



Geraghty Accountants

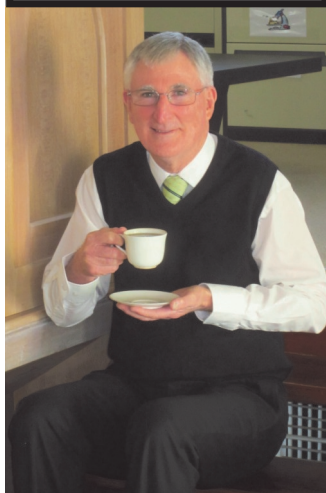
PO Box 584
Clayfield QLD 4011

223 Bonney Avenue
Clayfield QLD 4011

P: 07 3256 2544
F: 07 3256 1546
W: geraghtyaccountants.com.au

In this Issue

Peter's Perspective	1
Federal Budget Update - Individuals	2
Federal Budget Update - Business	3
Federal Budget Update - Super	4
Federal Budget Update - Snippets	5
FAQ's	6
Tables	7
End of Year Checklist	8



Peter's Perspective

'Winners and Losers' is the name of a current Australian TV programme. It could also have been the subtext of the recent Federal Budget.

Wayne Swan has brought down his fourth budget and has made numerous changes which will affect both personal and business taxation. Much of the content had been telegraphed but until the details were revealed, the real implications could not be appreciated. In this newsletter we have tried to distil the essence of how these changes could impact on your business and personal financial circumstances.

Brenden has largely compiled our Budget 2011 newsletter, and I thank him for all his hard work. So please have a read and if there is anything you may wish to discuss with either myself, Brenden, Donna or Karyn, please feel free to do so. I would also urge you to contact us to make sure that all your end of year tax planning is in place, because once 30 June arrives it is too late for that financial year.

One of the great joys of my life is being in the presence of my near two year old granddaughter Jennifer. The experience of seeing things through her eyes is not only joyful but enlightening. In business and in our environment, we observe things unthinkingly. Just watch with new eyes. It is amazing what we can learn about ourselves, about our relationships and our attitudes.

All of us at Geraghty Accountants would like to thank you for your wonderful referrals during the past twelve months. We appreciate and are humbled by your trust in us to deliver first class service in taxation, business and financial advice to you and referred family and friends. We have created a relaxed and informal work environment at Bonney Avenue, but we take our obligation to our clients very seriously. We endeavour to bring to you up to the minute business and taxation advice.

Please drop in and see us, you might get a cup of coffee and an Abbey cooked muffin.

Cheers, Peter.

Important: This is not advice. Clients should not act solely on the basis of material contained in this newsletter. Items herein are general comments only and do not constitute or convey advice per se. Changes in legislation may occur quickly and we therefore recommend that our formal advice be sought before acting in any area. This newsletter is issued as a helpful guide to clients and for their private information. Therefore, it should be regarded as confidential and not be made available to any person without prior approval.



2010/2011 Federal Budget

On 10 May 2011, the Federal Government handed down its Budget for 2011/12. For the first time in eight years, there were no announced changes to the existing personal marginal tax rates or thresholds. There were however, many other changes which are outlined over the next four pages.

- No changes have been announced to personal income tax rates, thresholds or tax offset amounts for future income years. Until further advised, personal income tax rates and thresholds will remain at the levels in the following table, and the low income tax offset will remain at a maximum of \$1,500.

