

David J Gibney Accountants

FOCUSED FINANCIAL GUIDANCE



Newsletter – May 2025

While it hasn't been mentioned in the budget, late last year the ATO alerted us that some of our clients will receive refunds for a HECS/HELP study or training loan. Nothing needs to be applied for as they will review and allocate the discount automatically.

Even before the budget speech, we were noticing an increase in the ATO audit activity, particularly in relation to rental properties going back several years. While they are giving taxpayers the opportunity to amend their returns for overclaims, they are activating audits and issuing penalties for dubious claims. Reminder: SG rate will increase from 11.5% to 12 % on 1 July 2025.

The Goodish news

It appears Labor still supports \$20,000 instant asset write off. Whilst the write-off was not mentioned in budget work papers, it did come out in the election campaign. Hopefully we can avoid the situation where it took 9-11 months to pass parliament every year.

FBT exemptions are still in place for electric vehicles but it is only for fully electric vehicles.

While it's not yet law, for those still burdened with HELP debt, the plan to reduce outstanding debt by 20% and introduce a marginal repayment system effective this financial year is progressing.

What has been converted to law is that superannuation will be paid on government paid parental leave.

The Bad news

The proposed Division 296 tax. This will only affect individuals whose total superannuation balance is over \$3 million at the end of each financial year. This is a brand-new tax that, as it stands, will be separate to and on top of all existing fund and personal taxes. The tax bill will be to the individual and can be paid by them or they can elect to pay it out of the superfund. The tax is applied to a proportion of the earnings based on the super balance over \$3 million at the end of the year. Earnings is the growth in super balance for the year less contributions and plus member payments. The calculation of earnings is why this tax is causing such a fuss. This includes unrealized capital gains. If your fund has a property that increases in value by \$100,000, you will be taxed on your share of that \$100,000 even though you haven't received any money.

Additionally, if the next year the property market crashes and the value decreases by \$300,000 and you then sell, you will receive no refund of taxes paid on the top value the property achieved. You will have paid tax on an extra, non-existent, \$300,000. The sleeper is that the \$3 million threshold is not indexed.

Avoid Costly Aged Care Mistakes

We find that a number of our clients require advice about parents considering aged care. While retaining people in their home with a Home Care package is the most desirable outcome, occasionally this isn't sufficient to ensure the necessary level of support. The federal government prefers to keep the population in their own homes (as it's subsidized) but being well informed about your options is better than facing a crisis where your options are reduced. Trying out a few residences using the daily respite payment is a great way to test the waters. However, you also need to know the long-term costs based on your assets and income on the entry date. Some sensible pre-planning to adjust your assets or income will help to ensure you are under the threshold. This plan may involve selling the home to provide the deposit as a lump sum but there are other methods of funding your aged care including paying a daily rate or using a combination with a smaller deposit and daily payment. Where the well-meaning and more financial of your offspring may pay the daily payment instead, this can be a trap because the amounts are refunded to the resident or their estate and not those who paid the money. It's worthwhile investment to seek specialist advice to ensure you are making the most of this entitlement. There are changes to Aged Care expected from July 2025. These changes will increase costs to an estimated 50% of new residential aged care people.

Changing Banks

Where you aren't getting the best possible service with your lender, we encourage you to look elsewhere for better terms. Given the National Australia Bank closed their Kyneton branch a couple of years ago, we've recently done just that, moving to the Commonwealth Bank. Please note on your next invoice, our latest bank account details. To avoid fraud, I suggest you phone the office for clarification of those details.

How can I best use Downsizer Super Contributions in my Super Fund?

For those of you aged 55 and over who want to increase their Super balances, this is worth considering as the current Super Fund individual contributions are capped. It involves selling a principal residence that you & your (existing, previous or deceased) spouse have owned for at least 10 years. You do not need to have lived in for the whole time, nor are you required to be living in the property at the time of sale. Prior to any payments to the Super Funds, the NAT75073 Form "Downsizer contribution in Super Form" must be sent to your Super Fund. Within 90 days of settlement, the (up to) \$300,000 capped contribution per Super Fund Member needs to have been made into your Super Fund. While the contribution doesn't need to be made directly from the sale of that property (say if you had to settle on a new property purchase in the meantime), you could utilize other cash reserves (from bonds, shares or cash) to make the necessary contribution within the same timeframe. As an example, for how this may work:- a couple with a low Super Balance decides to downsize their \$1.3 million home in regional Victoria, may allocate \$300,000 each (\$600,000) into their Super Fund and purchase a (smaller but more expensive) home in the city for the same amount (or more) and get the tax planning benefit. This is one of the methods the Government is using to free up property for growing families and reduce the housing crisis.

If managed correctly, it can also create some estate tax planning recontribution opportunities to reduce tax to adult children.

How the First Home Super Saver Scheme (FHSSS) works

With the high property prices and cost of living pressures to match, the government are constantly modifying methods to make it slightly easier for first home buyers to enter the market. While the scheme allows you to save money towards your home by using two methods of contributing either as voluntary concessional (before tax) and voluntary non-concessional (after tax) contributions. This system has been around for some time but there are existing rules and recent changes which you should be aware of. Only additional funds that you have voluntarily deposited into your superannuation can be withdrawn for this purpose. This means contributions made by your spouse, employer or the ATO co-contribution can't be used, only the additional contributions made by you. Obviously, you can never have owned a home in Australia, need to be over 18 years, need to live in the property for 6 of the first 12 months. The system is accessed individually so couples, friends or siblings can each access their own super contributions to purchase the same property. Concessional contributions are taxed at up to 17% on withdrawal while non-concessional contributions are released tax free. Up to \$15,000 contributions can be made each year with a maximum of \$50,000.

Mid-Year Break

Please note that while our office will be staffed by our capable team members, David will be away from the office between 25 June and 18 July 2025. All end of the financial year commitments will be attended to prior, however if you have something coming up that you would like to discuss in the new financial year, please make an appointment.

Our energetic, knowledgeable and caring approach gives peace of mind.
If you need further information or to discuss your specific circumstances, please call David at our office.

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