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Happy New Year.....

The financial year ended on Wednesday 30th June. It is timely to reassess your financial position as we move forward into the 2010/2011 financial year.

Please take a few minutes to peruse this circular for important information relevant to you.

To assist you in preparing the necessary information we remind you that an income tax return checklist (*together with business information schedule for your **completion** - as applicable*), which lists some of the more common transactions likely to be included in your return, is available for download from our website under the forms banner.

INDIVIDUALS

Audits - Tax Office Focus

The ATO will be stepping up its audit activities for all taxpayers due to increased funding on an unprecedented scale.

Specifically:

- Electricians, truck drivers & salespeople;
- Taxpayers claiming home office rent & internet use;
- Rental properties;
- Work related expenses;

Action: Please ensure you have complied and that your records are correct and up to date. Call us immediately if you feel you have a problem.

It is imperative that you are able to substantiate all claims. Please remember **NO RECEIPT, NO CLAIM.**

RECORDS SHOULD BE KEPT FOR 5 YEARS – INDEFINITELY WHERE ASSOCIATED WITH DEPRECIATION CLAIMS AND CAPITAL GAINS TAX. IT IS YOUR RESPONSIBILITY TO MAINTAIN COMPLETE RECORDS IN THE EVENT OF AN A.T.O. AUDIT.

We are able to provide you with copies of the Tax Office Audit questionnaires for your completion to assist you in assembling your records if required.

ACTION: Please also ensure you are in possession of (if applicable):

- **completed motor vehicle log books & diaries [mandatory],**
- **motor vehicle odometer reading recorded @ 30/6/2010,**
- **computer usage, home or mobile telephone logs/diaries,**
- **receipts or other documentation for intended claims,**
- **receipts or health fund statements for medical expenses claims (dental, pharmaceutical, optical, medical etc)**

2010/2011 Audit Insurance

It is a timely reminder to advise that we offer audit insurance designed to meet the Accountant's time involved in most statutory audits starting at approx \$110 per annum for an individual and \$178 for a couple, tax deductible.

Business cover starts at approx \$298 per annum for most small businesses.

Omitted Income

Cross matching of income will be processed through Fast IMS. Due to a reduction in processing time, the improved data quality and the increase in volume of institutions reporting to the ATO, taxpayers who have omitted income (e.g. INTEREST, DIVIDENDS, PAYMENT SUMMARIES AND PROCEEDS FROM THE DISPOSAL OF REAL ESTATE OR SUBDIVISION OF LAND) will be easily detected. Please ensure you refer to our attached checklist.

Tax Information Schedule

This is a timely prompt to record your stock, debtors & creditors. Download your 2009/2010 taxation information checklist from our website later in July [look under forms].

RESC & FBT on Payment Summaries – Individuals

Employee payment summaries may show a reportable employer super contribution and/or reportable fringe benefit amount. This is where employer super contributions are made in excess of the 9% SG contribution amount (e.g. salary sacrifice contributions) or where the employer has provided the employee with fringe benefits exceeding \$2,000 (This information will be used for income tests associated with deductions or rebates for personal super contributions, spouse super contribution rebate, repayment of HELP/SFSS debt, medicare levy surcharge, and child support payments). Employees should request their employer to clarify how this amount is arrived at as any errors that result in a shortfall of tax will be the employee's liability.

Health Insurance Rebate

To assist you claim your Health Insurance Rebate your Health Fund will be mailing a taxation statement for the 2009/2010 taxation year. It is imperative that you keep the statement with your other taxation documents, as it will be required to complete your 2010 income tax return. *Any rebate for Health Insurance premiums obtained direct from Medicare will need to be disclosed to us prior to completion of your 2010 income tax return.*

Spouse Superannuation Contributions Rebate

If your spouse (married or defacto) receives less than \$13,800 income pa, you will be entitled to a tax rebate for contributing superannuation on his/her behalf. The maximum rebate is \$540 for a \$3,000 superannuation contribution, where your spouse's income is under \$10,800, reducing to Nil by \$13,800 pa. *For 2009/2010, any Reportable Employer Super Contributions will be included in the spouse's income when determining eligibility for the rebate.*

Government \$1,000 Co-contribution to Superannuation

Per last year, personal contributions made **before 30th June** in any year to a superannuation fund where the contributor is employed or carrying on a business [i.e. at least 10% assessable income from salary & wages or business] *and earning less than \$31,920 assessable income + fringe benefits+ salary sacrifice super* [phased out up to \$61,920], qualifies for the government co-contribution of up to \$1,000. Call us today if you need any assistance in this regard.

