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BENEATH THE SURFACE

SMALL BUSINESS AND GENERAL BUSINESS TAX BREAK

This measure is only for business taxpayers and not available for employees, landlords, investors and other taxpayers using depreciating assets for non-business activities. It is one of the Government's stimulus packages and is now law. New investment in eligible, tangible depreciating assets will attract a bonus 50% tax deduction – not a cash refund. For example, if you spend $3,000 on eligible business assets in the specified time frame, your bonus tax deduction will be $1,500 – this would equate to an actual tax reduction of $472.50 for a taxpayer in the 30% marginal bracket (including Medicare).

We address the rules for small business entities only. To qualify for the 50% deduction, you must:

- ◊ be a small business entity (ie turnover < $2.0 million)
- ◊ investment threshold is $1,000 or more, GST-exclusive
- ◊ **commit** to investing in the asset between 13 December 2008 and 31 December 2009
- ◊ first use or have it installed ready for use, or (for new investment in an existing asset) bring the asset to its modified or improved state, on or before 31 December 2010.

The tax break is claimed in the tax return for the year in which the asset is first used, or installed ready for use (ie 2009, 2010 or 2011) and is in **addition** to normal depreciation deductions. It won't be taken into account in working out the amount of any balancing adjustment amounts, capital gains or capital losses when you stop holding the asset. There will be no apportionment for any non-business use of the asset, provided the asset was used for the **principal purpose** of carrying on a business.

Assets eligible for the concession include:

- ◊ new tangible depreciating assets, eg computers, business vehicles, etc, and
- ◊ new expenditure on existing tangible depreciating assets.

There are several exceptions to this rule:

- ◊ land and trading stock
- ◊ intangible assets such as software, intellectual property rights
- ◊ assets which receive other special allowances
- ◊ cars for which the cents-per-kilometre method has been used
- ◊ assets held prior to 12.01am AEDT on 13 December 2008, unless **new** investment in these assets meets criteria
- ◊ capital works such as buildings and structural improvements
- ◊ leased assets.

ACKNOWLEDGEMENTS

National Tax and Accountant's Association

FIRST HOME SAVER ACCOUNTS (FHSA)

From 1 October 2008, eligible individuals are able to make **post-tax** contributions (not salary sacrificed) into an FHSA (earnings taxed at 15%), and these contributions will be partly matched with a Government co-contribution:

- once the account reaches $75,000 (indexed) for 2008-09, additional personal contributions **cannot** be made
- the Government will contribute 17% of up to $5,000 of personal contributions into an FHSA each year (after tax return lodged)

4 year rule: you must save at least $1,000 (or $20/ week) in each of 4 or more financial years (don't have to be in a row).

If you decide not to go ahead with buying or building your first home, you'll have to contribute the balance of your first home saver account to your superannuation fund (not accessible until you meet an exit condition). Withdrawals after four year rule is satisfied to buy or build a home (that you live in for at least six months as your main residence), **or** to contribute to superannuation are tax-free.

You don't have to be living in Australia to open or contribute to a first home saver account. However, you do have to be an Australian resident for income tax purposes for at least part of the financial year to receive the government contribution.

Remember, your first home saver account is an individual (not joint) account – other people can deposit money on your behalf. If you want to buy a home jointly, you can do so even if none of the other joint buyers have a first home saver account.

There are different rules to qualify for the first home owner grant – it is possible to be eligible for both.

ASIC has provided a calculator to help you work out if a FHSA is for you:

www.fido.gov.au/firsthomesaver

MEDICARE LEVY SURCHARGE THRESHOLDS

For the year ended 30 June 2009, if your taxable income is more than $70,000 for singles or more than $140,000 for members of a family, and you or each member of your family does not hold adequate private health hospital insurance, then you will be liable for the 1% **extra** Medicare levy surcharge, on the number of days not fully covered. The family threshold does increase for each dependant child. If your taxable income is above these thresholds, you may wish to contrast and compare the cost of the surcharge with the price of private insurance.

PAYMENT SUMMARIES (ie Group Certificates) FOR STAFF

From 1 July 2009, paying salary sacrifice and extra superannuation for your employees will need to be reported on your employee's payment summary, if:

- your employee influenced the rate or amount of super you contribute for them, <u>and</u>
- the contributions are additional to the compulsory contributions you must make under any of the following:
  - super guarantee law
  - an industrial agreement
  - the trust deed or governing rules of a super fund
  - a federal, state or territory law.

Why? They are included in the income tests for a range of government benefits and obligations that may affect your employees. You **do not** include these amounts in your employee's gross income because they are not assessable income.

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These reporting changes mean that you may need to **change** your payroll system, or payroll software, before 30 June in order to capture and report this information to your employees and to the tax office.

EDUCATION TAX REFUND (ETR) - KEEP YOUR RECEIPTS!

From 1 July 2008, families receiving family fax benefit (FTB) Part 'A' with children undertaking primary or secondary studies are eligible to claim a **refundable** tax offset in respect of eligible education expenses incurred from this date:

◊ **eligible expenses:** laptops, home computers and associated costs, home internet connections, printers, education software, trade tools for use at school, school text books, and stationery

◊ **ineligible expenses:** school fees, uniforms, excursion costs, tutoring, musical instruments, sporting equipment, building levies, and more.

The tax offset is claimed through the individual tax return for the relevant year as follows:

◊ 50% tax offset each year up to $750 of education expenses for each child attending **primary** school (ie a maximum tax offset of $375 per child, per year)

◊ 50% tax offset each year for up to $1,500 of education expenses for each child attending **secondary** school (ie a maximum tax offset of $750 per child, per year).

You cannot claim for children at University. For those who are not required to complete an income tax return, a separate form will be available. The first claim for eligible expenses incurred during the income year ended 30 June 2009 is made from 1 July 2009. If your expenses exceed your refund limit for one year, these costs can be carried over to the next financial year, as long as you are still eligible – **keep** those receipts!

ANNUAL HOLIDAYS

Our office will be closed for annual holidays from

Monday 29 June – Monday 13 July 2009

inclusive.

NEW APPOINTMENT

We are pleased to announce the appointment of our new administration assistant
Chantelle Jensen
who started with us last week. I'm sure she will make you feel welcome!

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