

2009 New Financial Year Client Newsletter

As the 2009 financial year comes to a close and the 2010 year begins we find ourselves in a very interesting time in history.

In delivering his second Federal Budget, the Treasurer Wayne Swan said we are faced with the most challenging global economic conditions since the Great Depression and predicted unemployment would peak at 8½ per cent in 2010/11. After ten surpluses in the last 11 years, Mr Swan released the budget announcing a record budget deficit of \$57.6 billion. As well as a range of initiatives laying a framework for returning the budget to surplus over the next eight years.

How the Budget Affects You

Investment Allowance

In December 2008 the Rudd Government announced that it would introduce a 10% temporary investment allowance to encourage business owners to acquire plant and equipment. On 3 February, 2009 the Government announced that it would expand and increase the temporary investment allowance to 30%. In the May Federal Budget the tax break was increased to 50% for small business.

In summary, a small business may be entitled to an extra tax deduction of up to 50% of the cost of new depreciating assets (or new investment in an existing asset), acquired between 13 December 2008 and 31 December 2009. Depending when the depreciating asset was acquired, the deduction will be either 50%, 30% or 10% of the cost of the asset and is in addition to the normal tax claim for depreciation.

The table below summarises the relevant dates and cost thresholds that apply. (The thresholds of \$1,000 and \$10,000 must be satisfied on a per asset basis, however, multiple investments in the same asset can be consolidated for the purposes of meeting the threshold.)

Small Businesses (Turnover of \$2 million a year or less)			
Cost of Asset (GST Exclusive)	Date of Acquisition	Installed Before	Investment Allowance
\$1000+	13 Dec 2008 to 31 Dec 2009	31 Dec 2010	50%

Other Businesses (Turnover greater than \$2 million a year)			
Cost of Asset (GST Exclusive)	Date of Acquisition	Installed Before:	Investment Allowance
\$10,000+	13 Dec 2008 to 30 June 2009	30 June 2010	30%
\$10,000+	1 July 2009 to 31 Dec 2009	31 Dec 2010	10%

The tax break generally only applies to the acquisition of new assets. Although second hand assets don't qualify, new investment in an existing asset can qualify. And an asset will still be considered to be a new asset if it has only been used for the purpose of reasonable testing and trialling by any entity. Therefore, a demonstrator car can be eligible.

Cars qualify except where the taxpayer uses the cents per kilometre method to claim their car expense deductions. Land and trading stock are specifically excluded. Capital works expenditure for which a deduction is available under Division 43 of the ITAA is not eligible and all intangible assets including software are also ineligible.

Claiming the Investment Allowance

- When a taxpayer first starts to use an eligible asset it must be reasonable to conclude that the asset will be used principally in Australia for the principal purpose of carrying on a business.
- The deduction will be claimed by the taxpayer who holds the asset for the purposes of Division 40 of the ITAA that is, the same person who claims depreciation in relation to the asset
- The bonus deduction is on top of the usual depreciation deduction
- The deduction is claimable in the income year the asset is first used or installed ready for use

How the Budget Affects You Continued

Personal Taxation

Personal Income Tax Cuts

The income tax rates reductions outlined in previous budgets continue to be phased in including the low income earner and senior Australian tax offsets as these have already been legislated.

- Personal tax rates - the top marginal tax rate of 45% applies to taxable income over \$180,000.
- Low income earner tax offset (LITO) - in the 2009/10 financial year, an individual with no other offset entitlements will not pay tax until their income exceeds \$15,000, while a child under 18 years old will be able to receive 'unearned' income of \$3,000 and pay no tax.
- Senior Australian Tax Offset (SATO) - From 1 July 2009, Australians eligible for the SATO and the LITO will not pay tax until they reach an annual income of \$29,867 for singles and up to \$51,360 for couples.

