

End of Financial Year Checklist - 2019

The countdown to the End of Financial Year (EOFY) provides the opportunity to review your financial position so that important matters are considered before the end of June. With the 30th of June falling on a Sunday this year, it is mindful that transactions are executed in advance of this date to allow for processing time. The following outlines some of the things that may require action.

Superannuation Contributions

Concessional Contributions

Concessional (or tax-effective contributions) to superannuation include employer superannuation guarantee, salary sacrifice and personal tax-deductible contributions. For the current financial year the concessional contribution limit is \$25,000 (irrespective of age).

Exceeding the limit may result in additional tax. It is also important to properly execute tax-deductible contributions by lodging the accompanying notice in a timely manner.

Individuals aged 65 or over (but under the age of 75) are subject to the 'work test'. These rules state that voluntary contributions can only be accepted provided the individual demonstrates gainful employment for at least 40 hours in a period of not more than 30 consecutive days in the financial year. Voluntary contributions include salary sacrifice, personal deductible, non-concessional and spouse contributions (see below).

Non-Concessional Contributions and the Total Super Balance

Non-concessional contributions (NCCs) are made from after-tax cash flow. The non-concessional cap is \$100,000 or \$300,000 utilising the 'bring forward provisions'. Rules that commenced on 1 July 2017 place further restrictions on non-concessional contributions. Specifically, can only be made if a person's total super balance was below \$1.6 million on 30 June of the previous year.

In addition, the maximum amount available under the bring forward rules will depend upon the total super balance. It is essential to review all NCCs made during the current financial year, as well as the two previous financial years to determine whether a 'bring forward' event was triggered.

Contribution Splitting of Taxable Amounts

Contribution splitting is a useful strategy to equalise the member balances between couples. You can split up to 85% of concessional (taxable) contributions to your spouse on a yearly basis, provided your spouse is under 65 (or if the receiving spouse has reached preservation age but not yet retired).

Spouse Contribution Tax Offset

This can be a tax effective means to make additional super contributions to a non-working or low-income earning spouse. Provided the spouse earns less than \$37,000, a contribution of up to \$3,000 can provide a maximum tax offset (rebate) of \$540 (18%) to the person making the contribution. Spouse contributions are assessed against the non-concessional contribution cap of the receiving spouse (subject to the general transfer cap). The spouse must be aged below 70, with the work test also applying if the receiving spouse is aged 65-69.

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Government Co-Contribution

The Government continues to make a tax-free co-contribution for eligible individuals. The super contribution is obtained upon making a personal non-concessional contribution, subject to the satisfaction of the work test, an income test and an age test.

If you earn \$37,698 or less, the government puts 50 cents for every dollar contributed (up to a maximum co-contribution of \$500). The maximum co-contribution amount is reduced by 3.33 cents for each dollar of income over \$37,698 (before entirely phasing out at \$52,697). Income is defined as all income plus reportable fringe benefits and reportable superannuation contributions minus business deductions.

Superannuation Pension Withdrawals

Minimum Pension Payments

In order to maintain the tax exempt status of a pension account balance, it is important that the legislative minimum pension payments are satisfied. The minimum pension payments must be withdrawn from the fund prior to 30 June 2019.

The minimum pension is calculated based on the following table:

Age at 1 July 2018	Minimum Percentage
Under 65	4%
65 - 74	5%
75 - 79	6%
80 - 84	7%
85 - 89	9%
90 - 94	11%
95 or more	14%

A pro-rata minimum payment is required if commenced between 1 July 2018 and 1 July 2019.

Transition to Retirement Income Streams (TRIS) remain subject to a maximum withdrawal limit of 10%.

SMSF Compliance

SMSF Investment Strategies

It is a requirement that a SMSF implement and review a documented investment strategy. The end of the financial year provides a good opportunity to review such an investment strategy so to ensure it encompasses your existing asset allocation. Without doing so penalties may apply.

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Personal Taxation Matters

Portfolio Review & Capital Gains

The end of the financial year provides the opportunity to clear out the underperformers and utilise the capital loss to offset capital gains in other areas of the portfolio before the end of the year.

Trusts

Trustees should ensure that trust resolutions and declarations are completed so that all earnings are distributed from the trust to eligible beneficiaries. Where taxable income fails to be assigned to beneficiaries it becomes taxable by the trust at a penalty rate of 47%.

Pre-payments

Pre-paying investment interest may enable you to bring forward deductions into the 2018/19 financial year. The prepayment of interest locks in the interest rate and may restrict your ability to repay the loan.

Insurance

The lead up to June 30 is a good time to pay tax deductible insurance premiums (such as income protection) and review your current cover for the year ahead.

Donations

Now is the time to fulfil charitable gifts. For those with more significant charitable ambitions the use of a Private Ancillary Fund allows you to establish your own investment vehicle to make tax-deductible contributions and arrange regular payments to registered charitable organisations.

You should not act on any recommendation issued by Euroz without first consulting your advisor in order to ascertain whether the recommendation (if any) is appropriate, having regard to your investment objectives, financial situation and particular needs. Nothing in this report shall be construed as a solicitation to buy or sell a security, or to engage in or refrain from engaging in any transaction.

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