Current Thresholds	
2010/2011 and future years	
Tax Rate	Income Range (\$)
0%	0 - \$6,000
15%	\$6,001 - \$37,000
30%	\$37,001 - \$80,000
37%	\$80,001 - \$180,000
45%	\$180,001 +

Tax-free income threshold		
Taxpayer Category	2010/2011	2011/2012
Ordinary taxpayer	\$16,000	\$16,000
Taxpayers eligible for Senior Australians Tax Offset		
- singles	\$30,685	\$30,685
- per member of couple	\$26,680	\$26,680

- From 1 July 2011, those under the age of 18 will no longer be eligible to access the Low Income Tax Offset (LITO), to reduce tax payable on their unearned income (ie. income from non employment sources). This change does not affect income earned from inheritances or distributed from testamentary trusts. The most significant impact will be in relation to distributions to minors from family trusts. For the 2010/2011 a minor can receive a distribution of \$3,333 from a family trust and pay no tax on that distribution. If the same amount was distributed to a minor in income years commencing 1 July 2011 or later, that distribution would result in a tax liability of \$1,500.
- From 1 July 2011, the Education Tax Offset will be extended to also cover expenditure on school uniforms. This is in addition to items already covered including computers, stationery and textbooks.
- The Government has announced that the dependent spouse rebate will be removed for taxpayers who have a dependant spouse born on or after 1 July 1971 (ie. aged 40 or less on the commencement date). The intent is that the removal of this offset benefit will result in the spouse actively looking to rejoin the workforce. The offset will remain available where the taxpayer:
 - Has a spouse born before 1 July 1971
 - Has a spouse who is an invalid or permanently disabled
 - Is supporting a carer, or
 - Is eligible for the zone, overseas forces and overseas civilian tax offsets.
- The temporary Flood and Cyclone Reconstruction Levy will apply to taxable income included in both resident and non-resident individuals' tax returns for the 2011/12 financial year only. Taxpayers who are in receipt of an Australian Government Disaster Recovery Payment from Centrelink for a declared natural disaster that occurred during 2010/11 will be exempt from paying the Flood Levy. The table below outlines the income thresholds and rate of levy applicable.

Individual's taxable income	Flood Levy
Up to \$50,000	Nil
\$50,001 to \$100,000	0.5% of taxable income exceeding \$50,000
Over \$100,000	1% of taxable income exceeding \$100,000 plus \$250 (being 0.5% of taxable income between \$50,000 and \$100,000)

- Due to the Flood and Cyclone Reconstruction Levy and other minor changes, The PAYG Withholding tax tables will again change and employers will need to ensure that they are withholding tax from their employees' wages at the new rates.