PERSONAL INCOME TAX RATES			
2008/09 Tax Thresholds	Tax Rate (%)	2009/10 Tax Thresholds	Tax Rate (%)
\$0 - \$6000	0	\$0 - \$6000	0
\$6001 - \$34,000	15	\$6001 - \$35,000	15
\$34,001 - \$80,000	30	\$35,001 - \$80,000	30
\$80,001 - \$180,000	40	\$80,001 - \$180,000	38
\$180,001 +	45	\$180,001 +	45

Medicare Levy Low-Income Thresholds & Surcharge

- With effect from 1 July 2008, the Medicare levy low-income thresholds are \$17,794 for individuals and \$30,025 for families. The thresholds will increase by an additional amount of \$2,757 for each dependent child or student.
- For pensioners below Age Pension age, the Medicare levy threshold has increased to \$25,299 with effect from 1 July 2008. This increase will ensure that pensioners below Age Pension age do not pay the Medicare levy when they do not have an income tax liability.
- The Medicare levy surcharge thresholds will remain at \$70,000 for singles and \$140,000 for families for the 2009/10 financial year.

Private Health Insurance Rebate (PHIR)

Three new 'Private Health Insurance Tiers' will apply from 1 July 2010 to better balance the mix of incentives for people to take out private health insurance. The existing 30% through to 40% PHIR arrangements will remain in place for singles with income of less than \$75,000 per annum and families with income of less than \$150,000 per annum.

- Tier 1 applies to singles with income of more than \$75,000 (more than \$150,000 for families). The PHIR will be 20 per cent if under 65, increasing to 25 per cent from age 65 and 30 per cent from age 70. The surcharge for not taking out private health insurance will remain at 1 per cent.
- Tier 2 applies to singles with income of more than \$90,000 (more than \$180,000 for families). The PHIR will be 10 per cent if under 65, increasing to 15 per cent from age 65 and 20 per cent from age 70. The surcharge for not taking out private health insurance will increase to 1.25 per cent.
- Tier 3 applies to singles with income of more than \$120,000 (more than \$240,000 for families). There will be no PHIR. The surcharge for not taking out private health insurance will be increased to 1.5 per cent.

Employee Share Schemes

From Budget night all discounts on shares and rights under an employee share scheme will be assessed in the year they are acquired. The current rules allowing the discount to be taxed at a later time will be removed.

Tightening Access to Non-Commercial Business Loans

Effective from the 2009/10 income year, the Government will tighten the application of rules on the use of non-commercial losses to prevent high income individuals from offsetting excess deductions from 'non-commercial business activities' against salary and other income. The measure will ensure excess deductions from unprofitable business activities cannot be used to reduce salary and wage income of high income earners.

Taxpayers with an adjusted taxable income of over \$250,000 will instead have excess deductions quarantined to the business activity. The new test for taxpayers with an adjusted taxable income greater than \$250,000 will restrict the ability of such taxpayers to claim losses for non-commercial activities that are more likely to be in the nature of lifestyle choices or hobbies.

How the Budget Affects You Continued

Social Security & Aged Care

Indexation of Family Tax Benefit Part A

From 1 July 2009, Family Tax Benefit Part A (FTB-A) payment rates will be indexed by the CPI, consistent with other family payments such as Family Tax Benefit Part B and the Baby Bonus.

Paid Parental Leave

The Government will introduce a Paid Parental Leave scheme from 1 January 2011. It will provide eligible parents with up to 18 weeks of leave at the minimum federal wage, currently \$543.78 per week. These payments will be treated as taxable income and will affect entitlement to family assistance payments, but will not be counted as income for income support payments. People who elect not to receive Paid Parental Leave or who do not qualify will continue to receive the Baby Bonus and other family payments, where they meet eligibility requirements.

Superannuation

Reduction in Concessional Contribution Caps

The Government will reduce the concessional contributions cap to \$25,000 per annum (indexed), with effect from the 2009-10 financial year. The transitional concessional contributions cap (applicable to individuals

aged 50 and over for the 2009/10, 2010/11 and 2011/12 financial years) will be reduced to \$50,000 per annum.

The annual cap on non-concessional contributions is \$150,000 per annum for the 2008/09 financial year and will remain at that level in 2009/10. In the future, the cap will be calculated as six times the level of the (indexed) concessional contributions cap.

