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**GERARD MCGRATH QUALITY ACCOUNTING**

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**Welcome to the 2009/2010 Tax Year.....**

Yes, it is that time again..... TAX TIME and the ATO have created an 'I' Return that is now more complex than ever before.

Firstly we would like to thank you for your loyal support and patience throughout the year.

We wish Clinton & his family all the best on his caravan adventure around Australia

We are delighted to welcome Bridgette Paunovic to the team at GMQA. Bridgette has only a couple of subjects to go to finish her degree and will provide valuable assistance to the team over the coming financial year.

Let us remind you as always, we have a first in first served policy. We number your work and do the job in the order it comes in. But we would like to stress that most returns are not due until 31<sup>st</sup> March 2011 or later. If this is not the case for you, our office staff will send you a letter stating your due date.

Gerard, Kylie and our staff look forward to catching up with you in 2010/2011.

**NEW POSTAL ADDRESS**

Please update your records with our postal address, if not already done so: -

**PO BOX 4198  
COFFS HARBOUR JETTY  
NSW 2450**



**W W W  
WEBSITE**

Some of you may have noticed, we are no longer sending out the usual checklists with our newsletter. These can now be accessed on our website [www.gmqa.com.au](http://www.gmqa.com.au)

A big thank you to Micky at Triple W Communications for looking after all our website needs.



### **SUPERANNUATION**

The government has announced a reduction to the 2009/2010 financial year and other superannuation initiatives. The reductions are as follows: -

**The Concessional contributions** cap for individuals aged under 50 will be reduced to \$25,000 (indexed) per annum.

**The transitional concessional contributions** cap (for individuals aged 50 or more for the 2009/10, 2010/11 and 2011/12 income years) will be reduced to \$50,000 (non-indexed) per annum.

**Non concessional contributions** has remained unchanged at \$150,000 per annum.

**The minimum pension drawdown's ABP Pension Payments 2010/11 year.** The Gillard Government has extended the 50% reduction in the minimum payment amount for account based, allocated and market linked pensions. The media release relating to the above advises that 'the necessary regulations will be made ASAP in the new financial year'

Recipient's age	Percentage Factor
Under 65	2 %
65 to 74	2.5%
75 to 79	3%
80 to 84	3.5%
85 to 89	4.5%
90 to 94	5.5%
95 and above	7.0%

**Reduction in the superannuation co contribution.** The Government will permanently retain the matching rate for the superannuation co contribution at a maximum rate of \$1 for \$1, to a maximum co contribution of \$1,000.



### **INCREASE IN THE NET MEDICAL EXPENSES TAX OFFSET CLAIM THRESHOLD**

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



### **PERSONAL INCOME TAX CUTS**

Once again our taxable threshold levels have changed in 2010/11. All businesses that employ staff should ensure that they get a new copy of the Tax Rates from their local newspaper or the ATO website or ensure they have the latest tax rates loaded onto their payroll systems (i.e. MYOB etc)

2010/11	TAX
\$0 - \$6,000	NIL
\$6,001 - \$37,000	15c + Medicare Levy
\$37,001 - \$80,000	30c + Medicare Levy
\$80,001 - \$180,000	37c + Medicare Levy
\$180,001 - +	45c + Medicare Levy



### **INCREASE TO LOW INCOME REBATE**

From 1<sup>st</sup> July 2009, the low income tax offset will increase from \$1,200 to \$1,350 per year. Those eligible for the full low income tax offset will effectively have a tax free threshold as outlined below:

	LITO	Tax-Free Threshold
2009 -2010	\$1,350	\$15,000

*A child under 18 years will be able to receive 'unearned' income of \$3,000 and still not have to pay tax*



### **MEDICARE LEVY LOW INCOME THRESHOLDS**

From the 2009/10 income year, the Medicare Levy low-income threshold will be as follows: -

- Individuals \$18,488 (previously \$17,794)
- Families \$31,196 (previously \$30,025)



### **AGE PENSION AGE**

The age pension age for both men and women will be gradually increased from age 65, commencing on 1<sup>st</sup> July 2017, and reaching age 67 on 1<sup>st</sup> July 2023. This is an increase of six months every two years.



## ATO'S INDIVIDUAL TAX 2010 HOT SPOTS

The ATO compliance activities for individual tax payers will cover a broad range of areas, with a particular focus on the following: -

- a) **Cash transactions (i.e., cash economy)** – in particular, the ATO has increased/expanded its range of benchmarks used to identify taxpayers in 'high risk' cash economy industries who may be underreporting their income.
- b) **Work Related Expense claims** – from 1 July 2012 individual tax payers will have the option of claiming \$500 standard deductions to replace their work related deductions & the cost of managing their tax affairs.
- c) **Superannuation Contributions** – the ATO will be focusing on making sure the new eligibility criteria for claiming personal contributions is satisfied and the new contributions caps are not exceeded. Under age 50 \$25,000 max per year. Over age 50 \$50,000 max per year.



## EDUCATION TAX REFUND

Families receiving FTB Part A with children undertaking primary or secondary studies will continue to be eligible to claim a refundable tax offset in respect of eligible education expenses incurred during the year (e.g.: laptops, education software, school text books and stationery).

For the 2010 income year eligible parents will be able to claim: -

- A 50% tax offset each year for up to \$780 of education expenses for each child attending **primary school**. (i.e: a maximum tax offset of \$390 per child per year)
- A 50% tax offset each year for up to \$1,588 of education expenses for each child attending **secondary school**. (i.e a maximum tax offset of \$779 per child per year)

This is a refundable education expense; therefore even if you have paid no tax, the refundable amount will be paid.

