

Budget 2010

The main tax measures announced in last month's Federal Budget, in addition to those already announced as part of the response to the Henry Review are:



50% discount on tax on interest income

From 1 July 2011, individual taxpayers will be provided with a 50% tax discount on up to \$1,000 of interest earned, including interest earned on deposits held in banks and other authorised deposit taking institutions, bonds, debentures and annuity products.

Increase in the net medical expenses tax offset claim threshold

From 1 July 2010, the Government will increase the threshold above which a taxpayer may claim the 20% net medical expenses tax offset from \$1,500 to \$2,000, and will commence annually indexing the threshold to the CPI from 1 July 2011.

Super co-contribution

- The matching rate for the co-contribution will be permanently retained at 100% or \$1 for each \$1 contributed (rather than 150% or \$1.50), which means that the maximum co-contribution that is payable on an individual's eligible personal non-concessional superannuation contributions will stay at \$1,000 (rather than \$1,500); and
- The income thresholds for the superannuation co-contribution will be frozen for 2010/11 and 2011/12, meaning the maximum co-contribution (of up to \$1,000) will continue to only be available to people with incomes of up to \$31,920 (the amount available then phases out for incomes up to \$61,920).

Note: Super fund members who are eligible to receive the Government's super co-contribution need to ensure they make their contributions before 30 June 2010 if they want to receive their entitlement for the 2009/10 income year.

To be eligible to receive a co-contribution, a taxpayer's 'total income' (assessable income plus reportable fringe benefits and reportable employer super contributions) must be less than \$61,920, and at least 10% of that total income must be from employment (e.g., salary and wages) or business activities.

Accelerating tax claims

As personal income tax rates are set to decrease from 1 July 2010, there may be an additional advantage to be had by accelerating any income tax deductions into the current income year.

The tax rates for resident individual taxpayers for the 2010/2011 income year are shown in the table.

Taxable Income	Tax Payable
0 – \$6,000	Nil
\$6,001 – \$37,000	15% on excess
\$37,001 – \$80,000	\$4,200 + 30% of excess
\$80,001 – \$180,000	\$18,000 + 37% on excess
+ \$180,001	\$58,000 + 45% on excess

Note: The Medicare levy is in addition to these rates.



End of Year Checklist

Have you forgotten anything?

Page 2



Pension Payments

Some helpful tips

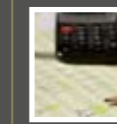
Page 3



Work-related claims

The common types

Page 3



Budget 2010

The main tax measures

Page 4



Newsletter

June, 2010

Issue 4

The Henry Review

The Government recently released the report of the inquiry by the Treasury Secretary, Dr Ken Henry, into the entire tax system, and the Government's initial response to it. The Government proposed to introduce the following measures:

- From 1 July 2012, a Resource Super Profits Tax ('RSPT') at a rate of 40% on profits made from the exploitation of Australia's non-renewable resources;
- Reduction of the company tax rate to 28% (from the 2012/13 income year for eligible small business companies, and from the 2014/15 income year for other companies);
- From 1 July 2012 the immediate write-off of small business assets costing less than \$5,000 and depreciate all other assets (except buildings) in a single depreciation pool at a rate of 30%;
- The superannuation guarantee (SG) contribution rate will be increased to 12% (from the current 9%) by 2019/20, with gradual increases commencing on 1 July 2013;
- From 1 July 2013, the SG age limit will be increased to 75 years (currently 70 years), which

means that employees aged 70 to 74 will generally be eligible to have SG contributions made on their behalf;

- From 1 July 2012, the Government will match concessional contributions (i.e., basically deductible contributions) which are made by or for the benefit of individuals with adjusted taxable incomes of up to \$37,000 at the rate of 15% for each \$1 of concessional contributions, with an annual maximum amount payable of \$500; and

- From 1 July 2012, individuals aged 50 or above with superannuation balances below \$500,000 will have a concessional contributions cap of \$50,000 (effectively extending the existing transitional concessional contributions cap for such individuals).

Note: The Government said it would not accept some Henry recommendations, such as reducing the 50% CGT discount, discounting negative gearing deductions, or abolishing the luxury car tax.

However, it has left some on the table, including recommendations on the taxing of fringe benefits and employer superannuation contributions in the hands of employees, making it more difficult to claim personal tax deductions, and removing important small business concessions (such as the 50% active asset reduction and the 15 year exemption) and a range of concessional tax offsets (such as the medical expenses tax offset).



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Make sure you pay the minimum pension payments

One of benefits of paying an Account Based Pension (ABP) or Transition to Retirement Income Stream (TRIS) from your self managed superannuation fund is that the fund's income is currently exempt from tax when it is used to pay a pension.

