

THE PRACTICAL TAX APPROACH



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Preparation of the Return

As soon as you have received your PAYG Payment Summary(s) and/or assembled your information, you should ring to make an appointment or forward your information to us by mail. Please contact Asuman or Gary for enquiries and Alannah for appointments.

Common Tax Issues

As usual the following matters should be considered when assembling your 2009 information:

Work Related Expenses

You should ensure that you hold receipts or other documents to substantiate work related expenses otherwise a deduction is not allowable.

Uniforms. A deduction is only available where the clothing is:

- (a) non-compulsory but registered by the Australian Taxation Office (ATO);
- (b) compulsory work uniform that is distinctive to your organisation;
- (c) protective against the *work* environment as opposed to the *natural* environment or protection of other clothes.

Motor vehicle. If you use your motor vehicle for business purposes and travel more than 5,000 business kilometres during the year you can maximise your deductions by keeping a log book and/or keeping all documents to substantiate expenses.

Alternatively, if business kilometres are less than 5,000 kilometres per annum you will probably obtain a greater benefit by claiming the cents per kilometre method by keeping a list of the business travel during the 2008/09 year....even travel to visit your accountant.

Unless you can substantiate your kilometres by reference to diary entries etc, or document your expenses, claims for motor vehicle usage should not be made.

Donations

If you have made donations to charities which you believe are tax deductible (in accordance with the notation on the receipt) please provide us with these details. Donations often overlooked are to a school building fund.

Home Office

If you have an area set aside at home which is used *exclusively* for work or business related purposes, please let us know so we may advise you of the potential tax deductions available.

Personal Tax Offsets

Education Expenses

From 1 July 2008, the education expenses tax offset allows eligible taxpayers to claim back education expenses to a maximum of \$375 per child per year for primary school students and \$750 for secondary students. Generally, eligible taxpayers are those entitled to family tax benefit part A. Eligible expenses include buying, repairing or maintaining computers and related equipment, home internet connections, software and textbooks.

Spouse Rebate & Family Tax Benefit

Please advise us of the income of your spouse and any dependants.

Medical Expenses Rebate

A rebate is available where net family medical expenses during the year exceed \$1,500 (after any Medicare and health insurance refunds).



Super Co-Contribution

The government will match up to \$1.50 for each \$1 of eligible personal superannuation contributions made by certain individuals. Employees who earn up to \$30,342 a year can receive the full \$1.50 Co-Contribution (up to a maximum amount of \$1,500) for each \$1 of voluntary contributions made **before 30 June 2009**. A reduced Co-Contribution is also made for individuals, according to their income level and size of their contribution, who earn between \$30,342 and \$60,342 a year.

You do not need to advise the Taxation Office, as this information will be matched from your tax return and your superannuation fund.

Superannuation Contributions

Concessional (deductible) contribution caps will be reduced from 1 July 2009. The current \$100,000 transitional cap applying to those aged 50 or over will be reduced to \$50,000 and the standard cap which is currently \$50,000 will be reduced to \$25,000. Therefore, in order to take advantage of the current caps the super contributions must be made by 30 June 2009.

Non-concessional (non-deductible) contribution cap will remain at \$150,000 per annum from 1 July 2009, together with the ability to pay 3 years non-concessional contributions of \$450,000.

Loan Interest –Split & Linked Loans

You should be mindful of the concerns the Taxation Office has regarding the deductibility of interest under certain loan arrangements and therefore you should contact us prior to re-financing or entering into any business or commercial loan arrangements.

OTHER INFORMATION

Please also advise us of:

- Interest and Dividends received
- Rental property income and expenses

Enclose copies of:

- PAYG Payment Summaries;
- Medical insurance fund annual notice;
- Solicitor's statement if you purchased or sold a rental investment property during the year;

- Log book if you have work related motor vehicle expenses.

Notify any changes to your:

- Home address, contact phone number
- Dependent spouse or children
- Job description

PERSONAL INCOME TAX THRESHOLD CHANGES

New personal income tax thresholds from 1 July 2009 are:

Income Range (\$)	Tax rate (%)
0-6,000	0
6,001 – 35,000	15
35,001 – 80,000	30
80,001 – 180,000	38
180,000 +	45

Therefore, employers will now need to recalculate PAYG Withholding deductions for their employees from 1 July 2009.

SMALL BUSINESS MATTERS

Investment allowance / Tax Break

There are **changes** to the previously announced Tax Break that is to provide an additional tax deduction for the cost of eligible new depreciating assets or new expenditure on existing assets.