Please ensure you have all your receipts and one of our accountants will assist you in calculating the tax offset for you.

## OCCUPATIONS AND WORK RELATED EXPENSES CLAIM

The ATO has advised the average claim for work related expenses was \$1,920 in the last financial year. The most commonly claimed items were for cars, travel, uniform, laundry and self education. Based on analysis of work related expenses claim patterns for the previous year the ATO will be targeting truck drivers, sales reps and electricians in the 2010 income year.

## AUDIT COVERAGE

In recent years, the ATO has been progressively expanding its audit coverage of individual taxpayers.

This includes increasing the use of more sophisticated compliance techniques, such as data-matching techniques which involve reviewing information from third parties (e.g., details of property/share ownership/disposals, and details of luxury car/boat ownership).



## 50% DISCOUNT ON TAX ON INTEREST INCOME INTEREST

From 1 July 2011, individual tax payers will be provided with a 50% discount on up to \$1,000 of interest earned. This will result in a potential tax saving of \$150 if you are in the 30% bracket.

## PAID PARENTAL LEAVE

From 1 January 2011, the Government has introduced a Paid Parental Leave Scheme. This is a Government funded scheme that will provide eligible parents with up to 18 weeks of leave at the Federal Minimum Wage (currently \$543.78 per week).

## ATO DATA MATCHING

Each year the ATO runs an income matching program whereby information supplied by banks, other financial institutions, companies, Centrelink and employers are matched with taxpayer's returns to check that interest, dividends and other income including distributions from managed funds are correctly reported. It is therefore essential that you provide us with all such income.

## Car Rates for 2009/2010

These are the rates which you can claim for "work related" car expenses on a cents per klm basis. The maximum you can claim is 5000 km per car.

<u>Engine Capacity -cc</u>	<u>Rotary Engine</u>	<u>Rate/klm</u>
Up to 1600	Up to 800	63 c
1601 to 2600	801 to 1300	74 c
2601 +	1301+	75 c

## Business Hot Spots

### **ATO AUDIT HOT SPOTS FOR BUSINESSES**

Small business compliance risks are high on the ATO radar for the 2010 year. This includes the usual suspects; the cash economy and employer obligations.



**a) The cash economy and GST** - \$107.9 million will be provided to the ATO over 4 years, to address the cash economy, to ensure small businesses in this area are meeting their tax obligations.

The ATO is increasing its use of 'industry benchmarks'; and 'industry norms' to detect unreported income & GST. The ATO have released 92 benchmarks to date for industries, such as; construction, bricklaying, concreting, painting, taxis etc. The benchmarks can be accessed at ATO website.



### **b) IMPORTANT: NOTE TO ALL EMPLOYERS AND EMPLOYEES:**

- Reportable employer superannuation contributions (or RESC) are generally superannuation contributions made under a formal salary sacrifice agreement. Please note that the 9% Super Guarantee amount does not go on the employee's Payment Summary (Group Certificate)
- The ATO will also continue using data matching to identify employers failing to comply with their Super Guarantee (SG) obligations. SG is currently 9% of ordinary time earnings for all staff who earn \$450 or more per calendar month. For more information on the SG, please contact our office. Part time employees under 18 years of age are exempt.
- The ATO have identified selected industries which are high risk. Based on an analysis of work-related expense claim patterns for the previous year, the ATO will pay special attention to claims made by *truck drivers, sales representatives/sales and marketing managers and electricians.*

### **CAPITAL ALLOWANCES CONCESSIONS**

From 1 July 2012, an immediate write off for assets costing less than \$5,000 (currently \$1,000) will be available for small businesses.

### **ATO's COMMITMENT IN HELPING SMALL BUSINESSES WITH THEIR TAX OBLIGATIONS**

Businesses experiencing difficulty paying their tax debts are urged to contact the ATO as soon as possible for assistance with managing the debts before they spiral out of control.

Depending on the particular circumstances, ATO assistance for these businesses may include extra time to pay, remission of interest charges or lodgement and payment deferrals.

### **EMPLOYEE vs CONTRACTOR**



Employers who incorrectly treat employees as contractors risk penalties. It is important employers are aware of the personal services income legislation to ensure that workers deemed employees under the legislation are not treated as contractors. The ATO has wide ranging powers to recover monies that should have been withheld from deemed employees.

### **DIVISION 7 A**



The ATO is constantly scrutinising companies to ensure funds are not being withdrawn from companies that would give rise to Division 7A. This occurs when shareholders use company funds for personal expenses. When this occurs the ATO have the power to deem any excess funds to be unfranked dividends in the hands of the shareholder and tax accordingly.

### **SUPERANNUATION**



We would like to take this opportunity to remind employers that super contributions for employees are required to be paid by the 28<sup>th</sup> of each quarter, and that super contributions are to be received by the superfund by June 30 if they are to be claimed as a tax deduction in that financial year.

### **KEY DATES FOR LODGEMENT OF BAS & IAS**

BAS/IAS	Lodge by Client	Lodge by us
June Qtr 10	28/07/2010	25/08/2010
Sept Qtr 10	28/10/2010	25/11/2010
Dec Qtr 10	28/02/2011	28/02/2011
March Qtr 11	28/04/2011	25/05/2011
June Qtr 11	28/07/2011	25/08/2011

\* These BAS/IAS dates may be subject to change