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## CLIENT INFORMATION BULLETIN

Welcome to this Autumn edition of the Kelly and Associates Newsletter. In this edition, we examine the change in approach to the holding of residential property by discretionary trusts and remind clients of the March 2023 Quarter Superannuation Guarantee. Additional articles of interest include the proposed 15% super tax on balances greater than \$3 million, electric vehicle FBT exemptions and further eligibility age changes for downsizer contributions. For your information, we have also included some tips to reduce study and training loan balances prior to 1 June and a reminder about claiming the Victorian Government power saving bonus.

In our client and staff news section, we provide an update of various client developments and introduce our newest staff member, while also acknowledging our staff academic success.

Finally, we wish all our clients a very happy and safe Easter!



### ✓ Foreign Beneficiary Exclusion Clause

Since 1 July 2015, the Victorian State Revenue Office has charged additional stamp duty for foreign purchasers, known as 'Foreign Purchaser Additional Duty' (FPAD). A trust may be subject to FPAD where the trust is involved either in the purchase of residential property or land that is later intended for residential use. The FPAD must be paid in addition to the usual stamp duty and is currently calculated at 8% of the purchase price.

The State Revenue Office recently changed its approach to FPAD, and now views discretionary trusts as a 'foreign' trust unless the trust deed specifically excludes foreign beneficiaries.

With this change in approach, regardless of whether any beneficiaries are in fact foreign or not, most discretionary trusts will now be treated as being foreign trusts and liable to pay FPAD when acquiring residential property.

In addition, if a trust is held to be a foreign trust, an additional annual land tax surcharge will apply. This is called the absentee owner surcharge. This surcharge is currently 2% and is in addition to the general and trust surcharge rates.

We are currently working through our list of clients who may be affected by this change of approach and will be in contact shortly to advise an appropriate course of action.

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## ☑ **Reminder of March 2023 Quarter Superannuation Guarantee (SG)**

Employers are reminded that the SG obligation for the 1 January 2023 to 31 March 2023 quarter is due by 28 April 2023.

If the correct amount of SG is not paid by an employer on time, they will be liable to pay the SG charge, which includes a penalty and interest component.

As a reminder, from 1 July 2022, the compulsory SG rate increased to 10.5% (previously 10%). We note the compulsory SG rate will increase again to 11% for the period 1 July 2023 to 30 June 2024.

## ☑ **Proposed New 15% Super Tax**

The Government recently announced a proposed 15% additional tax on individuals who have more than \$3 million in superannuation. The proposal is currently in the consultation phase but some information has been made available for our consideration.

The main takeaways from the information provided thus far include the following:

- The additional 15% tax will broadly apply to the annual movement in the value of an individual's superannuation balance, adjusted for withdrawals and contributions. These 'earnings' are further adjusted to ensure only the proportion corresponding to the balance above \$3 million will be subject to the new tax.
- There will be no limit imposed on the size of superannuation account balances.
- Individuals will have the choice of paying the tax liability personally or from their super fund.

In current terms, the Government expects that the new tax will apply to 0.5% of people with money in superannuation (around 80,000 people). However, the proposal does not currently allow for indexation of the \$3 million threshold, so more individuals may be impacted in the future.

## ☑ **Further Eligibility Age Change for Downsizer Contributions**

In another recent legislative change, the eligibility age to make a downsizer contribution into superannuation has been reduced to 55 from 1 January 2023.

This further reduces the downsizer eligibility age, which changed from 65 to 60 from 1 July 2022.

From 1 January 2023, eligible individuals aged 55 years or older can choose to make a downsizer contribution into their super fund of up to \$300,000 per person (\$600,000 per couple) from the proceeds of selling their home that has been held for at least 10 years and qualifies for at least a partial main residence exemption.

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### ☑ Further Eligibility Age Change for Downsizer Contributions (cont'd)

There are no changes to the remaining eligibility criteria.

Key dates for downsizer contributions:

- Eligible individuals aged 55 years or older can make a downsizer contribution from 1 January 2023.
- For any downsizer contributions made between 1 July 2022 and 31 December 2022, eligible individuals must be aged 60 years or older at the time of making their contribution.
- Prior to 1 July 2022, the eligibility age was 65 years and over.

Other important information to consider for 55-59 year olds:

- Individuals have 90 days from receiving the sale proceeds of their home to make a downsizer contribution. This means if an individual receives the proceeds of sale prior to 1 January 2023, they can make their contribution after 1 January 2023, so long as they are still making it within 90 days of receiving the proceeds.
- If 1 January 2023 falls outside of their 90 day window to make a downsizer contribution, they will not be eligible. It is unlikely the ATO would grant an extension of time in these circumstances.

Unlike most other contributions into superannuation, there is no upper age limit for being eligible to make a downsizer contribution. For example, a 95 year old could make a downsizer contribution, and there is no need to satisfy the work test!

### ☑ FBT Exemption for Electric Cars

Until recently, the FBT consequences for providing electric cars to employees were effectively the same as any other car. However, from 1 July 2022, FBT is no longer payable on benefits provided for eligible electric cars and associated expenses. Practically, this exemption will be relevant for the first time in the 2023 FBT year.

Broadly, benefits provided for electric cars will be exempt from FBT where the following criteria are met:

- the car is a zero- or low-emissions vehicle;
- the first time the car is both held and used is on or after 1 July 2022;
- the car is used by a current employee or their associate (e.g., a family member); and
- luxury car tax has never been payable on the importation or sale of the car.

Registration, insurance, repairs, maintenance and fuel expenses provided for eligible electric cars are also exempt from FBT.

