Client Information Bulletin

lead partners
Chartered Accountants

December 2007

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Chartered Accountants

Key super changes

Below is an outline of how key super changes will affect different sectors within the community.

Employees

As of 1 July 2007 self-employed people may be able to claim a full tax deduction for their Personal super contributions.

Individuals currently working

As of 1 July 2007 making before-tax contributions of up to $50,000 a year (indexed) into super accounts is allowed.

If 50 years or over, the before-tax contributions limit is $100,000 a year between 2007-2008 and 2011-12.

People over 55 years of age

For people over 55 years of age, there is now an opportunity to increase disposable income using Transitional Pensions and Salary Sacrifice into super funds.

People over 60 years of age

For people over 60 ALL pensions will be tax free when they are received.

Once a superannuation fund is in its pension phase all income and capital growth is tax free inside the fund as well.

It is not too late to convert retirement savings and investments Into super.

Checklist of superannuation obligations for employers

If you are an employer you may be aware that as part of the Government's *Tax Laws Amendments Act 2007* (Cwlth) there are some changes which affect your obligations as an employer.

Below is a summary of your key obligations in order to comply with the legislation.

Ensure salary sacrifice arrangements comply with requirements

Do you have employees who are salary sacrificing wages and salary for their superannuation contributions? Ensure you have an employment agreement in place before the salary is sacrificed to comply with the Fringe Benefits Tax exempt status.

Offer choice of superannuation fund to employees

Since 1 July 2005 most employees have been able to choose where you pay their superannuation contributions. There were a few exceptions where employees were covered under state awards however since 1 July 2006 these employees have also been able to choose.

Employers must give all employees a 'Standard Choice Form' which employees can complete if they wish to choose a different fund from the employers default fund. Employers should nominate a default fund where they will pay employee contributions if the employee has not notified them of their choice of fund.

A useful website is:
www.superchoice.gov.au

ATO audit targets

The Tax Office have announced that they are stepping up audit activity and the main areas to be targeted are listed below:-

1. Income matching audits

Every year the Tax Office conducts computerised cross matching of taxpayers tax returns to ensure income earned has been included in tax returns.

The income information is cross matched with banks, Centrelink, company share registers, state titles offices and employers PAYG payment summaries (group certificates).

2. Rental property owners

The Tax Office are looking at rental property owners' tax returns this tax year with a particular emphasis on claims for repairs, interest, borrowing expenses, depreciation and capital allowances. The common errors they have found include:

- Claiming initial improvements to the property as repairs.
- Claiming expenses where a property is not available for rent.
- Deductions not being apportioned when non-commercial rents are being charged to relatives or friends.
- Estimating the construction costs of buildings rather than relying on cost estimates provided by quantity surveyors.
- Interest being claimed on loans that are partly or wholly for private use.

3. Not declaring capital gains on disposal of shares or property

The Tax Office continues to compare lodged tax returns with share trading and rental property sales data. The ATO obtains this information from share registries and state titles offices.

Furthermore the Tax Office will be paying particular focus to the following occupations for work-related expenses:

- Tourism, travel consultants and tour guides
- Fitness and sporting industry employees
- Construction tradespeople who are employees
- Guards and security employees, and
- Mining site employees.

According to Tax Commissioner Mr D'Ascenzo "In particular, we'll be looking for capital gains from assets sold to contribute to superannuation before the new super changes came into affect on 1 July."

Providing original documentation for the preparation of your tax return can ensure accuracy.

Low income rebate

From 1 July 2007 the low income tax offset increased to $750 per year and the 30 per cent threshold rose from $25,000 to $30,000.

GST

From 1 July 2007, businesses with a turnover below $75,000 need not register for GST. For non-profit entities, the registration threshold increased to $150,000.

Also from 1 July 2007 the threshold for the requirement of holding a valid tax invoice was raised to $82.50

Small Business Tax Concessions

From 1 July 2007, business with less than $2 million aggregated turnover may eligible for a number of CGT & tax concessions including:

- simplified trading stock rules
- simpler depreciation rules
- immediate deductions for certain prepaid business expenses
- entrepreneurs' tax offset
- CGT 15 year asset exemption
- CGT 50% active asset reduction
- CGT retirement exemption
- CGT roll-over provisions
- Choice to account for goods and services tax (GST) on a cash basis
- Choice to pay GST by instalments
- Annual apportionment of GST credits
- Pay as you go instalments (PAYG I) based on GDP-adjusted notional tax
- FBT car parking exemption (applies from 1 April 2007), and
- Two-year period for amending assessments (exceptions may apply).

Division 7A One-off opportunity.

The Commissioner is offering a one-off opportunity to business owners who have breached Division 7A (resulting in a deemed dividend) as a result of an honest mistake or an inadvertent omission relating to loans or payments from their private companies.

Taxpayers can take certain corrective action on or before 30 June 2008, which includes having complying loan agreements in place and making a payment.