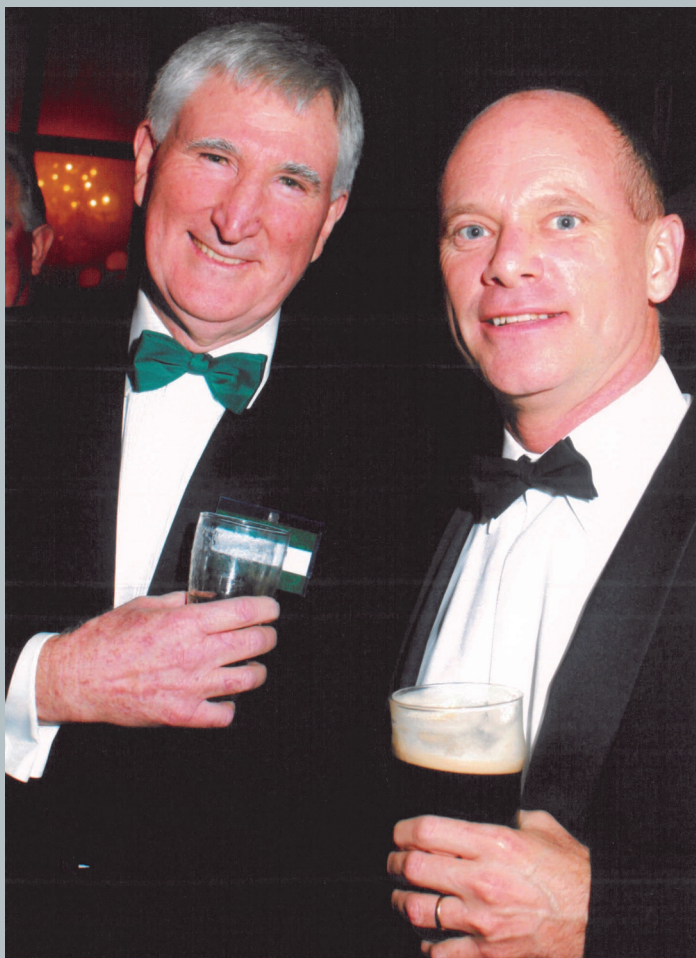


2010/2011 Federal Budget - Continued

Business

- The Government has announced they will reform the statutory formula method for determining the taxable value of car fringe benefits. Instead of determining the fringe benefit value based on the number of kilometres travelled, the Government has proposed to replace this with a single rate of 20% regardless of the distance travelled. This measure will be phased in over four years and will impact clients who enter into new salary sacrifice car arrangements as well as those who have an employer provided vehicle post 7:30pm (AEST) 10 May 2011. This measure will have a greater impact for those clients who travel more kilometres and will also cause clients who turn their leases over frequently to reassess the costs associated with the lease. The table below outlines the phased in rates.

Kilometres travelled through the FBT year (1 April-31 March)	Statutory rate (multiplied by the cost of the car to determine the car fringe benefit)				
	Existing Contracts	New contracts entered into after 7:30 pm (AEST) on 10 May 2011			
		From 10/5/11	From 1/4/2012	From 1/4/2013	From 1/4/2014
0 - 14,999	26%	20%	20%	20%	20%
15,000 - 24,999	20%	20%	20%	20%	20%
25,000 - 40,000	11%	14%	17%	20%	20%
40,001 & Over	7%	10%	13%	17%	20%



Peter and the then Lord Mayor Campbell Newman talking 'Roads, Rates & Rubbish'

- Small businesses that purchase a vehicle, on or after 1 July 2012, will be able to immediately write off deduction, up to \$5,000 of the purchase price, in the first year. The measure complements the previous reforms for small business, also set for introduction from 1 July 2012, including:
 - an immediate write off on all depreciating assets acquired for less than \$5,000;
 - depreciation on all other assets costing more than \$5,000 (except buildings) in a single general business depreciation pool at a rate of 30%.
 - a reduction in the company tax rate to 29% for small business companies.

As an example, a tradesman on a marginal tax rate of 30% purchasing a new ute for \$33,960, would receive an additional tax benefit of \$1,275 in the year of purchase. The remainder of the purchase price can then be depreciated within the general small business depreciation pool, at 15% in the first year and 30% in later years.

The write off will be available to all small businesses, regardless of the operating entity, and replaces the Entrepreneurs Tax Offset.



2010/2011 Federal Budget - Continued

Superannuation

- The Government initially provided a 50% pension draw down relief in the 2008/09 financial year to assist account based pension holders to recoup capital losses experienced as a result of the global financial crisis. This measure was extended for the 2009/10 and 2010/11 financial years. The Government proposes to phase out this drawdown relief by reducing the minimum pension payment by 25% for the 2011/12 financial year. For example a 64 year old would be required to draw 3% of the account balance as a minimum pension payment instead of the standard minimum of 4%. For the 2012/13 financial year onwards, the standard minimums will operate.

Age of member at beginning of year	Minimum Pension Percentage		
	2009/2010 & 2010/2011	2011/2012	2012/2013
Under 65	2.0%	3.0%	4.0%
65 to 74	2.5%	3.75%	5.0%
75 to 79	3.0%	4.5%	6.0%
80 to 84	3.5%	5.25%	7.0%
85 to 89	4.5%	6.75%	9.0%
90 to 94	5.5%	8.25%	11.0%
Over 95	7.0%	10.5%	14.0%

- The Government has announced that from the 2011/12 financial year and onwards, if a person breaches the concessional contribution cap by less than \$10,000 (not indexed) they will have the option to have the excess contributions taken out of their superannuation account and assessed against their marginal tax rate, rather than incurring the additional 31.5% excess concessional contributions tax. This measure will only apply once and to breaches in the 2011/12 financial years and onwards. This measure will ensure that the most a person will pay on an excessive concessional contribution (within the \$10,000 limit) will be at their marginal rate of tax as opposed to the top marginal rate of tax. Those who exceed the cap by more than this amount will be subject to the existing provisions.

