

David J Gibney Accountants

FOCUSED FINANCIAL GUIDANCE



Newsletter – Dec 2022

In this newsletter we will be outlining some of the recent changes from the budget update and given we are heading for a downturn in the economy, we want to share with you some tips that have become available for the general Victorian population to help with costs. A good one to start with is the one off [\\$250 Power Saving Bonus](#) to assist with energy costs. Originally this was limited to those on Centrelink and other disadvantaged members of our community, but it has been expanded to include the general population as long as the account is listed in the applicant's name, and it has been extended in time to 30 June 2023. It is easy to apply by following the link above as long as you have a pdf copy of an invoice downloaded directly from the power supplier.

Even before we experienced the recent peak in property price increases during the pandemic, those of us with adult children have been agonizing as to how they will enter the market. As at 26 October 2022 and thanks to the attached Ray White flyover report, we know the current median sale price in Kyneton is \$915,000. Later in the bulletin, there are some suggestions on how to avoid the pitfalls of helping your children get into owning their own home.

Also, due to changes in requirements, the number of Limited Licensed accountants legally allowed to advise in the areas of Self Managed Super Funds (SMSF) has reduced from 2,500 to 540 nationwide in the past few years. We are delighted to confirm that we are still able to provide advice to you in this area.

FBT exemption for Low or Zero Emission Cars

A new law provides an exemption from Fringe Benefits Tax ("FBT") for a car fringe benefit attributable to an eligible low or zero emission car. Eligibility criteria excludes utility vehicles because it only applies to a vehicle designed for a load of less than 1 tonne and fewer than 9 passengers. At the time of its first retail sale, the value must not exceed the luxury car tax threshold for fuel efficient vehicles of \$84,916. The term zero or low emission car includes battery electric vehicles and hydrogen fuel cell electric vehicles. Plug in hybrid cars (a car that has an internal combustion engine qualifies provided it is able to be re-charged by an off-vehicle power source) are only exempt to 1st April 2025. In addition, the FBT exemption may be available when an eligible car is purchased second hand (as long the original purchase was on or after 1 July 2022). This FBT exemption is available for employees under salary packaging arrangements. It applies to eligible cars that are both first held and first used on or after 1 July 2022. The exemption applies to vehicles ordered prior to 1 July 2022 but not delivered until on or after that date. For an eligible car valued at \$50,000 this could mean a saving of up to \$9,000 a year for employers providing a benefit or a saving of up to \$4,700 a year for individuals in a salary sacrifice arrangement. There may be a review of the concession in three years and once electric cars become mainstream, it will probably be phased out.

Domestic Violence Leave

A landmark decision by the [Fair Work Commission](#) has ensured Australian workers will soon be eligible to receive up to 10 days paid domestic violence leave for those under related modern awards. For those not covered under these awards, they are entitled to five days of unpaid family and domestic violence leave. Unfortunately, in a depressing statistic, so far this year, we are on track for one woman each week and 18 children to have died making this support long overdue. Recent studies found from the age of 15, one in four women and one in 13 men experienced at least one incident of violence by an intimate partner. This costs employers \$2 billion annually. Telstra and PwC are among those firms who already offer this support.

Commonwealth Seniors Health Card increased

The income Threshold increased from \$61,284 to \$90,000 for singles and from \$98,054 to \$144,000 (combined) for couples. An added bonus is that social security income deeming rates will be frozen at their current levels for a further two years until 30 June 2024 to help deal with the rising cost of living.

For pensioners interested in returning to work and suspending your pension

In order to alleviate the pain on pensioners and provide relief to employers seeking extra assistance across the workforce, a Bill has been introduced to allow pensioners and certain veterans to have their social security payments suspended for up to two years (instead of cancelled) if their income from employment precludes receiving a pension payment. Normally if an aged pensioner's total income goes beyond the limit, their benefit is cancelled after 12 weeks but this bill allows pensioner concession cards to be retained for up to two years and commences on 1 Jan 2023 or one month after being passed in Parliament. It also allows eligible social security pensioners over aged pension age (and certain veterans as above) to earn up to another \$4,000 before the income test is applied on their pension. This includes a \$4,000 increase in the work bonus "unused concession balance" until 30 June 2023 and commences on 1 December 2022. Great news for those active enough to do some part time work without losing their pension!

30 years as a CPA!

In June this year, David was acknowledged for his long-standing contribution as a Certified Practitioner and valued member of CPA Australia of 30 years at an awards ceremony. (Actually it is 32 years now but Covid delayed that function). Reaching this milestone was a testament to his dedication to the profession and commitment to lifelong learning. This event was held in Bendigo where a number of other long serving accountants were also recognized along with inducting the next generation of accountants.



The Bank of Mum and Dad

If you happen to be in the fortunate position of being able to assist getting your children into the property market, there are a number of issues that you should be aware of to ensure they don't have unfortunate consequences on your own financial situation and estate planning. The options available which require detailed exploration involve going guarantor, gifting, loaning, co-owners of property, renting to buy and granny flats.

Going Guarantor – A full loan being linked to the guarantee which involves security over your property, possible requirement to use the same bank, bank's recourse to act in the case of default for your child's home or worse, yours.

Gifting – While this is the simplest strategy, the main problem is that this becomes the child's asset in the case of a relationship breakdown. In the case of gifting to only one of several children, consideration in your estate should be made to ensure others receive compensation for this advance in the other's inheritance. You should also be aware that you may require access to funds for retirement and this may be taken into account for Centrelink purposes.

Loaning Money – this should always be a legally drafted document for asset protection reasons in the case of relationship breakdown. Any outstanding loans upon your death will be considered a debt to your estate which also ensures that other children who have not had this loan benefit will continue to receive their entitlements. There are other arrangements involving testamentary trusts which could possibly afford significant tax and asset protection benefits for the borrower.

Purchasing property with children - The correct term for this method is "tenants in common" and it can also be used in situations where one party has 30% of the deposit and the other has 70%. This is also reflected in the mortgage repayment percentage however the disparity puts the person with the lessor interest at a disadvantage because the bank may expect a first mortgage on the property which means you cannot draw on equity, sell or purchase another property while this mortgage is in place. If the value of the property

diminishes, there are problems with the ultimate sale. Stamp duty may apply on transfer of the remaining amount if the child wishes to buy you out. Estate & financial planning is vital to ensure the child receives the property via your estate and not to void concessional duty or first home own grant opportunities. This option's fault is that the parents will not be able to access the principal residence CGT (Capital Gains Tax) exemption. We have clients who have done this and are now facing a CGT bill of over \$50,000 due to partially losing the principal residence exemption.

Rent-to-buy arrangements – in the scenario where you purchase the property outright, it's possible to rent it back at market rates to the child. These repayments are then converted to equity in the home on your passing. With loan amounts clarified as equity in the property and potential tax savings for all parties as well as the asset protection considerations this can be an attractive option. Again, it's very important to obtain the appropriate estate and financial planning advice mentioned above. This would involve the drafting of a loan agreement outlining the arrangement including who is responsible for water, rates, repairs and maintenance.

Christmas Dates

Please note that our office will be closed from the close of business on Friday 23 December 2022 and reopens on Monday 16 January 2023. All end of year commitments will be attended to prior to close, however if you have something coming up that you would like to discuss, please make an appointment well before this.

While you are having some down time on your holiday, please think about what financial goals you would like to achieve in the 2023 year. Together we can discuss how to make them happen on our return. Julie-Anne & I thank you for your support of our business during 2022 and together with Joedy and Jennifer, wish you and your family a very Happy and Safe Christmas break.



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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