



## December 2024

TAX NEWS, VIEWS & CLUES FROM AUSWILD & CO  
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### Proposed changes to HELP loans could mean lower repayments in 2025

If you're one of the millions of Australians with a Higher Education Loan Program (HELP) debt, you might be wondering how the government's proposed changes to HELP loans could affect you. These changes are subject to the passage of legislation, but are proposed to take effect by 1 June 2025.

One of the most significant aspects of the proposed changes is a one-off 20% reduction in all HELP debts. This reduction would be automatically applied by the ATO before the annual indexation on 1 June 2025. For example, if you have a HELP balance of \$27,600, you could expect a reduction of approximately \$5,520 in your debt.

From 1 July 2025, the minimum income threshold for making compulsory HELP repayments is proposed to increase from \$54,435 to \$67,000. This means you'll only start repaying your HELP debt once your income exceeds \$67,000. The new repayments will be calculated only on the income above this threshold, but the rates will be higher compared to the current system. Here are the proposed new marginal repayment rates:

- *income below \$67,000*: no repayment required;
- *income between \$67,001 and \$124,999*: 15 cents for each dollar over \$67,000; and
- *income above \$125,000*: \$8,700, plus 17 cents for each dollar over \$125,000.

Another crucial change is the proposed capping of the HELP indexation rate. Once the legislation is passed, the indexation rate will be the lower of either the consumer price index (CPI) or the wage price index (WPI). This adjustment will be backdated on all existing HELP, VET student loans, and other similar accounts from 1 June 2023. This means that if your HELP balance was indexed based on the CPI in 2023 and 2024, the ATO will adjust your account to reflect

the lower indexation, potentially providing a refund if your balance falls below zero.

### FBT and tax considerations for end-of-year parties and gifts

As the end-of-year season approaches, it's a great time to celebrate with your employees and show appreciation for their hard work throughout the year. However, it's essential to understand the potential tax implications, particularly concerning fringe benefits tax (FBT), when planning holiday entertainment or gifts for employees.

FBT is a tax employers pay on certain benefits provided to their employees or employees' associates (like family members). When planning a festive gathering, such as a Christmas party, it's crucial to determine if your event might attract FBT. Here are some key points to consider:

- *Location and attendees*: If your party is held on business premises during a working day and is only for current employees, you generally won't have to pay FBT on food and drinks. However, if the event is off-site or includes employees' associates, you might need to consider FBT, unless the cost per person is under \$300 and deemed a minor benefit.
- *Entertainment and gifts*: If you provide gifts alongside the party, remember that gifts under \$300 per person can also qualify as minor benefits, exempting them from FBT. However, if gifts exceed this amount, FBT may apply.
- *Including your clients*: Costs related to clients attending your event are not subject to FBT. This means you can invite clients without worrying about FBT implications for their expenses.

When it comes to calculating FBT on entertainment-related benefits, you have a few options:

- *Actual value method*: This method involves calculating the actual cost of the entertainment provided to employees and

their associates. If non-employees are involved, you need to apportion the costs accordingly. For example, if you host a dinner where employees and clients are present, only the portion related to employees is considered for FBT.

- *50:50 split method:* If you hire or lease entertainment facilities (such as a corporate box or function room, this method allows you to allocate 50% of the total entertainment leasing expenses to FBT, regardless of whether it's for employees, clients or others. This can simplify calculations but might not always be the most cost-effective approach.
- *Meal entertainment valuation:* If the entertainment involves meals without recreational activities, you can use meal entertainment valuation methods. Options include the 50:50 split or the 12-week method, where you track meal costs over a period and determine the taxable portion related to employees. Both of these options are based on your expenditure on all meal entertainment for all people during the FBT year.

### Important considerations

- *Recordkeeping:* It's essential to maintain accurate records of all entertainment expenses, including costs, recipients and the calculation methods you've used. This documentation supports your FBT calculations and ensures compliance.
- *Tax deductions and GST credits:* Generally, if your event is exempt from FBT, you cannot claim income tax deductions or GST credits for the associated costs. This is important to keep in mind when budgeting for your celebrations.
- *Gifts to clients:* If you're giving gifts to clients, it's important to note that these are typically not subject to FBT. However, you may be able to claim a tax deduction for such gifts, provided they aren't classified as entertainment.

### Spouse contribution splitting: a strategic approach to retirement planning

As retirement approaches, couples often discover a significant imbalance in their superannuation accounts. This disparity can become crucial when planning for retirement, and addressing it proactively can be beneficial for various retirement strategies.

Your individual total super balance as of 30 June each year impacts your ability to implement various super strategies in the following financial year. Key strategies where your total superannuation balance (TSB) is a condition of eligibility include:

- making non-concessional contributions when your TSB is below \$1.9 million;
- utilising carry-forward provisions for large concessional contributions when your TSB is below \$500,000; and
- claiming tax deductions for personal contributions at ages 67–74 when your TSB is below \$300,000.

When planning for retirement, the Age Pension is a consideration for many. The asset test only includes superannuation for individuals of pension age. If there's a significant age difference between spouses, directing more super to the younger spouse could potentially maximise Age Pension entitlement at retirement.

Spouse contribution splitting allows you to transfer up to 85% of your annual concessional contributions to your spouse's super account.

Key points:

- eligible contributions include superannuation guarantee, salary sacrifice and tax-deductible personal contributions;
- the maximum annual split is generally \$25,500 (85% of the \$30,000 concessional contributions cap for individuals);
- only contributions from the previous financial year may be split;
- the receiving spouse must be aged under 65, or 60–64 and not retired;
- the split is considered a rollover and doesn't affect the receiving spouse's contribution caps.

Check if your fund offers spouse contribution splitting, as it's not mandatory for all funds.

Apply for contribution splitting after the end of the financial year in which the contribution was made. If you roll over or withdraw your entire super balance before the financial year's end, you can apply to split the contributions within that same year.

Spouse contribution splitting can help couples equalise their superannuation balances and optimise retirement outcomes.