The bonus tax deduction for small businesses will be increased to 50% of the cost of eligible assets. The time period to which the maximum tax break applies has now been extended and covers eligible assets ordered between 13 December 2008 and 31 December 2009 which are installed by 31 December 2010.

In addition to the above information business operators should also provide us with:

- Business Activity Statements for the year including any supporting workpapers;
- Lists of debtors and creditors at 30 June 2009;
- PAYG withholding summary for the year;
- Stocktake summary for stock on hand at 30 June 2009;
- Superannuation contributions made on behalf of employees;
- Lease or hire purchase contracts entered into during the year;

Year End Tax Planning

Consider bringing forward deductions to this year by making payments prior to 1 July 2009, e.g.:

- Repairs (motor vehicles and other equipment)
- Gifts
- Bonuses and Directors Fees
- Superannuation
- Interest on rental properties
- Depreciation (especially items with a cost less than \$1,000 for 'small business' taxpayers)

EMPLOYMENT MATTERS

Superannuation Guarantee Contributions

For the **2008/2009** year the required rate of contributions to superannuation funds by employers for their employees and contractors remains at **9%**.

If you are unsure of your obligations or require assistance in calculating your superannuation contributions for your employees please contact our office.

Quarterly Superannuation Contributions

We remind you that all employers must:

- Pay superannuation contributions at least every quarter and within 28 days of the end of that quarter;
- Keep records relating to contributions for 5 years.

Significant penalties apply if employers fail to meet the quarterly requirements in any quarter.

If superannuation contributions for each quarter are not paid within 28 days of the end of each quarter superannuation guarantee forms and penalties must be submitted to the ATO.

The ATO is checking the Superannuation Guarantee compliance of employers on an ongoing basis.

PAYG Payment Summary forms

Should you require us to prepare your business's 2009 PAYG Payment Summary Forms and reconciliation statement please forward your wages records and/or MYOB file to us no later than 15 July 2009. The last day for lodgement of the

reconciliations is 14 August 2009 and penalties may be imposed by the ATO for every week the reconciliation is lodged after the due date.

ATO UPDATES

Failure to Lodge on Time Penalties

Failure to Lodge on Time Penalties are continually being issued by the ATO for all activity statements, income tax returns and other documents which are lodged late. The penalty is \$110 for each 28 days, or part thereof, that the document is overdue, up to a maximum of 5 periods. Larger entities may be liable for penalties multiplied by 2 or 5, depending on their size.

If you are having trouble meeting the ATO deadlines please contact us early so we can provide assistance.

If you wish to discuss any of the above business matters or would like advice in respect of any technical matters please contact Greg or Gary.

Contact Asuman or Krista for any accounting, MYOB and personal tax matters.

Financial Planning Services

WHAT WILL YOU DO DIFFERENTLY THIS YEAR?

Every year many people resolve to improve their financial situation. Often, after 12 months of tackling this process themselves or asking their friends and family for advice, very little progress is achieved. This year we can help you organise your finances and fast-track your wealth creation – logically, securely and effectively.

To help you get started this New Year, we are offering a **free, initial assessment of your current financial situation**. This consultation will not include a Statement of Advice, however, it will indicate how you can improve your financial position, and how our services can help.

If you are interested in finding out ways of increasing, restructuring and protecting your wealth please contact Ian or Greg.



Income Tax Return Preparation Checklist

1. PAYG Payment Summary(s)
2. Bank Interest Income
3. Dividends
4. Trust distributions & Other Investment Income
5. Partnership income
6. Business/contracting income
7. Rental Property details of income & expenses
8. Children – Christian names and dates of birth
9. New Education Expenses Tax offset – if you are eligible for family tax benefit (re 14. below) advise us of all eligible expenditure during the year
10. Work related deductions
 - Car Expenses (log book/details of expenses)
 - Travel Expenses (tolls, interstate travel/accommodation)
 - Uniforms (dry cleaning, washing, replacement)
 - Self-education expenses (fees, books, travelling)
 - Other work related expenses (home office, telephone, sun protection products, professional subscriptions, calculator)
11. Interest & Dividend deductions (re 2 to 4 above – bank charges, interest)
12. Gifts or donations
13. Tax Agents Fee
14. Family Tax Benefit (Income of spouse, dates of birth of dependants)
15. Other deductions (Income protection insurance)
16. Medical Expenses Rebate (net amount above \$1,500)
17. Private Health Insurance Rebate
18. Capital Gains & Losses – details of asset disposals etc
19. Spouse contributions to Super
20. Deductible contributions to Super