Education Tax Refund

Eligible taxpayers can claim a 50% tax offset for up to \$750 of eligible expenses for each primary school child (i.e., a tax offset of up to \$375 per child). For each secondary school child, a 50% tax offset of up to \$1500 of eligible expenses (i.e., a tax offset of up to \$750 per child). Taxpayers must be entitled to receive Family Tax Benefit Part A in respect of the school child.

Claims for Outdoor Workers

Sunscreens, Sunhats, Sunglasses & Protective Clothing may now be claimed by taxpayers who are required to work outdoors for varying periods during the day.

Taxpayers can choose to claim the actual expense where supported by valid receipts, Taxpayers must apportion the expenditure where the products have been used for private use as well as for work purposes.

Work To Work Travel

Taxpayers are able to claim for travel between two places of work, even where they are unrelated employers or in unrelated industries. However, the trip must not be broken for any reason.

Superannuation Limits

The Federal Government has maintained the reduced amount of concessional (tax deductible) superannuation a taxpayer can contribute to Superannuation for the 2010/2011 Financial Year. Taxpayers can contribute up to \$25,000 per annum from all sources if under age 50, and up to \$50,000 if over age 50.

Accordingly you should review your situation and contribute up to your respective limit by 30th June.

Deductible Superannuation Contributions

A notice of intention to claim an income tax deduction must be sent to your superannuation fund to support any deductible superannuation contributions made for the 2010 income tax year Please ask us for guidance if you are unsure of your obligation. Failure to give notice will result in your deduction being disallowed if audited by the ATO.

BUSINESS

The ATO will be focusing heavily on small Employers in the new financial year. They have stated that SGC employee superannuation, PAYG withholding, fringe benefits tax, allowances, motor vehicle usage & tax file number declaration reporting obligations will head their list. Visits may be unannounced and clients should be aware of their rights if visited.

More specifically, please ensure:

- All employees have signed their TFN declarations as appropriate.
- No private expenses [including motor vehicle expenses] have been put through business accounts.
- Withholding tax is being deducted at the correct rate.
- SGC superannuation has been paid by the 28th day of the month following the relevant quarter & is 9% of gross ordinary time earnings.
- Wage records are up to date, correct amounts of PAYG have been reported to the ATO and were reported on time and RFBT & RESC are recorded on payment summaries.
- BAS's & IAS's have been processed and that none are outstanding.
- Annual PAYG summaries have been lodged with the ATO by the due date.
- Correct payment summaries have been issued to all employees.

Please ensure that your are up to date with the aforementioned, contact us soon if you have any doubts as to your respective obligations to the items mentioned.

Entrepreneur Tax Offset

An Entrepreneur tax offset is available to all small business people where their gross turnover is \$50,000 or less and they are a small business entity {between \$50,000 and \$75,000 the offset will be phased out}. From 1st July 2009, eligible taxpayers will be required to satisfy a new income test to claim the ETO. For single taxpayers their ETO will reduce by 20 cents for each dollar of non-business income over **\$70,000**. The family threshold is **\$120,000**.

Employee Choice Superannuation

Most employees are able to choose where their 9% SGC superannuation is to be paid provided that they are not under an Australian Workplace Agreement, Certified Agreement, Employment Agreement, Commonwealth or Public Service Superannuation Scheme, or under a WA State Industrial Award. Employers must provide eligible employees with the option to choose their own fund and also offer a default fund providing minimum levels of life insurance. An ATO standard choice form should be provided to each employee within 28 days of commencing employment. Employers are not required to provide choice forms where they have always given their employees the freedom to choose their own funds.

Heavy fines are imposed for non-compliance and you are advised to contact us directly if you are unfamiliar with your obligations.

Non Commercial Business Losses

Individuals (sole traders or partners) with losses from business activities deemed to be 'non-commercial' cannot offset those losses against other assessable income. The Tax Office deems business activities making losses to be non-commercial unless the business can satisfy at least one of the following tests;

- The share of assessable income from the activity is \$20,000 or more, or
- The business includes more than \$500,000 of real property (excluding private residence) or
- The business includes more than \$100,000 of other business assets (excluding cars) or
- The business has resulted in taxable income in three out of the last five years.

