30%.*

Tax Deductible Gifts/ Donations

Donations of \$2 or more must be made before June 30, 2014 to be entitled to a tax deduction in your 2014 return.

Care should be taken not to donate to the extent that you create a loss as the excess won't be tax deductible. You can however elect to spread the claim for the donation over a period of up to 5 years.

Note that deductions are only claimable for gifts to “deductible gift recipients” endorsed by the ATO. Political donations by individuals are claimable up to \$1,500. Non-individuals are not entitled to deductions for political donations.

Plant & Equipment

Consider scrapping old/obsolete items of equipment prior to June 30, 2014.

For SBE taxpayers, two new items introduced during the 2012-2013 financial year were (1) an increase in the instant asset write-off from \$1,000 to \$6,500 (net of GST) and (2) an immediate deduction for the first \$5,000 of the cost of motor vehicles.

These two measures are now in limbo. There is a proposal (not yet law as at the time of writing), to wind back these concessions so they apply only to assets purchased pre January 1, 2014.

For non-SBE taxpayers you will only get an outright tax deduction for purchases of under \$100.

Note that computer software is to be depreciated over 4 years, not written off immediately.

Capital Gains Tax

The ATO ruling (TR 2008/1) relating to “wash sales” may mean that crystallising capital losses so as to offset capital gains will not be effective for tax purposes, particularly if you immediately re-acquire those assets in your name or the name of an associate.

Talk to us if you propose to sell loss creating assets to offset other gains.

Remember that the general CGT discount is only available on assets held (contract to contract) for at least 12 months, and arrangements such as option agreements to artificially extend the period of ownership are ineffective.

Capital losses can only be offset against capital gains made during the loss or subsequent years.

Land Tax

For those of you subject to land tax the old methodology of “Unimproved value” for determining taxable value has been replaced with “Site value” which is effectively the value of the land including site improvements such as clearing, earthworks, filling, drainage, reclamation and retaining walls.

Idle Bank Accounts

Effective as from May 31, 2013, any bank account that lies idle for more than 3 years can have its funds automatically claimed by the Government. In other words, accounts with anything from \$1 upwards that have not had any deposits or withdrawals in the past three years will be transferred into the Government's own coffers. Interest payments are not considered to be deposits and bank fees are not considered withdrawals.

So if you have a special account in which you've put aside money for your kids' education, or just for a rainy day, beware this cash grab. The money can be reclaimed through ASIC but apparently the process can take months.

Record Keeping

At least five (5) years, but you should keep for as long as space permits any records to do with capital assets (including shares), tax returns, accounts and legal documents. This also extends to computer transaction files.

Home Sweet Loans - Housekeeping

On our website is our '**Budget Organiser**' Template. This Organiser has been designed to assist you in implementing a budget or simply tracking your expenses. It's amazing where your money goes once you decipher it on paper! You can download this for FREE! I'm also open to any suggestions on how we can improve it too!

Home Buyer Guides - The Home Buying Essentials and Property Investment Essentials. These 24 page colour booklets are packed with information for those who haven't purchased a home (ever or in a long while), or anyone considering dipping their toes in the Investment pool. If you would like a FREE copy, or know anyone that could benefit from them, please email me or request from the HSL website...

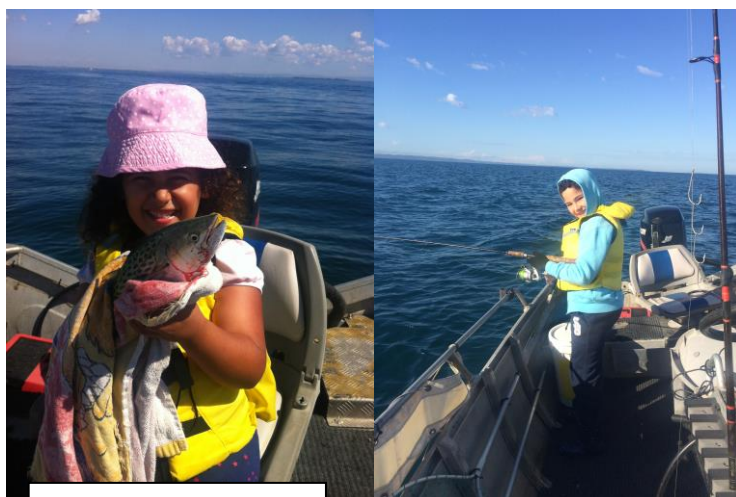


PLEASE NOTE that we are here to assist during the Application process, and post Settlement. If you require any assistance whatsoever once you have your loan in place, please call us at anytime. This alleviates any issues that you will encounter dealing directly with your respective Lender, especially when it comes to Product switches and Discharges/Releases.

We Value Your Thoughts!

Gift Vouchers, Movie Tickets, a night at the Footy, lunch/dinner at sumptuous Restaurants – the more of your family & friends you refer, the greater your rewards! We also conduct a regular competition through our Quarterly Magazine. Throughout the year, we conduct several competitions that are exclusive to our 'Email Alert' members & Facebook 'Likers'.

Take Care
Tarek



Not all fish escaped!



Roar 5 time Champ Michael Theo getting his Caffeine hit from the HSL Coffee Marq at BUFC.