

RHODES DOCHERTY & CO

Chartered Accountants



Client Newsletter

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Changes with the new Financial Year

With the new financial year just around the corner, we look forward to another set of changes to the Taxation Laws. However, 'looking forward' may not be the best way to describe the 2009/10 changes this year. Most of the proposed reforms are yet to be considered and passed into law – let us observe the announced changes:

Personal Taxation

Individual Tax Rates

From 1 July 2009, tax rates for residents will change as per table below:

Tax Rates for Residents 2009/2010

Taxable Income	Tax on Taxable Income	% on Excess (Marginal Rate)
\$6,000	Nil	15%
\$35,000	\$4,350	30%
\$80,000	\$17,850	38%
\$180,000	\$55,850	45%

Employee Share Schemes

The Government has announced that the discounts on shares and options acquired under the Employee Share Scheme will no longer be eligible for deferral. Whether it be a qualifying or non-qualifying scheme, the new rules indicate that the discount will be assessed in the year of acquisition. Prior rules gave an option to defer tax to a later income year provided it was a qualifying share scheme.

Despite the changes, any awards less than \$1,000 will still be eligible for exemption.

This change has been effective to any shares or options acquired under the employee share scheme after 7.30pm AEST 12 May 2009.

Foreign Employment Income

Foreign salaries and wages earned by Australian residents were generally exempt under the old rules, meaning they were not assessable for Australian taxation purposes. This will be a thing of the past as of 1 July 2009.

Generally an individual, excluding any charitable workers, will pay tax overseas. They will now also be required to declare the income in their Australian tax return. However, any foreign tax paid will be able to be claimed as a tax credit in Australia, ensuring that they will not be double taxed.

IMPORTANT -

This newsletter is presented in summary form as a guide only for clients of Rhodes Docherty & Co. It should not be relied on as a substitute for detailed advice or solely as the basis for making business decisions.

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Private Health Insurance

IT WAS ALSO PROPOSED that there would be significant reforms to the current Private Health Insurance (PHI) system. The introduction of the new PHI system will take effect from 1 July 2010. The amount of rebates available will vary according to the age and income threshold of the taxpayer. In addition, the changes also look to increase Medicare Levy Surcharge on high-income earners. Mid-Low income earners will not be affected from the above changes.

The table below summarises the above:

Tier	Threshold (Singles)	Threshold (Families)	Rebate (%) (Under 65)	Rebate (%) (65-70)	Rebate (%) (Over 70)	Medicare Levy Surcharge
0	\$0 - \$75,000	\$0 - \$150,000	30%	35%	40%	1%
1	\$75,001 - \$90,000	\$150,000 - \$180,000	20%	25%	30%	1%
2	\$90,001 - \$120,000	\$180,000 - \$240,000	10%	15%	20%	1.25%
3	\$120,000 +	\$240,000 +	0%	0%	0%	1.50%

Commonwealth Seniors Health Card (CSHC)



Previously, the Government advised that they would look to include tax-free pension income to assess a taxpayer's gross income to determine their eligibility for CSHC. This will now not be going ahead.

However, effective from 1 July 2009, any salary sacrificed into superannuation will be included as part of the gross income when determining the CSHC eligibility.

Medicare Levy Threshold



For 2008/09 tax year, there will be no Medicare Levy payable by an individual for taxable incomes below \$17,794. The threshold has also increased to \$30,025 for couples.

Low Income Earners Offset



The Low Income Tax Offset has been increased to \$1,200 for 2008/09 and \$1,350 for 2009/10. Consequently, a taxpayer who is entitled to the maximum \$1,200 and \$1,350 can potentially earn up to \$14,000 and \$15,000 respectively without having to pay any tax.

First Home Owners Boost Scheme



First homebuyers have now until 31 Dec 2009 to access the First Home Owners Boost. For purchase of existing homes made by 30 September 2009, the \$7,000 will continue to apply and \$14,000 for newly constructed homes.

From 1 October 2009 to 31 December 2009, the Boost will be halved for both existing and new home purchasers.

For further information, please visit the Office of State Revenue website at <http://www.osr.nsw.gov.au>.

Business Taxation

Investment Allowance

In our previous newsletter, we mentioned that the Government had proposed to allow eligible businesses a one-time tax bonus (via an increased tax deduction) for assets that qualified for this scheme. Since then, this proposal has been given Royal Assent and is now law.