In addition, from 1st July 2009, individuals with other adjusted taxable income in excess of \$250,000 will have the business losses deferred. Adjusted taxable income is the sum of **taxable income, reportable fringe benefits total, reportable super contributions** and **total net investment losses**.

Shareholders Loan Accounts

It is important that clients maintain credit balance loan accounts to avoid the Division 7A deemed dividend rules. The ATO can "deem" an unfranked dividend where loan accounts are in debit after the end of the financial year. Division 7A only applies to debit loans made after 4th December, 1997. In the 2009-10 Federal Budget, the Government announced its intention to extend the operation of Division 7A to the use of company assets such as boats, holiday homes, artwork, etc by a shareholder (or an associate) of the company. *Please contact us if you think you may be effected by this measure.*

Audits

The ATO will be stepping up its compliance activities with employers who fail to discharge their relevant employment obligations.

Specifically:

- Discrepancies between PAYG withholding credits claimed by employees and the amount of withholding remitted by employers;
- Employers who fail to adequately discharge their superannuation guarantee responsibilities to employees; and
- Employers who are registered under the workers' compensation scheme and are not registered for PAYG withholding purposes.

Further, the ATO will be cross matching payment summaries with member contribution statements [with super funds] and employer income tax returns.

BAS preparation is your responsibility [incl. maintaining tax invoices and related substantiation records], we will bring to your attention any material GST errors we identify when preparing your tax, but we do not provide a GST audit service.

Action: Please ensure you have complied and that your records are correct and up to date. Call us immediately if you feel you have a problem, or if you feel that previously lodged BAS's need amending.

Director and Shareholder Loans

It is common for companies and trusts to pay private expenses on behalf of employees, shareholders and directors.

The expenses are debited to the loan account in the books of the entity and represent a repayment of monies originally advanced to the entity by the director / shareholder. This avoids any Fringe Benefits liability.

However, in a recent case, Federal Commissioner of Taxation V Slade Bloodstock 2008 ATC 4261, the Federal Court held that payments of private expenses made on behalf of employees were still fringe benefits, even though they were treated as loan repayments.

Action: Please ensure you review your situation and avoid paying personal expenses from your loan account. Wages should be paid in lieu of loan repayments. Call us immediately if you feel you have a problem.

2009/2010 P.A.Y.G. Individual Payment Summaries

Employers paying fringe benefits in excess of \$2,000.00 between 1/4/09 and 31/3/10 will be required to disclose grossed up (pre-tax) benefits on the employees 2009/2010 P.A.Y.G. Individual Payment Summaries.

In addition, employers paying superannuation in excess of the 9% super guarantee (or amount in excess of the specified percentage under an award or enterprise agreement), will be required to disclose this amount on the employees 2009/2010 P.A.Y.G. Individual Payment Summary.

S.G.C. Superannuation

Clients are reminded that as in prior years, superannuation payments had to be receipted by the appropriate fund **prior to 30th June, 2010** to be deductible in the 2010 financial year. Under the Superannuation Guarantee Charge (S.G.C.) rules Employers have until 28th July, 2010 to pay their 2010 superannuation commitment without incurring late penalties. Personal superannuation claims will be denied where a taxpayer is entitled to employer superannuation support regardless of whether the employer has actually paid the entitlement.

The Superannuation Guarantee charge (SGC) is based on 9% of employee earnings from 1st July 2008 & must be paid quarterly! The ATO are auditing SGC payments again this year.

ACTION: Please review employee records and ensure your Superannuation contributions were receipted by the fund by the 28th of the month following the end of each quarter. Contact us for guidance if required.

Superannuation Rules

From the 1st July 2009, age based deduction limits for deductible superannuation contributions are abolished and replaced with the following set of rules:

- Employers will be able to claim a full deduction for all super contributions made on behalf of employees, and self-employed individuals will be able to claim a full deduction for all personal super contributions.
- A deductible super contribution limit of \$25,000 per person per annum (for taxpayers who turn 50 between now and the 2011/2012 financial year a transitional limit of \$50,000 will apply).
- Superannuation contributions in excess of the concessional limits will be subject to excess contributions tax at the rate of 46.5%.
- Self-employed individuals will be eligible for the government co-contribution where they choose not to claim a tax deduction for eligible personal superannuation contributions to a complying superannuation fund.