Temporary Reduction in the Government Co-Contribution

The Government will temporarily reduce the matching rate and maximum co-contribution payable on an individual's eligible personal non-concessional superannuation contributions with effect to contributions made from 1 July 2009. Under this measure, the matching rate will be:

- 100 per cent for 2009/10, 2010/11 and 2011/12, with a maximum co-contribution of \$1,000, reduced by 3.333 cents for each dollar by which the person's total income exceeds the shade out threshold for receiving the full co-contribution;
- 125 per cent for 2012/13 and 2013/14, with a maximum co-contribution of \$1,250, reduced by 4.167 cents for each dollar of total income above the shade out threshold; and
- 150 per cent from 2014/15 onwards, with a maximum co-contribution of \$1,500, reduced by 5 cents for each dollar of total income above the shade out threshold.

Car Expenses - Rates Per Kilometre for 2008/09

The cents per kilometre rates for car expenses for the year ending 30th June, 2009 are as follows. These rates are applicable to claims where the vehicle has travelled a maximum of 5,000 business kilometres during the financial year.

These rates are also used to calculate the taxable value of certain fringe benefits which were provided during the FBT year ending 31 March, 2009. The motor vehicle cost price depreciation limit for 2008/09 is \$57,180.

Car Size	Rate
Small Car (non-rotary engine not exceeding 1600cc, or rotary engine not exceeding 800cc)	63c per km
Medium Car (non-rotary engine 1601cc - 2600cc, or rotary engine 801cc - 1300cc)	74c per km
Large Car (non-rotary engine 2601cc and above, or rotary engine 1301cc and above)	75c per km

Software Options For Business Owners

Despite the fact that the GST tax system is now nine years old, many small business owners continue to struggle to cope with their GST and BAS obligations. Software selection is a critical business decision and to assist you we provide the following guidelines:

- Don't buy software beyond your business needs. If you don't require a fully integrated general ledger system or inventory, then don't buy a sophisticated accounting program.
- If you don't understand double entry accounting (debits, credits or journal entries) then avoid accounting programs. Instead, consider a single entry bookkeeping program.
- If your business requires a double entry accounting system then consider a training course at a local TAFE or College. The duration of these courses is usually 12-16 hours.
- Ideally your software should be compatible with our systems to allow electronic transfer of your data, which can save time, money and assist with meeting lodgement deadlines.

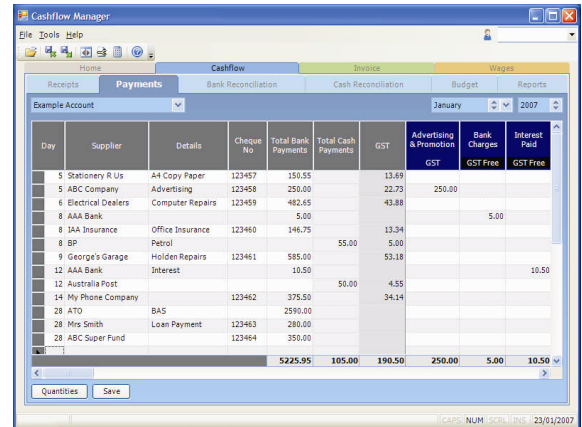
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Software Options for Business Owners Continued

If you simply need a bookkeeping program we strongly recommend 'Cashflow Manager'. This program looks and operates just like a manual cashbook complete with a spreadsheet or column layout and requires no understanding of accounting debits and credits.

The program also includes customer Invoicing & Debtors that lets you produce invoices, control your debtors and print a number of reports including customer statements. Cashflow Manager GOLD also includes Wages, Creditors and Inventory Tracking. Free demonstration CD's are available from our office.

We urge you to consult us regarding your choice of software because the wrong decision can defeat the whole purpose of computerising your record keeping - saving time and money.



