



Kevin P. Scambler & ASSOCIATES

ACCOUNTANTS & TAX AGENTS

Phone: (07) 5452 7205

Fax: (07) 5452 7206

Email: info@kpsa.com.au

Website: www.kpsa.com.au

Suite 7 'Perlan House'

50 Aerodrome Road

Maroochydore Qld 4558

PO Box 6166

Mooloolah Valley Qld 4553

2010 END OF FINANCIAL YEAR CLIENT NEWSLETTER

Here we are again at the end of one financial year and the start of another. So we want to commence this newsletter with a big 'thank you' for putting your trust in us as your accountants. We appreciate having you as our clients and we look forward to working with you again in the coming year. We also want to thank you for your referrals. The greatest compliment you can give us is when you refer your friends, family and small business colleagues. Once again we thank you for your support and trust.

Federal Budget Highlights You Need to Know About

In delivering his third Federal Budget, the Treasurer Wayne Swan said the Australian economy had weathered the worst of the global financial crisis and actually grew in 2009/10. He claims further growth is on the way which will put the Budget back into surplus in 2012/13 and that inflation will be contained at 2.5%. He also advised that unemployment is expected to continue falling. We are bringing the following highlights to your attention because of their relevance.

Personal Taxation

- Personal income tax cuts promised in the 2007 election are being introduced from 1 July with the 30% marginal tax rate threshold increasing to \$37,001 and the 38% marginal tax rate reducing to 37%.

PERSONAL TAX MARGINAL RATES			
2009/10 Thresholds	Tax Rate %	2010/11 Thresholds	Tax Rate %
\$0 - \$6000	0	\$0 - \$6000	0
\$6001 - \$35,000	15	\$6001 - \$37,000	15
\$35,001 - \$80,000	30	\$37,001 - \$80,000	30
\$80,001 - \$180,000	38	\$80,001 - \$180,000	37
\$180,001 +	45	\$180,001 +	45

- As from 1 July the Low Income Tax Offset will increase from \$1,350 to \$1,500 for incomes up to \$67,500 and begin to phase out from \$30,000. This means taxpayers eligible for the full low income tax offset will not pay tax until their annual income is over \$16,000 (is up from the current \$15,000).
- The net medical expenses tax offset threshold will also increase to \$2,000 from 1 July and will then indexed annually to reflect the movements in CPI in subsequent years. Taxpayers can claim the 20% tax offset for net unreimbursed eligible medical expenses that exceed the threshold for the relevant year.
- The childcare rebate cap per child has been reduced from \$7,778 to \$7,500 and indexation of the cap has been frozen for four years from 1 July 2010.
- From 1 July 2011, individuals will be eligible for a 50% tax discount on up to \$1,000 of interest earned on deposits held with any bank, building society or credit union as well as on bonds, debentures or annuity products including interest income earned via a trust or a managed investment scheme.
- As from 1 July 1, 2012 the government plans to provide employees with an optional standard tax deduction of \$500 instead of having to detail work-related expenses in your tax returns, and increase this to \$1,000 the following year. You will still have the option to itemise and claim expenses if your deductible expenses exceed the threshold.

Social Security & Medicare Levy

- The Government has proposed stricter requirements for Family Tax Benefit - Part A (FTB-A) where children aged 16 to 20 who have not completed year 12 or an equivalent qualification will have to participate in full-time education or training to be eligible.
- With effect from 1 July 2009, the Medicare levy low-income thresholds are \$18,488 for individuals and \$31,196 for couples and increase by an additional \$2,865 for each dependent child or student.

- For pensioners below the Age Pension age, the Medicare levy threshold has increased to \$27,697 from 1 July 2009 to ensure they do not pay the Medicare levy when they do not have an income tax liability.

Business Taxation

Reduction in Company Tax Rate

- The current company tax rate of 30% is proposed to drop to 29% for the 2014 tax year and 28% from the 2015 income tax year. Small companies will be eligible for the 28% rate from 1 July, 2012, two years earlier than larger companies.

Asset Write Offs

- As from 1 July, 2012 it is proposed that small business entities will be able to claim an immediate tax deduction when they purchase assets for less than \$5,000. The depreciation of all other assets (excluding buildings) will be 'pooled' or grouped at a simpler 30% rate to accelerate the tax write off although the rate will be 15 per cent in the first year.

