

NEWSPAPER ARTICLE – JUNE 2002

Bruce Graham is a partner in the local accounting practice of Bruce & Neryl Graham. The practice specialises in small business management and has a strong client base in local building, farming and retail business.

In this article we have not attempted to provide answers but instead to highlight a number of key issues affecting readers in the preparation of the 2002 year Income Tax Return. For a more detailed analysis of the issues as they relate to you personally you will need to speak with your accountant.

The much publicised Baby Bonus will provide limited tax relief to some families which had a child born from 1 July 2001. There is much confusion as to who is eligible and the size of the dollars involved. The Federal Member for Cowper merely added to the confusion in his article on the Baby Bonus in his May Newsletter.

Many small subcontractors who provide basically a labour only service will need to be careful about the deductions they claim in their Income Tax Returns. Contrary to popular belief, you cannot claim more deductions simply because you operate through a company.

Employers are reminded that fringe benefits in excess of \$1000 provided to employees need to be included on the employees' Payment Summary.

Some small businesses that make a loss may find that they cannot offset their business loss against other income earned as an employee. This measure is designed to stop some people creating business losses to reduce their overall tax.

The 8% superannuation contributions for employees must be in the hands of the superannuation fund by 30 June in order to claim a tax deduction in the 2002 tax year. There is no tax deduction at all for payments in respect of the 2002 year which are made after 28 July 2002. Contributions for the year commencing 1 July 2002 increase from 8% to 9%.

The methods used to calculate depreciation have undergone major changes. The traditional deduction for tools costing less than \$300 will not be available to many business owners, while a \$1000 deduction limit will apply to other businesses. Salary and wage earners and rental property owners are generally not affected.

Businesses with a turnover of less than \$1M will now have the option of joining the Simplified Tax System (STS). Don't you just hate it when they use the word 'simplified'? Small businesses need to elect to join the STS and we expect that most small businesses will do so. There will be exceptions where it will not be in your interest to join. The prospect of not having to list debtors or creditors or do a stock take will be appealing to many.