Day	Supplier	Details	Cheque No	Total Bank Payments	Total Cash Payments	GST	Advertising & Promotion	Bank Charges	Interest Paid
5	Stationery R Us	A4 Copy Paper	123457	150.55		13.69			
5	ABC Company	Advertising	123458	250.00		22.73	250.00		
6	Electrical Dealers	Computer Repairs	123459	482.65		43.88			
8	AAA Bank			5.00				5.00	
8	JAA Insurance	Office Insurance	123460	146.75		13.34			
8	BP	Petrol			55.00	5.00			
9	George's Garage	Holden Repairs	123461	585.00		53.18			
12	AAA Bank	Interest		10.50					10.50
12	Australia Post				50.00	4.35			
14	My Phone Company		123462	375.50		34.14			
28	ATO	BAS		2500.00					
28	Miss Smith	Loan Payment	123463	280.00					
28	ABC Super Fund		123464	350.00					
				5225.95	105.00	190.50	250.00	5.00	10.50

If you are considering computerising your payroll we strongly recommend the program 'Wages Manager'. It is very easy to use and also generates a number of key reports at the click of a button including:

- The Annual PAYG Payment Summaries (Group Certificates) for staff
- The key figures to appear at W1 & W2 on your BAS
- Superannuation Calculation and Payment Reports

If you would like more information or a demonstration copy of Wages Manager call our office today.



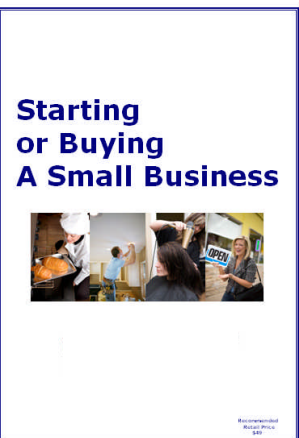
Starting or Buying a Business?

We believe that starting a business is like a game of chess, to succeed you need to make the right opening moves.

Having previously assisted so many clients in starting or buying a business we would like you to benefit from our experience and help you make the right opening moves. There is an old saying, 'people don't plan to fail, they just fail to plan.' This is both valuable advice and a warning for people intending to start a business. We can help you prepare some 'what if' financial scenarios to assess the viability of your business and identify your finance requirements.

Business Start-Ups is one of our specialist services and clients have access to our comprehensive 44 page booklet, 'Starting or Buying a Small Business'.

Successful businesses have clear objectives, produce quality products or services, understand their market, manage their money properly and are good employers. They also keep good records and have an open relationship with their accountant. Talk to us today about starting your business and we'll make sure you make the right opening moves.



An accountant is reading nursery rhymes to his young child...

"No, son. When Little Bo Peep lost her sheep that wouldn't be tax deductible, but I like your thinking".

IMPORTANT DISCLAIMER: This newsletter is issued as a guide to clients and for their private information. This newsletter does not constitute advice. Clients should not act solely on the basis of the material contained in this newsletter. Items herein are general comments only and do not convey advice per se. Also changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of these areas.

The greatest compliment we receive from our clients is the referral of their friends, family and small business colleagues. Thank you for your referrals and thank you for your trust.



2009 Tax Return Client Checklist

June 2009

2009 - Individual Tax Returns

Income

- Gross Salary, Wages, Allowances, Benefits, Earnings, Tips and Directors Fees.
- Income from Business Activities.
- PAYG Payment Summaries
- Details of any non-cash benefits received.
- Lump sum and termination payments. All documentation should be provided including an ETP Payment Summary from the employer or fund.
- Government Social Security payments, including pensions, unemployment and sickness benefits.
- Details of any CGT asset sales (e.g. shares and real estate). Please include dates of, and costs associated with, acquisition and disposal. (You can save tax if you qualify for the variety of CGT concessions).
- Annuities, including allocated pensions.
- Income from trusts and partnerships. Statements of distribution should be provided where appropriate.
- Rental income
- Interest and dividends received and any tax deducted. Include details of franked dividends.
- Foreign source (employment and pension) income and details of any foreign tax credits.

Deductions

- Investment and property expenses (carefully detail interest claims)
- Subscriptions (not including sporting or social clubs).
- Employment related Expenditure such as work-related motor vehicle, self-education, protective clothing and uniform expenses.
- Donations of \$2 and over
- For self-employed persons details of any superannuation contributions made.
- Tax Agent Fees and other accounting/tax audit fees.
- Special deductions (Australian films, investment shelters and agribusiness-type schemes).
- Bank fees (where the credit or deposit represents assessable income).
- Un-recouped prior year losses.

