

Newsletter

June 2011



Bruce & Neryl Graham
Accountants

We hope this Newsletter will be of some interest

Budget Announcements & Media Releases

There is always a lot of confusion after Budget Night. We need to remember that announcements on Budget Night are not law. We have listed some of the announcements below:

Proposed to commence immediately...

- Changes to the way Fringe Benefits Tax on Motor Vehicles is calculated.

Proposed to commence 1 July 2011...

- The Dependant Spouse Offset looks like being scrapped for those born on or after 1 July 1971, earn little or no income and have no dependant children.

Proposed to commence 1 July 2012...

- All taxpayers are to get the benefit of a standard deduction of \$500 in their tax returns, to cover work expenses and tax preparation costs...no evidence necessary.
- Contractors in the Building Industry will need to provide an annual report to the ATO showing how much was paid to each subcontractor during the year.
- An immediate deduction up to \$5000 will be allowed when you purchase a motor vehicle for business purposes. The balance will be claimed under normal depreciation rules.
- For small businesses an immediate deduction will be allowed for all tool and equipment items costing less than \$5000. This is currently set at \$1000.
- Payslips will be required to show superannuation actually paid.

Year 2011 Stuff

Education Expenses

Don't forget your child's Education Expenses. This is a great way to reduce your tax bill or increase your refund. Naturally, special rules apply. Computers, books, stationery and internet costs are OK. However, you cannot claim for school uniform, fees, excursions, private tutoring, sports equipment or musical instruments. A proposal in this year's Budget suggested that uniforms would be OK next year. Keep your receipts and just hope it becomes law.

Self Education Expenses

Self Education Expenses for University students have recently been in the media spotlight. A limited number of University expenses, for those receiving Youth Allowance, Austudy or ABSTUDY may be claimed in this year's tax return. The types of expenses are very limited but it is worth having a look at what you might be able to claim. These claims will not be acceptable from 1 July 2011 onwards if the Budget proposal becomes law.

Costs of Finding Work

As a result of the above Self Education case the ATO has been forced to allow deductions for the cost of looking for work...but only for those on Newstart or a Youth Allowance job seeker. Expenses like attending job interviews, training courses, phone calls and resume preparation are OK. You will need evidence. This deduction will not be available from 1 July 2011.

Paid Parental Leave

The much talked about Paid Parental Leave (PPL) became operational from 1 January 2011. If you wish to apply for this payment you need to talk to the Family Assistance Office (FAO). Yes, it is taxable and you lose the Baby Bonus, which is non-taxable. The employer only gets involved after the employee talks to the FAO.

Employee v Contractor

The ATO is on the lookout for subcontractors who really should be classified as employees. Most people know when a worker is a genuine subbie or whether they are really an employee. The ATO is getting serious and we can expect lots of audit activity in this area. If you engage subcontractors and think that they probably should be on wages then you need to talk to us before you hear from the ATO. There are many circumstances when you need to pay the 9% superannuation for your subbies and also cover them for Workers Comp. Be careful with this one.

Internet-based businesses

Internet-based businesses are also coming under ATO scrutiny. The ATO is reacting to the massive growth in on-line business trading and will be targeting those with high-volume transactions in what is regarded as an on-line auction site or marketplace. It is expected that most people who buy & sell on the internet would not be regarded as carrying on a business. There are a number of factors to consider, but if you have high-volume transactions you are near the top of the list.

Carrying bulky equipment to work

Many people claim motor vehicle costs in connection with carrying bulky tools and equipment to and from work. The ATO is targeting those people who simply 'choose' to take their tools home. The ATO knows that many employers provide safe and secure lock-up facilities to store tools. In these circumstances the ATO would treat your travel as a private expense. There will be audit activity in this area.

Flood/Fire issues –not as simple as it looks

Flood and fire damage often leads to insurance payouts being paid for the loss or damage to equipment or buildings. The taxation treatment of these payouts is not as simple as you might think. Did you repair the equipment or replace it? Did you repair the building? Did you carry out improvements at the same time as the repair work? Did you replace the entire building?

Grants and Disaster Relief Payments

Some of these payments are taxable and some are tax free. If you received any Grants or Disaster Relief Payments you need to check the paperwork that came with the payment.

Self Managed Super Funds

Self Managed Super Funds (SMSFs) can borrow money as long as they follow very specific rules. Unfortunately, SMSFs cannot borrow money to carry out improvements to property or other assets.

Payment Summaries

When preparing Payment Summaries for the 2011 tax year, remember to include Reportable Employer Superannuation Contributions (RESC).

- You DO NOT include the regular 9% superannuation.
- You DO NOT include 'after-tax' contributions made by your employees.
- You ONLY SHOW the amount paid BY THE EMPLOYER over and above the 9% amount.
 - Typically this includes Salary Sacrifice payments.

Workers' Comp Estimates & Annual Declarations

Don't forget that superannuation is to be included in your Workers' Comp Declarations. Yes, Workers Compensation is payable on superannuation contributions you make for your employees. This also includes your own superannuation if you are employed by your own company.

1 July 2011 onwards...

New Tax Tables

Employers need to make sure that they deduct the correct amount of PAYG Withholding Tax from employees from 1 July 2011. The new tax tables need to be used and computer software will need to be upgraded.

Flood Levy

From 1 July 2011 a Flood Levy of .5% is to be paid by people earning between \$50K & \$100K per annum. The percentage goes to 1% on income over \$100K. If you were eligible to receive a Disaster Recovery Payment, or were directly affected by a Natural Disaster in the year to June 2011, you may be exempt from the new Flood Levy. To be exempt you need to meet certain eligibility criteria. Not everyone in a Natural Disaster area is exempt.

Building & Construction Industry

Those in the Building & Construction Industry will need to start thinking about the recent Budget proposal that requires you to provide an annual report to the ATO showing how much you paid every subcontractor. This will be simple for some, but will require a change in procedures for others. Many in the industry already provide similar information in connection with your employees, when you prepare Payment Summaries. The format of the report is not yet known but it is safe to work on the idea that you need to start clearly identifying all payments made to your subbies from 1 July 2012 onwards. Start now and get in the habit.

Keep in contact

Clients who keep in touch with us are the one's who benefit most from our experience. If you choose to ring the Tax Office, be prepared to get a different answer every time you ring. If you want the correct answer we suggest that you ring us in the first place.

Getting your tax advice from your mates at the pub is never sensible, but we are constantly confronted with this scenario. The bar stool somehow makes your idiot mate sound more intelligent.

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