The Government has increased the Investment Allowance for small business entities (turnover of less than \$2 million a year) from 30% to 50%. Please note that the asset must be acquired between 13 December 2008 and 31 December 2009. The asset must be installed and be ready for use by 31 December 2010. Please see the below tables as a summary:

Small Businesses - turnover < \$2 mil		
	Purchase > \$1,000	
Installed & ready to be used by	Before 13 Dec 2008	13 Dec 2008 - 31 Dec 2009
30 June 2009	Nil	50%
30 June 2010	Nil	50%
31 Dec 2010	Nil	50%

Other Businesses - turnover > \$2 mil			
	Purchase > \$10,000		
Installed & ready to be used by	Before 13 Dec 2008	13 Dec 2008 - 30 Jun 2009	1 Jul 2009 - 31 Dec 2009
30 June 2009	Nil	30%	
30 June 2010	Nil	30%	10%
31 Dec 2010	Nil	10%	10%

Non Commercial Losses



The Government announced that should a taxpayer's adjusted taxable income exceed \$250,000 for a financial year, Non Commercial Losses will automatically be quarantined which could then only be applied against incomes from the business, unless the Commissioner exercises his discretion.

Company Assets & Div7A

The Government has proposed to extend the Div7A to cover situations where previously shareholders or their associates were enjoying using company assets without any tax consequences. This would usually happen in private companies where assets such as cars and boats would be purchased by the company but used freely by the shareholders or their associates.

Consequently, these situations will be caught under Div7A and treated as a deemed dividend to the shareholder.

The changes will apply from the 2009/10 income year.



Ann offers two quick reminders – firstly, when posting items to our office, please use our postal address (PO Box 86 St Ives NSW 2075) rather than our street address, to prevent items going astray in the post. Secondly, when paying bills using internet banking, please include the fee number and your name in the narration, so we can quickly and correctly identify your payment. Thank you!



Superannuation Matters

Concessional Contributions Cap

The main change within superannuation rules was the halving of superannuation concessional contributions caps:

- From \$50,000 to \$25,000 for individuals below 50 years of age; and
- From \$100,000 to \$50,000 for individuals between 50 and 74.

The reduced caps will take effect as of 1 July 2009.

From 1 July 2012, the concessional contribution caps for individuals aged over 50 will be reduced down to \$25,000.

Super Co-contributions

It has been announced that the Government will temporarily reduce the rate of matching the personal contributions made to the eligible superannuation funds. Currently, the maximum co-contribution is \$1,500. The proposed changes are as follows:

Year	Maximum Co-contribution
2010	\$1,000
2011	\$1,000
2012	\$1,000
2013	\$1,250
2014	\$1,250
2015	\$1,500

Minimum Pension Drawdown



Effective for 2009/10 year, the Government decided to reduce the minimum annual payment amounts for account based pensions by 50%, which means that retirees with SMSF will only need to drawdown half of the minimum amounts from their account-based pension.

As mentioned previously, most of the proposed changes are still under consideration and yet to receive Royal Assent. As and when these become law, we will look to give further advice and more information in our newsletters to come. Please stay tuned for updates on these in the near future.

Tax Planning

There is still time to do some last minute tax savings before 30 June 2009. So if you have not yet had time to carry out any tax planning for 2009, some issues to consider are:

- Deferring income until after 30 June 2009 is a great way to save paying tax on the income for at least one more year. You may wish to consult your clients to consider issuing invoices or rendering services after 30 June 2009.
- Consider deferring any disposal of assets especially if you are expecting capital gains tax.
- Consider staying within the \$2 million aggregated turnover if you are a small business entity. Access to SBE concessions may allow you benefits such as accelerated depreciation claims, increased investment allowances, etc.
- Maximise deductions – necessary business expenses should be 'incurred' before 30 June 2009. Consider prepaying expenses for the next 12 months – for example, subscription fees or interest on loans.
- Review debtors and identify any bad debts. Bad debts are also deductible expenses (if you have been doing tax on the accruals basis).
- Super Contributions – consider paying the June 2009 super guarantee before 30 June 2009. Whilst the super guarantee for June is not payable until 28 July 2009, payment before 30 June 2009 will be a deductible expense for 2009 year, rather than 2010.
- Review your depreciation schedules and trading stock – any obsolete depreciating items or trading stock can be written off and claimed as business deduction.
- Are you eligible for government co-contribution on personal super contributions? If your taxable income is less than \$60,342 you may want to make personal contribution to access the co-contribution.

The above ideas are just a few general tips for you to minimise and defer any 2009 tax liability. The list is not exhaustive, so if you need any final assistance with planning for 2009 tax, please feel free to contact us.

Final reminder for 2008 tax returns

We would like to also bring to your attention that you have until 30 June 2009 to lodge your 2008 taxation return to be potentially eligible for the \$900 stimulus bonus. So if you have not yet lodged your 2008 tax return, this may be your last chance to bring your tax affairs up to date.

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