- In last year's Budget the Government announced that the thresholds applying for co-contribution eligibility will be frozen for 2010/11 and 2011/12. As a result, the maximum co-contribution is only available for those with income levels of up to \$31,920, and no co-contribution will be available once the individual's qualifying level of income reaches \$61,920. In this year's Budget, the Government has announced that the threshold limits will be frozen for an additional 12 months, now covering 2012/13.



"I just wish we had a retirement plan that didn't require matching six numbers."



2010/2011 Federal Budget - Continued

Other Budget Snippets

- The Government will amend the tax laws to prevent deductions being claimed against all Government assistance payments, with effect from 1 July 2011. This announcement was made in response to the recent High Court decision in which recipients of the Youth Allowance were found to be entitled to claim a deduction for their university costs.
- The Government will reduce the following discounts applying to payments made under the Higher Education Contribution Scheme (HECS) from 1 July 2012:
 - the discount available to students electing to pay their student contribution up-front will be reduced from 20% to 10%; and
 - the bonus on voluntary payments to the Tax Office of \$500 or more will be reduced from 10% to 5%.

Under HECS, students electing to pay their student contribution up-front will continue to receive a 10% discount on the payment. Students choosing not to pay up-front can take out a concessional loan to pay their student contribution under the Higher Education Loan Program (HELP).

Under HELP, students accrue an outstanding debt which is repaid gradually when their assessable income exceeds a minimum repayment threshold. Students can also elect to make additional voluntary payments through the Tax Office to further reduce their outstanding HELP debt. Payments of \$500 or more will now attract a 5% bonus so that a payment of \$500 would reduce an individual's outstanding HELP debt by \$525.

- From 1 July 2012, Employers will be required to report on their employees' payslips the amount of superannuation actually paid into the employees' superannuation funds. This change is intended to allow employees to easily check that their employer is making all the necessary contributions on their behalf.
- The Government will strengthen the tax law to counter fraudulent 'phoenix' activity (which involves a company intentionally accumulating debts to improve cash flow or wealth and then liquidating to avoid paying the debt. The business is then continued as another corporate entity, controlled by the same person or group and free of their previous debts and liabilities). Under the proposed measures:
 - the director penalty regime will be extended to superannuation guarantee amounts,
 - directors will be personally liable for their company's failure to pay employee superannuation;
 - the Tax Office will be given the power to commence recovery against directors under the director penalty regime, without providing a 21 day grace period, for certain unpaid company liabilities that remain unreported after three months of becoming due; and
 - in certain circumstances directors and associates of directors will be prevented from obtaining credits for withheld amounts in their individual tax returns where the company has failed to pay withheld amounts to the ATO.
- From 1 July 2012, some businesses in the building and construction industry will be required to report annually on payments made to contractors. The reporting regime will require businesses to report information that they should already collect under existing tax arrangements. This measure will allow the Tax Office to undertake data matching, reviews of contractors' tax liabilities and targeted audits. The Government will also consult publicly on options to introduce a similar reporting regime for payments to contractors in the commercial cleaning industry.
- The Government is to defer the implementation of Paid Paternity Leave by 6 months, from 1 July 2012 until 1 January 2013. The measure will provide eligible working fathers, and other partners who are providing full-time care or sharing the child's care, with two weeks paternity leave paid at a rate equivalent to the national minimum wage for children born on or after 1 January 2013.



Frequently Asked Questions (FAQ's)

What are the requirements for a valid Tax Invoice?