Guidelines regarding what entities would qualify as 'small business entities' have not been issued but currently a small business generally has an aggregated annual turnover of less than \$2 million.

Energy & Natural Resources Tax

- The Government has also proposed a new 40% 'Resources Super Profits Tax' (RSPT) from 1 July 2012 for petroleum and mining projects which would replace the crude oil excise and operate in parallel with existing State and Territory royalty regimes. The additional tax raised is expected to support infrastructure used in the resources industry.

At the time of writing this, the government is facing a huge backlash about this proposed tax and we would not be surprised if this were changed.

Other

- The Government also plans to create a single national online registration system for business names and Australian Business Numbers over the next eight years, meaning businesses will no longer need to be registered in each State and Territory.
- From 1 July 2012 small businesses that account for GST on a cash basis will be allowed to claim input tax credit upfront in relation to hire purchase agreements.

Superannuation

- Superannuation guarantee payments for employees will progressively increase to 12% by the year ending 30th June, 2020. The first increase will be 9.25% in financial year ended 2014.

Financial Year Ended	Super Guarantee Rate	Financial Year Ended	Super Guarantee Rate
30 June 2014	9.25%	30 June 2018	11.0%
30 June 2015	9.50%	30 June 2019	11.5%
30 June 2016	10.0%	30 June 2020	12.0%
30 June 2017	10.5%		

- The employee age limit for superannuation guarantee payments will increase from the current age of 70 to 75 and bring it in line with self-employed people who can make deductible contributions until they turn 75. The commencement date of 1 July, 2013 coincides with the initial increase in the rate of SG.
- As from 1 July 2012, the government will make an additional contribution equal to 15% of the concessional contributions made on their behalf up to a \$500 limit for workers earning less than \$37,000 per annum, effectively reducing the tax on the superannuation contributions for these workers to nil.
- The amount of deductible superannuation contributions for people over 50 years of age with superannuation balances of less than \$500,000 will increase from \$25,000 to \$50,000 per annum.
- The super co-contribution is a government measure to boost super savings. The government announced that, from 1 July 2010, it would seek to:
 - permanently retain the
 - co-contribution matching rate at 100%
 - cap the maximum co-contribution payable on an individual's eligible personal non-concessional super contributions at \$1,000.
 - freeze the super co-contributions indexation rate applied to income thresholds for 2010–11 and 2011–12 at
 - \$31,920 (the lower income threshold)
 - \$61,920 (the higher income threshold).



Do You Use E-Record?

Since March 2000 the ATO have provided small business owners with a free electronic record-keeping system, e-Record. It was originally developed as an interim product to help small businesses move from paper-based record keeping but a decade later it needs to be redeveloped to keep up with technology and new business directions.

From 1 July 2010, e-Record will no longer be available and it will no longer be supported after 30 September 2010.

Users will need to move from e-Record to a suitable alternative record-keeping system and you should have your new system in place by 30 June 2010. The ATO have indicated that you may continue to use e-Record after 30 June 2010 but only to complete your 2010 or prior income year records. You should not use e-Record for your 2011 income year records.

We strongly recommend 'Cashflow Manager' as your replacement for e-Record. 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.

Cashflow Manager also generates tax invoices, controls your debtors and prints a number of reports including customer statements. Add-on modules for Payroll, Creditors and Inventory Tracking are also available in the 'Gold' version of the program.

Free demonstration CD's are available from our office.

We urge you to consult us regarding your choice of accounting software because the wrong software can prove very costly. Speak to us today about a suitable alternative for e-Record or other record-keeping systems.



ATO Focus on the Cash Economy

The government will provide the ATO with an additional \$107.9 million over four years to target tax avoidance by some small businesses who conduct some or all of their business in the cash economy. The additional funding will be used to "increase the visibility of the ATO in the small business community" and improve the level of compliance of those small businesses who deal in the cash economy.

GST Compliance Program

The Government plans to provide \$337.5 million over four years (from the 2010/11 to the 2013/14 income years) to the Tax Office to fund extra activities to promote voluntary GST compliance and provide a level playing field for Australian businesses. The funding is also planned to address issues relating to:

- Fraudulent GST refunds
- Systematic under-reporting of GST liabilities
- Non-lodgement of GST Returns
- Non-payment of GST debts

Education Tax Refund

The Education Tax Refund lets parents who are eligible to receive the Family Tax Benefit (FTB) Part A for their child claim a 50% tax refund on eligible education expenses incurred during the year. The total eligible education expenses are capped at \$750 for primary school children and \$1,500 for secondary school children.

