

Article for 'Tax Time 2007'

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The government's superannuation 'Co-Contribution' has been a runaway success. In the recent Federal Budget the government promised to give a further top-up amount to everyone who qualified to receive the Co-Contribution in the 2006 year. Those who received, for example, the maximum \$1500 in the 2006 year will receive a further \$1500 shortly. You do not have to do anything it will just happen.

Further enhancements to the Co-Contribution scheme mean that from 1 July 2007 self employed people, who meet the right criteria, may also enjoy the benefits of the scheme. Your superannuation advisor may also be able to show you how to give your working teenage children an initial boost to their retirement savings. This is money for nothing.

The recent Federal Budget significantly altered the way we now approach retirement. If you have received investment and retirement advice more than 12 months ago, the information you received may now be out of date. Consulting your accountant and your investment planner with a view to reviewing your tax planning and retirement strategy is worth considering.

The Federal Budget also proposed major changes to the way we can contribute to superannuation from 1 July 2007 onwards. There are numerous superannuation changes, but a significant change is one that places limits on the amount you can effectively contribute to superannuation each year. While these limits are very high, by most standards, it is still worthwhile to check with your superannuation advisor about how the changes affect you.

The recently introduced 30% Child Care Tax Rebate has already undergone major change. The rebate is still to be claimed through the tax system for the 2007 year but from 1 July 2007 onwards the rebate is to be administered by Centrelink. The initial legislation was drafted by lunatics and was in need of change from day one. The administrative move away from the Tax Office to Centrelink is a step in the right direction.

The ATO believes that records maintained by rental property owners are often poor and that there is an inadequate understanding of tax law in relation to rental property. Recent ATO rental property audits have had a 90% strike rate when it comes to finding errors in rental property claims for deductions. A strong feature of continuing ATO audit activity will be the review of so-called holiday rental properties, where some owners seem to be enjoying the benefits of their own personal holiday weekender at the expense of the ATO.

The ATO is also concerned that the work related proportion of some expenses being claimed as a tax deduction is too high. The tax deduction claimed for expenses such as telephone, internet fees and computer supplies needs to be carefully considered before lodging your tax return. The ATO considers that for wage earners it is nearly

impossible to justify a 100% deduction for this type of expense. As long as your basis of apportionment is fair & reasonable the ATO should be happy.

We are constantly amazed at the amount of tax advice that is provided free of charge at 'smoko'. Ignore the free advice; always consult your tax accountant.