We are often asked by clients what information needs to be shown on an invoice for it to be deemed a valid Tax Invoice. A valid Tax Invoice should contain enough information to enable the following to be clearly identified:

- the supplier's identity and ABN
- a brief description of what is sold, including the quantity (if applicable) and the price of what is sold
- the extent to which each sale is a taxable sale - this can be shown separately or, if the GST to be paid is exactly one-eleventh of the total price, as a statement such as 'total price includes GST'
- the date the document is issued
- the amount of GST (if any) payable for each sale
- that the document was intended to be a tax invoice.

Under the GST legislation, a GST registered business should not be claiming GST input tax credits on purchases made, if they do not hold a valid tax invoice. There are a few exceptions to this rule:

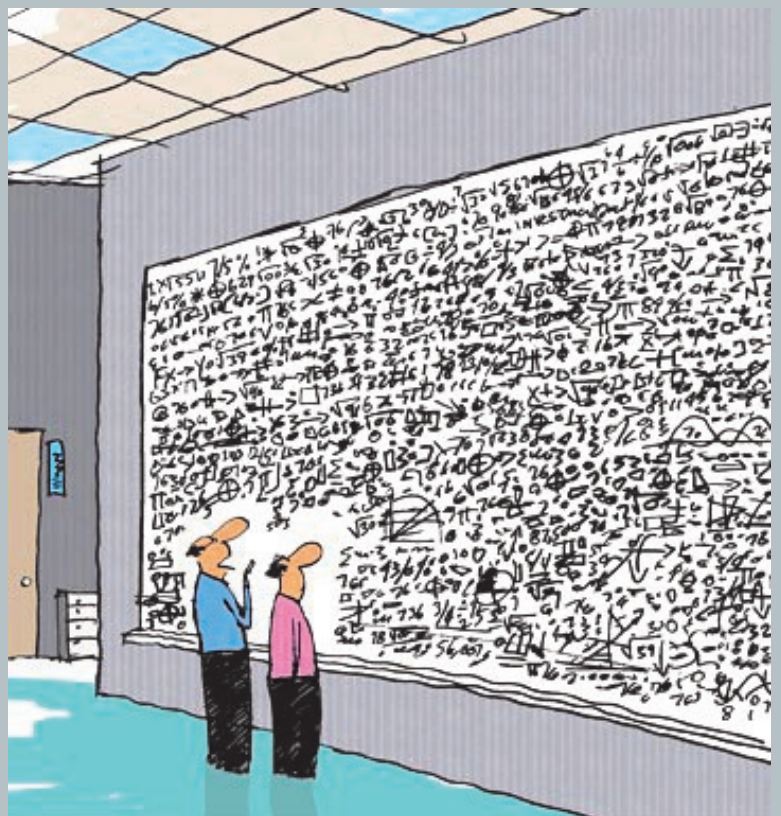
- There is no need to have a valid tax invoice if the total purchase price, including GST, was less than \$82.50.
- If a document issued by a supplier does not contain all of the required information, you may treat that document as a valid tax invoice if the missing information can be clearly identified from other documents provided by the supplier.
- Some specific instances where the purchaser of the supply actually creates the invoice. This is called a Recipient Created Tax Invoice (RCTI).

Any business that is registered for GST should check their current Tax Invoice template to make sure that it complies with these requirements.

Where can I park my car when visiting your office?

When you are coming to visit us at The Abbey, please feel free to park in the garage behind the building.

The garage door is usually open all day, so you can pull in behind Peter's car.