Service Trusts

Service Trusts are under attack from the ATO. They believe that the fees charged by service trusts are too high, that the fees being charged may be uncommercial and that mark-ups being adopted may be higher than what could be reasonably sourced from a 3rd party. Please discuss with us at your next appointment so that we can review your situation.

Bad Debts Written Off

Bad Debts had to be physically written off prior to the 30th June, 2010 to obtain a taxation deduction in the 2009/2010 financial year. Taxpayers must be able to demonstrate that every effort has been made to collect the debt, a tax audit will require substantiation that the debt was irrecoverable.

Contractors, Consultants, Commission Agents and Personal Services Income (PSI)

Individuals who divert income generated by their personal services via a company, trust or partnership will have that income assessed back to the individual and the scope of work related expenses that can be claimed as tax deductions against the income of the entity may be limited.

The legislation automatically affects any individual or entity where 80% or more of their PSI is derived from the one source, special rules may apply even where < 80% is derived from one source.

P.A.Y.G. tax payments by entities and individuals should have been made quarterly/ monthly during the course of the year.

G.S.T.

Care should be exercised in completing your B.A.S as this is an area of tax office focus. Registered Businesses may make serious repetitive errors, for example:

- **claiming 100% of input tax credits on partly deductible expenses,**
- **failing to distinguish between hire purchase payments and lease payments when claiming input tax credits,**
- **failing to introduce a taxable supply on goods taken for own use,**
- **not in possession of a valid tax invoice to substantiate input tax credits,**
- **Ignoring the GST and claiming the whole amount as a tax deduction.**
- **Failing to lodge BAS's on time.**

Clients who are unsure of their G.S.T. responsibilities or the G.S.T. treatment of any transaction should contact us for further advice.

Accounting Software

We are encouraging all business clients to use our cashbook software for the 2010 financial year. Our cashbook software will assist in assembly of data for preparation of the B.A.S. and annual income tax return and streamline your affairs generally. Support will be available by telephone or “on-site” by our staff.

We believe this is the perfect business tool for any client who has experienced difficulty with GST recording, handwritten records or existing computer software. Our cashbook software is simple to use and offers a “no frills” bookkeeping solution. Contact us if you wish to find out more about the software.

PERSONAL FINANCIAL PLANNING & ADVICE

As authorised representatives of **Count Wealth Accountants™ (Count)**, we offer a simple “one stop shop” approach to Personal Financial Planning and advice.

We invite you to talk to us about:

- **Savings Plans**
- **Investment Plans** for Security, Capital Growth and Income
- Personal **Superannuation & Business Superannuation** to meet SGC requirements
- Income Protection, Life & Trauma **Insurance**
- **Loans: Home Loans, Vehicle & Equipment Hire Purchase & Leasing**
- **Allocated Pensions** incorporating tax effective income streams
- **On-Line** share trading
- **Investment Portfolio** aggregation / consolidation

Need Finance ? Ask us! We have lending managers Australia wide. George in Perth, Ewen & Brett in Sydney and Guy in Melbourne to name a few. We are happy to discuss your situation to ensure you have the correct tax advice and finance package to suit your individual circumstances. We can match or better the banks on pricing and service .

Geoffrey Edwards and Mark Newman are Authorised Representatives of Count Wealth Accountants™ .

Mr Jamie Scheer is our paraplanner and financial services officer



This office uses an **Electronic Lodgement System**. With your consent refunds can be credited directly to our trust account for payment of your fee, and the balance remitted to you. This speeds up the processing time involved to within ten days of lodgement in most cases.

**We love referrals be they businesses, family or friends
and we are always happy to assist.**

Office Hours

9am - 5pm Monday to Thursday

9am - 3pm Fridays

***(Saturday mornings and at other times strictly by prior
arrangement)***

Terms of Credit

Our terms are strictly 14 days.

A \$40 per month (or part thereof) GST inclusive bookkeeping fee will be charged on all overdue accounts this year.

We are happy to discuss alternative payment options or instalments.

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