Qualifying expenses include laptop computers, home computers and associated costs including repair and running costs of computer equipment, printers and USB flash drives, home internet connections, computer software for educational use, school textbooks and other paper based school learning material and prescribed trade tools.

Examples of education expenses **not** eligible for the rebate include school fees, school uniform expenses, school-based extracurricular activities, musical instruments, sporting equipment, computer games and consoles.

The education tax refund is a fully refundable tax offset that will be paid as part of your tax return. If you are not required to lodge a tax return, you will need to lodge a 2010 Education Tax Refund Claim. If your expenses exceed your refund limit for the year, the excess will be carried forward to your following year's refund claim, as long as you remain eligible.

Expenses must be incurred by the child's parents to be eligible. For example, expenses paid by grandparents are not eligible and grandparents cannot claim the expense either.

It is most important that you keep receipts as part of your normal record keeping as the Australian Taxation Office may ask you to substantiate your claim.



The Henry Review into Australia's Tax System

The long-awaited review of Australia's tax system by Treasury Secretary, Dr Ken Henry has not gained significant support from the Federal Government. The primary objective of the Henry Review was to identify reforms necessary to enable the Australian taxation system to meet the challenges of the 21st Century.

The 1,300 page Henry Review produced 138 recommendations but only 5 have been accepted, 29 have been clearly rejected either partially or wholly, and 114 will be subject to further consultation. The following recommendations made by the Henry Review have been specifically rejected:

- Introducing land tax on the family home
- Reducing the general 50% capital gains tax discount
- Abolishing the Medicare levy
- Removing tax deductions for 'negatively geared' rental properties
- Requiring parents to work when their youngest child turns 4
- Introducing a bequest or death tax
- Increasing the current GST rate of 10%
- Removing the Luxury Car Tax

Managing Employees Pays, Superannuation and Fair Work Act Requirements

With the introduction of the Fair Work Act it is more important than ever to use the right computer program to simplify the management of employee pays, superannuation and Fair Work Act requirement.

We strongly recommend the program 'Wages Manager'. Apart from its simplicity, Wages Manager also generates a number of key reports at the click of a button including:

- The Annual PAYG Payment Summaries for employees
- The annual reports for the ATO
- 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.

Car Expenses - Rates per Kilometre for 2009/10

The cents per kilometre rates for car expenses for the year ending 30th June, 2010 are listed below. These rates are applicable to claims for business travel up to 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, 2010.

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

The motor vehicle cost price depreciation limit for 2009/10 is \$57,180.

Starting or Buying a Business?

Starting a business is like a game of chess; to succeed you need to make the right opening moves.

Business Start-Ups is one of our specialist services and clients have access to a range of tools including a checklist of start up expenses, cash flow budget, business plan template and our 44 page booklet, 'Starting or Buying a Small Business'.

Talk to us today about starting your business and we'll make sure you make the right opening moves.



2010 Tax Return Client Checklist

The following is a checklist for information required to prepare income tax returns for this year. Please ensure that you review the checklist and have all information available when completing your tax returns.



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).
- Unrecouped prior year losses.

Rebates

- 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

8 Most Common Errors in Income Tax Returns

1. Omitting Interest Income
2. Incorrect or Omitted Dividend Imputation Credits
3. Capital Gains/Losses are Incorrect or Omitted
4. Understating Income
5. Home Office Expenses
6. Depreciation on Rental Property Fixtures and Fittings
7. Depreciation on Income Producing Buildings
8. Borrowing Costs associated with Negative Gearing

Companies, Partnerships, Trusts and Other Business

Income

- Trading income.
- Other income (e.g. Rent, Interest, Royalties).
- Stock on Hand at June 30, 2010 (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 of any 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 or Chattel Mortgage payments on motor vehicles 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 destination and purpose 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 within Australia or any overseas travel.
- 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, 2010
- 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, 2010
- Commercial debts forgiven.

Additional Information

- 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.

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.

IMPORTANT DISCLAIMER: This newsletter is issued as a guide to clients and for their private information. This newsletter does not constitute advice. You should not act solely on the basis of the material contained in this newsletter and we hereby disclaim all liability should you do so. 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.