Note that, while the benefit is exempt from FBT, the taxable value of the benefit must still be determined when working out whether an employee has a reportable fringe benefits amount to be included on their income statement or payment summary.

Please contact our office if you have any queries about this new exemption and how it may affect your obligations for the 2023 FBT year.

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### ✓ Tips to Reduce Study & Training Loan Balances

If you have a study and training loan balance (e.g., a HELP debt), it may be worthwhile to consider methods of reducing the balance to ensure you are not left with a large tax bill when your 2023 income tax return is lodged.

While there is no interest charged on study and training loans, indexation is added to these debts on 1 June each year, based upon the consumer price index ('CPI'). Given the current rate of inflation, individuals with study and training loan balances should expect a larger than normal adjustment this year.

If you have a study and training loan balance, it is worth checking your loan balance and considering the following tips:

- Let your employer know if you have started studying or have a study loan.
- Check the amount your employer is withholding. If there has not been enough withheld to cover your compulsory repayment, you can ask your employer to increase the withholding amount.
- Make a voluntary repayment to reduce your total loan amount. Indexation on the loan is applied on 1 June, so a voluntary repayment prior to this date will reduce the balance that indexation is applied to. Note that it may take a few business days for the ATO to receive and process the payment.

Indexation will not apply to a study and training loan on 1 June if the balance is nil. Any loan debt over 11 months old will be subject to indexation.

### ✓ The Victorian Government Power Saving Bonus

The Power Saving Bonus is a \$250 payment for Victorian households who visit the [Victorian Energy Compare](#) website. The Bonus will be available from 24 March 2023 to 31 August 2023.

All eligible Victorian households are able to apply for a \$250 payment under the new round of the Power Saving Bonus Program, including any households who have received payments through previous rounds of the program.

Only the account holder listed on the energy account can apply for the bonus and renters are able to apply for the \$250 Power Saving Bonus where they are named as the account holder.



### ✓ Footy Tipping Reminder

It's not too late to join the Kelly & Associates Staff and Client Tipping Competition! Simply join via the link: [Footy Tipping](#). The password to join is 'kellyassoc'. Good luck and happy tipping!

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## ☑ Lodgement Obligations

Date	Description
21st each mth 2022/23	Monthly IAS lodgement due - All lodgements
28 April 2023	Superannuation guarantee contributions to be paid
28 April 2023	Quarterly IAS/BAS lodgement due - paper
26 May 2023	Quarterly IAS/BAS lodgement due — electronically
15 May 2023	Final lodgement date of 21/22 individual tax returns

## ☑ Client News

### Café Go!

Congratulations to Stephen and Felicia on the sale of Café GO and Café GO on the GO! We love the crew at Café Go! for their sensational food and service. We wish Steve and Felicia all the best with their future plans and we will miss their smiling faces at the Cafe.

A warm welcome to Mangesh and Jyoti to Kelly and Associates. Mangesh and Jyoti are the new owners of Café GO! and Café GO on the GO! and we look forward to continuing to support your business with our custom and business advice. We can personally recommend the Café GO on the GO pork and apple sausage rolls, roasted chat potatoes and chicken and tarragon casserole.

Our best wishes to Steve, Felicia, Mangesh and Jyoti.

### Geelong Nannies

A professional boutique nanny agency is currently up for sale in the Geelong region. Offering a personalised service, for either short-term or long-term care or one-off babysitting, Geelong Nannies has been successfully providing outstanding care for children for over 12 years. A valued and trusted service for families in the Geelong, Surf Coast, Bellarine Peninsula and Wyndham regions, this is a business grown with love and commitment, and ready for new owners.

### Ark Sports Recovery

Joshua and Elyse Baker recently opened Ark Sports Recovery on High St. Belmont. Ark Sports Recovery offers innovative programs to assist with the post-game recovery process. Using programs, such as hot and cold therapies, compression therapy, infrared sauna and dry massaging, Ark Sports Recovery is your one-stop shop for sports recovery.

Recover like a professional athlete and then hopefully perform like one too!

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## ✓ Client News (cont'd)

### Slow Cook Sisters

We welcome Slow Cook Sisters as new clients and look forward to purchasing some quality home cooked meals. Each fortnight a new menu is released and the meals are delivered to your door the following Tuesday. With meals that taste like home, we are looking forward to tasting the Ottolenghi's Chicken Marbella and the Cuban Pork Picadillo.

For more information go to [Slow Cook Sisters](#)

## ✓ Staff News

### Welcome to Jenn Bishop

A warm welcome to Jenn Bishop who is joining our bookkeeping team on a part-time basis. Jenn has experience in bookkeeping and payroll with a Melbourne business and is looking forward to working in Geelong.



### Study success

Congratulations to Ashleigh Harvard on the recent completion of her Bachelor of Commerce degree at Deakin University. Ashleigh commenced her qualification at the start of Covid and completed her degree in record time while also working full time. Congratulations to Ashleigh on her hard work and commitment.

Congratulations also to Sarah Goffon and Matthew Heazlewood on their outstanding study success. Studying her undergraduate degree from Deakin University, Sarah received the prestigious Geoff Neilson Prize for the highest achieving Bachelor of Commerce student completing third year. In further recognition of her academic talent, Sarah received the outstanding achievement prize for financial planning.

At the recent Gordon Awards for Excellence, Matthew was shortlisted as a finalist for the Gordon Awards for Excellence in the category of Business and Technology Excellence. Matt was nominated for the award in recognition of his academic achievement and business excellence.



***Wishing you a happy and safe Easter from  
Ambrose, Andrea and staff at Kelly & Associates!***

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