

Newsletter

June 2009



Bruce & Neryl Graham
Accountants

We hope you get some value out of the following comments.

Email Addresses

Emails are an important part of how we do business. Please send us an email to bruce@bng.com.au so that we can update our records with your correct email addresses. We have found that a number of email addresses we have on file are no longer in use and emails sent by us have bounced back. There are occasions when a simple email will allow us to pass on information or answer simple questions. Those clients who currently deal with us this way have already recognised the benefits. Some of the information in this Newsletter has already been forwarded, throughout the year, to clients on our email list.

Adjusted Taxable Income (ATI)

From 1 July 2009 there will be a new way of calculating entitlements to some tax concessions such as Centrelink benefits and Child Support obligations. Basically, the ATO is looking at superannuation salary sacrifice arrangements.

Any employer contributions to staff superannuation over and above the required 9% amount must be recorded on the new Payment Summaries for the year 2010. The information will be used by the ATO, Centrelink and Child Support Agencies to make sure that people on higher incomes are not unfairly accessing tax concessions and Centrelink benefits or avoiding Child Support obligations. Preparing your year 2010 Payment Summaries seems a long way off, but you need to get your payroll systems ready NOW in order to be able to extract the correct information next July.

If you or your employees currently receive Centrelink benefits and are also salary sacrificing into superannuation you may find your Centrelink benefit reduced. Salary sacrificing into superannuation to minimise Child Support obligations is now a thing of the past.

Industry Benchmarks

The ATO is now relying heavily on what it calls 'Industry Benchmarks' to initially determine whether you are a candidate for an audit. During an audit the ATO is also using these 'benchmarks' to help determine if you are declaring all of your income. Talk to us about your industry.

Education Expenses

Do you have receipts for your children's primary & high school education expenses from 1 July 2008? A generous tax concession applies for the 2009 tax year. School fees, uniforms and excursions are not part of the deal but equipment, laptops, software, books, internet fees & stationery are acceptable. Rule up some columns and make a list using the expense categories just mentioned. You need a separate list for each child. We'll work it out from there.

Superannuation Reform

Up to 30 June 2009, people under 50 years of age can have up to \$50,000 in tax deductible contributions. The limit is \$100,000 for those aged between 50 & 65 years of age. From 1 July 2009 these limits were halved, as announced in the last budget. If you do not wish to claim a tax deduction for some of your contributions you can also make undeducted contributions of up to \$150,000 per year.

Superannuation is constantly changing so don't rely on what you have previously been told...get more advice.

Superannuation Co-Contribution for Self Employed

From 1 July 2007 a self employed person can get the co-contribution if they have made a superannuation contribution for which they have not claimed a tax deduction. This means that you can notify the superannuation fund that you will only claim a tax deduction for any excess you have contributed over \$1,000. This undeducted \$1,000 then entitles you to at least some part of the maximum \$1,500 Co-Contribution if your income is below the threshold. The superannuation Co-Contribution rules have now changed. Please note that from 1 July 2009 the upper limit of the Co-Contribution has been reduced from \$1,500 to \$1,000.

Superannuation Deductions

Deductions are generally limited to self employed people. On very limited occasions employees and people with no employer superannuation support may get access to a deduction and these people should talk to us. Before you can claim a deduction for superannuation contributions you must provide your fund with a Notice of Intent to Claim a Tax Deduction. Each fund will have its own form of Notice. You cannot claim a deduction in your tax return until you receive an acknowledgment from your fund. This acknowledgment document may be called a 'Section 290-170 Notice', (formerly known as an 82AAT Notice).

Staff Superannuation – 9% Rule change

From 1 July 2008 employers must calculate the 9% contribution using what is known as the 'ordinary time earnings' method. Basically, staff superannuation is based on 9% of a regular weekly wage. This includes normal wages, bonuses, commissions, loading, leave payments and some allowances, but excludes overtime. If you are using a method found in an old industrial award or even a current employment agreement you are probably going to be in breach of the 9% superannuation rules.

Negative Gearing

In the last couple of years we have found that a number of clients have borrowed heavily to invest in shares or Managed Investment Funds. These investments have generally been made on the advice of a Financial Planner. The recent economic meltdown has highlighted the perils of negative gearing. Negative gearing often has a large upside, but also a large downside and many clients have recently been kicked in the backside. While it would have been impossible to predict the recent falls in investment values, we note that many negatively geared investments are promoted based on tax savings. This is the wrong reason to invest. Just because it is legal and you may save a few tax dollars, does not mean you have to be part of it. We always need to ask whether it is a good investment and a sound strategy based on your personal circumstances.

ATO Payment Concession

If you are having trouble paying an Activity Statement debt or a tax debt the ATO may be able to offer you an interest free repayment concession up to 30 June 2010. You need to contact the ATO on 131142 or 137226 (automated self help service) to negotiate a suitable repayment. If you already have an arrangement in place you may need to re-negotiate with the ATO. If you default on the arrangement then the interest requirement kicks in. Remember, that one day late is considered to be a default.

Business Tax Concessions 50%...30%...10%

Small businesses (turn over <\$2M) can enjoy a 50% additional tax deduction if they acquire depreciable items over \$1,000. This concession started on 13 December 2008 and runs out on 31 December 2009. Larger businesses (turn over >\$2M) had until 30 June 2009 to get a 30% extra deduction on equipment costing at least \$10,000. Any of these larger businesses that acquire equipment after 30 June 2009 and up until 31 December 2009 can only get an extra 10% deduction. The above comments are very general in nature and need reviewing on a case by case basis. The devil is in the detail. While this may be a little confusing, it is nonetheless a good tax concession. Contact us if you need specific information.

Long Service Corporation

People working in the building industry have access to a special long service scheme. If you are an employee in the building industry, talk to your employer. If you are a subcontractor in the building industry and are not registered with the Long Service Corporation you need to call them.

Fuel Tax Credits Scheme

If you are not currently in the scheme and use fuel in *off-road* activities, such as bobcats, outboard motors, chainsaws, cranes, excavators, farm vehicles etc, this extended scheme may apply to you. If you do not know about the fuel tax credit scheme, now is the time to ask us about your eligibility and how to register. The only on-road activities accepted by the scheme include heavy vehicles over 4.5 tonne and emergency vehicles.

Selling or Buying a Business

If you are selling or buying a business please keep us 'in the loop'. Remember that the sale or purchase of a business requires a strategic plan. We can help.

New Tax Cuts effective 1 July 2009

Employers need to make sure that wages systems are updated to reflect the recent cut in the amount of weekly tax to be withheld from employee wages.

Business Name Registrations

Is your business operating under a business name that is not registered? Did you forget to renew your business name registration? The Office of Fair Trading looks after Business Name Registrations. If you are not sure what you need to do, give us a call.

Capital Gains Tax (CGT)

The ATO is looking at possible CGT implications on the disposal of shares, managed funds and property. The ATO has access to a lot of data and is cross-referencing their data with your tax returns. The disposal of an asset may even generate a capital loss that can be offset against other capital gains. CGT is an area where a professional should be having a look.

Figures to Financiers

If a financier asks for figures and we have already completed your tax work, please give the financier copies from the folder we have already given to you. We give you the folder to make it easy for you. Please get your tax work in early if you think you may need finance during the year.

Keep in contact

The more you keep in contact with us, the more chance we have of solving your problems. Contact with clients is not an interruption to our work. It is a very important component of our work that allows us to solve problems in a timely manner. We have many clients who ring or email us 'just to touch base'. These clients are the one's who benefit most from our experience.



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July 2009