"And that, in simple terms, is how to run a small business"



Tables

Eligibility for the Superannuation Co-Contribution Scheme - 2010/2011

	If your personal super contribution is:			
	\$1,000	\$750	\$500	\$250
And your income is:	Your Super Co-Contribution will be:			
\$31,920 or less	\$1,000	\$750	\$500	\$250
\$33,920	\$933	\$800	\$500	\$200
\$35,920	\$867	\$800	\$500	\$200
\$37,920	\$800	\$800	\$500	\$200
\$39,920	\$733	\$733	\$500	\$200
\$41,920	\$667	\$667	\$500	\$200
\$43,920	\$600	\$600	\$500	\$200
\$45,920	\$533	\$533	\$500	\$200
\$47,920	\$467	\$467	\$467	\$200
\$49,920	\$400	\$400	\$400	\$200
\$51,920	\$333	\$333	\$333	\$200
\$53,920	\$267	\$267	\$267	\$200
\$55,920	\$200	\$200	\$200	\$200
\$57,920	\$133	\$133	\$133	\$133
\$59,920	\$67	\$67	\$67	\$67
\$61,920	\$0	\$0	\$0	\$0

Cents per Kilometre Rates for Motor Vehicles

Cents per Kilometre Method (Claim is limited to a maximum of 5,000 kilometres)				
Engine Capacity (cc)		Rate (cents/km)		
Conventional	Rotary	2008 / 2009	2009 / 2010	2010 / 2011
Up to 1600	Up to 800	58.0	63.0	63.0
1601 - 2600	801 - 1300	69.0	74.0	74.0
Over 2600	Over 1300	70.0	75.0	75.0

Amounts Individuals can Contribute to Superannuation

Year	Concessional Contribution Cap			Non-Concessional Contribution Cap*
	Under 50 Years*	50+ (Accumulated Balance less than \$500,000)	50+ (Accumulated Balance more than \$500,000)	
2010/2011	\$25,000	\$50,000	\$50,000	\$150,000
2011/2012	\$25,000	\$50,000	\$50,000	\$150,000
2012/2013	\$25,000	\$50,000	\$25,000	\$150,000
2013/2014	\$25,000	\$50,000	\$25,000	\$150,000

* Subject to indexation



End of Year Checklist

Small Business Taxpayers (Turnover less than \$2 million)

- Defer invoicing until after 30 June, where possible;
- Incur business expenses before 30 June. These expenses do not need to have been paid before 30 June, only incurred (eg. repairs);
- Purchase additional office consumables (eg. stationery) before 30 June. However to avoid apportionment rules do not purchase more goods than can be used in three months;
- Consider purchasing depreciating assets and software which cost less than \$1,100 (incl GST) each, as an outright tax deduction is available for these items;
- Consider purchasing depreciating assets costing more than \$1,100 (inc GST) as Small Business taxpayers are entitled to six months depreciation in the year the asset is purchased irrespective of the date of purchase;
- Prepay expenses for up to 12 months in advance. But note, the period covered by the prepayment must end during the next financial year. Examples of items to prepay include rent, lease payments, interest, travel, training courses, subscriptions and insurance;
- Ensure that all superannuation contributions have been received by the relevant fund before 30 June.

Other Business Taxpayers

- Defer invoicing until after 30 June, where possible;
- Incur business expenses before 30 June. These expenses do not need to have been paid before 30 June, only incurred (eg. repairs);
- Purchase additional office consumables (eg. stationery) before 30 June. However to avoid apportionment rules do not purchase more goods than can be used in three months;
- Where *low value pooling* is used for depreciating assets, consider purchasing depreciating assets costing less than \$1,100 (inc GST) before 30 June as 6 months depreciation is available in the year the asset is purchased irrespective of the date of purchase;
- Avoid prepayment of expenses which exceed \$1,100 (inc GST). Prepayment of these expenses are not deductible in the year incurred and must be apportioned over the time period to which they relate;
- Ensure that all super contributions have been received by the relevant fund before 30 June.



"You can't count your litter box as a deduction just because you do your business there."

Services We Provide:

- Accounting ▪Auditing ▪Taxation ▪Preparation of Budgets and Cash Flow Projections
- Financial Planning ▪Self Managed Superannuation Funds ▪General Business Advice

Visit us online at www.geraghtyaccountants.com.au
for copies of this and previous newsletters