Rebates

- Details of out of pocket Child Care expenses, being fees paid for approved child care less any Child Care Benefit received.
- Details of private health insurance, unless your premium is net of the rebate.
- Details of superannuation contributions where no tax deduction can be claimed.
- Any changes in dependants (income of spouse should be provided).

- Details of any income received in a lump sum which was accrued in earlier income years (e.g. assessable pensions).
- Net family medical expenses if they exceed \$1500 in total.
- HECS Debt details
- Education Expenses - Details of education expenses including computers, printers USB flash drives, computer repairs, software for educational use, textbooks, stationery and prescribed trade tools. (Excludes school fees, uniform costs, excursions, camps, photos, musical instruments and sporting equipment. The rebate is 50% of eligible education expenses capped at:
 - \$750 for each primary school student giving a maximum rebate of \$375 per child
 - \$1500 for each secondary school student giving a maximum refund of \$750 per child

Note: Taxpayers with a dependant child (under 21), or qualifying dependant student, should check to see if they are eligible for Family Tax Assistance.

Income

- Trading income.
- Other income (e.g. Rent, Interest, Royalties).
- Stock on Hand (and basis of valuation) – note any obsolete stock.
- Work-in-Progress.
- Primary Producer subsidies (if assessable).
- Details of CGT assets (e.g. shares and real estate) sold, including dates of, and costs associated with, acquisition and disposal.
- Dividends, including details of franking credits.
- Income from foreign sources, including details or foreign taxes paid.

Deductions

- Repairs and maintenance.
- Salaries, including fringe benefits.
- Fringe benefits tax paid.
- Rates, land taxes and insurance premiums.
- Advertising expenses.
- Interest on borrowed monies.
- Deductions relating to foreign-source income.
- Prepaid expenses (subject to transitional rules)
- Retirement payments and golden handshakes.
- Bad debts actually written off during the year.
- Donations of \$2 and over depending on the recipient.
- Commissions.
- Legal expenses.
- Lease documents for motor vehicles, premises and equipment.
- Losses of previous years (or intra-group transfers).

- Superannuation contributions.
- Subscriptions.
- Car expenses (remember to include petrol, repairs and parking and maintain a log book where necessary).
- Tax agent's fees and other accounting and tax audit fees.
- Royalties paid.
- Details of the purpose and destination of any interstate or overseas trip. Expenses must be fully documented where travel involves at least one night away from home. Travel diaries should be included where travel exceeds five nights.
- Research and development expenditure.
- Bank fees (where the credit or deposit represents assessable income).

Liabilities

- New loans taken out during the year and their purpose, including any new lease or chattel mortgage agreements.
- Statements from the lending authority detailing the opening and closing balances of existing loans during the financial year.
- Provisions for long service and annual leave.
- Creditors at June 30
- Details of loan accounts to directors, shareholders, beneficiaries and partners.
- Accrued expenses (e.g. audit fees, interest payments).
- Commercial debts forgiven.

Assets

- Details of depreciable assets acquired and/or disposed of

during this income year, including:

- ◊ type of asset;
- ◊ date of acquisition
- ◊ consideration received/paid
- Lease commitments.
- Debtors at June 30
- Commercial debts forgiven.

Additional Information Required

- Franking account details/movements
- Overseas transactions, exchange gains/losses.
- Private companies – remuneration or loans to directors, shareholders and their relatives.
- Changes to the capital of the company.
- Whether family trust elections have been made in relation to trusts.

8 Most Common Errors in Tax Returns

- Omitting Interest Income
- Incorrect or Omitted Dividend Imputation Credits
- Capital Gains/Losses are Incorrect or Omitted
- Understating Income
- Home Office Expenses
- Depreciation on Rental Property Fixtures and Fittings
- Depreciation on Income Producing Buildings
- Borrowing Costs associated with Negative Gearing

Note: To ensure that you obtain the maximum deductions to which you are entitled and in consideration of the penalty provisions. FULL DETAILS of any claim should be provided and supporting documentation made available. For employee taxpayers and for travel and motor vehicle claims by self-employed taxpayers, documentation must be a receipt, tax invoice or similar document which contains certain details. For other taxpayers, documentation may comprise receipts, dockets, diary notations or reasonable and supporting estimates.

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