Caution: Henry proposes tax at 7.5%

In order to claim the tax free status the minimum payment standards are required to be met each year. To meet these standards payments are to be made at least annually, comply with the minimum and maximum amounts and must be made in cash.

Where a trustee does not pay the pension benefit in this manner the fund may not be entitled to the exemption from income tax. The table below details the minimum pension amount that must be drawn each year for both the ABP and TRIS. Please note that members in receipt of a TRIS can not withdraw more than 10% of their account balance each year, for those in receipt of an ABP there is no maximum limit.

Member's Age	Percentage Factor	50% Reduction for 2010
Under 65	4%	2%
65 to 74	5%	2.5%
75 to 79	6%	3%
80 to 84	7%	3.5%
85 to 89	9%	4.5%
90 to 94	11%	5.5%
95 and above	14%	7%

With the 2010 financial year drawing to a close now is a good time to review payments made from your fund to ensure they comply with the standards to enable your eligibility for the income tax exemption. If you are unsure if you have met your obligations do not hesitate to contact us.

2009/2010 Year-end Checklist for Business

Many of our business clients like to review their tax position at the end of the financial year and evaluate any year-end strategies that may be available to legitimately reduce their tax. Traditionally, year-end tax planning for small businesses is based around two simple concepts – i.e., accelerating business deductions and deferring income.

Checklist

The following may act as a checklist of possible accelerated expenditure:

- Depreciating assets costing \$1,000 or less can be written off by Small Business in the year of purchase.
- Repairs (to office premises, equipment, cars or other business items)
- Consumables/spare parts
- Advertising, Sponsorship & Donations
- Fringe benefits (any benefits to be provided, such as property benefits, could be purchased and provided prior to 30 June 2010).
- Superannuation – contributions to a complying superannuation fund, to the extent contributions are actually made (i.e., they cannot be accrued).

Note that the age-based limits on the deductibility of superannuation contributions were removed from 1 July 2007, basically meaning all employer contributions are now deductible. However, an employee who receives employer contributions in excess of their concessional contributions cap may have to pay more tax.

Information Required

We will need you to bring the following information to help us prepare your income tax return:

- Stocktake details as at 30 June
- Debtors listing (including a list of bad debts written off) as at 30 June Note: In order to claim a deduction, the debt must be written off on or before 30 June.
- Creditors listing as at 30 June

Common work-related claims made by individuals

Common types of deductible expenses claimed by individual taxpayers, such as employees and rental property owners, and some strategies that can be adopted to increase deductions for the 2009/2010 income year



1. Depreciable plant, etc, costing \$300 or less

Salary and wage earners and rental property owners will generally be entitled to an immediate deduction if plant costing \$300 or less is purchased before 1 July 2010.

Some purchases you may consider include:

- Fax machines;
- Beepers and pagers;
- Books and trade journals;
- Briefcases/luggage or suitcases;
- Calculators, electronic organisers;
- Software;
- Stationery;
- Tools of trade.

2. Clothing expenses

Purchase or pay for work-related clothing expenses prior to the end of the income year, such as:

- Compulsory (or non-compulsory and registered) uniforms, and occupation specific and protective clothing;
- Other expenses associated with such work related clothing such as dry cleaning, laundry and repair expenses.

3. Self education expenses

Consider pre-paying the following self education items before the end of the income year:

- Course fees (but not HECS-HELP fees), student union fees, and tutorial fees;
 - Interest on borrowings used to pay for any deductible self education expenses.
- Also bring forward purchases of stationery and text books (i.e., those which are not required to be depreciated).

4. Other work-related expenses

Employees can prepay any of the following expenses prior to 1 July 2010:

- Union fees;
- Subscriptions to trade, professional or business associations;
- Magazine and newspaper subscriptions;
- Seminars and conferences;
- Income protection insurance (excluding death and total/permanent disability).

Note: When prepaying any of the expenses above before 1 July 2010, ensure that any services are to be provided within a 12 month period that ends before 1 July 2011. Otherwise, the deductions must be claimed over the period of the prepayment.

Information Required

We will need you to bring information to assist us in preparing your income tax return.

Please check the following and bring along payment summaries, statements, accounts, receipts, etc., to help us prepare the return: Income/Receipts

- Payment summaries for salary and wages;
- Lump sum and termination payments;
- Government pensions and allowances;
- Other pensions and/or annuities;
- Allowances (e.g., entertainment, car, tools);
- Interest, rent and dividends;
- Distributions from partnerships or trusts;
- Details of any assets sold that were either used for income earning purposes or which may be caught by capital gains tax.

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