

JUNE 2009 NEWSLETTER

Welcome to our June 2009 newsletter. The newsletter is aimed at familiarising you with the significant changes to the tax system as well as providing you with some last minute tax planning tips.

We encourage feedback about our newsletter and also advise that you contact one of the team members at Worrell & Co before acting on any of the information detailed below.

Thank-you for your ongoing support and we look forward to assisting you in the future.

In this issue:

- Significant Budget updates – 2009/2010 budget
- 2009 Year End Tax Planning
- What's new

SIGNIFICANT BUDGET UPDATES – NOT YET PASSED

Private Health Insurance Rebate

The government have PROPOSED to means test the private health insurance rebate and increase the Medicare levy surcharge for those who do not have private health insurance. The proposals would affect individuals earning \$75,000 or more or families earning \$150,000 or more combined.

TIP: If you are under 31 years of age you may consider taking out private health insurance prior to your 31st birthday as there is an additional lifetime loading on the premiums past this age.

Employee Share Schemes

The government has PROPOSED that any employee shares received will be subject to tax in the year of receipt – there will no longer be an option to defer the tax to the time of sale.

The existing tax exemption for the first \$1,000 in value received will be limited to employees with adjusted taxable income of less than \$60,000. Therefore if your income is \$60,000 or more you will be taxed in the year of receipt on the full market value of the shares (less any payments you made for them).

TIP: If you receive employee shares you should seek advice as to the tax effects as you may need to put some money aside for any potential tax bill.

Foreign Employment Income

The government has PROPOSED that from 1 July 2009 any foreign employment income earned by an Australian resident (for tax purposes) that has previously been exempt will no longer be exempt from tax in Australia unless you meet one of these conditions:

- an aid worker
- a charitable worker
- an employee under certain government employment or on national projects

This income will now be taxed in Australia and you will receive a credit for any tax that you have paid in the foreign country. If you are receiving foreign employment income from a tax free country then you will not have any tax credits to offset against the tax payable in Australia. The tax will be paid at the normal individual marginal rates.

TIP: If you are an Australian resident for tax purposes and currently working overseas you should seek advice as to the implications these changes will have for you as there could be a significant taxation and cashflow impact.

First Home Owners Boost

It is PROPOSED to extend the additional first home owners grants to apply as follows:

- Contracts entered between 1 July 2009 and 30 September 2009 (inclusive)
 - \$14,000 for existing homes
 - \$21,000 for new homes
- Contracts entered between 1 October 2009 and 31 December 2009 (inclusive)
 - \$10,500 for existing homes
 - \$14,000 for new homes
- Contracts entered from 1 January 2010 onwards
 - \$7,000 for all homes

Family Tax Benefits and Baby Bonus

The government have PROPOSED to cancel the indexation of the higher Family Tax Benefit and Baby bonus thresholds so that the following upper thresholds will be applicable until 1 July 2012:

- FTB Part B – The primary earner needs to earn less than \$150,000
- FTB Part A – Your Combined income must be less than \$94,316 + \$3,796 for each child after the first
- Baby Bonus – Your combined income in the six months following the birth must be less than \$75,000

Paid Parental Leave

The government has PROPOSED to introduce paid parental leave from January 2011. Eligible individuals will receive the Federal Minimum Wage (currently \$543.78 per week) for up to 18 weeks. You need to meet the conditions below to be eligible:

- Be the primary carer;
- Earned less than \$150,000 in the full financial year prior to the birth or adoption of the child;
- Have worked at least 330 hours over the 10 months before the birth or adoption of the child; and
- Have worked continuously with one or more employers for at least 10 if the 13 months before the expected date of birth or adoption

Superannuation Contributions

The government has PROPOSED to reduce the contribution caps as follows:

- Individuals under 50 yrs of age - \$25,000 per annum (previously \$50,000)
- Individuals 50 – 74 yrs as at 30th June in that year - \$50,000 per annum (previously \$100,000)

If you are 65 – 74 years old there are further test that need to be met to be eligible to make a contribution – please check with us first.

These contribution caps include all employer contributions, salary sacrifice contributions and personal contributions for which you are claiming a tax deduction.

You will still be eligible to contribute \$150,000 of voluntary contributions to the fund for which no tax deduction is being claimed.

TIP: if you want to take advantage of the higher contribution caps in 2009, you will need to make sure any contributions paid are cleared in the funds bank account prior to 30th June 2009 so that you are eligible for the tax deduction. There are certain eligibility criteria to be met to obtain the deduction – if you unsure please contact us prior to making the contribution.

Superannuation Co-Contribution – Temporary adjustment

From 1 July 2009 the co-contribution will be reduced to a maximum of \$1,000 whereby the government will match you dollar for dollar (currently \$1,500 whereby the government matches you \$1.50 for every dollar contributed). Eligibility is also subject to income thresholds, please check with us first if you are unsure.

The government proposes to increase it again in the 2013 financial year on a sliding scale so that by 2015 it is back to \$1,500.

TIP: To take advantage of the higher co-contribution you will need to make a voluntary personal contribution by 30th June 2009 – the money must also be cleared in the funds bank account by 30th June 2009. There are certain eligibility criteria to be met to claim the co-contribution – if you unsure please contact us prior to making the contribution.

2009 TAX PLANNING

Accelerate deductions

Individual - Employees

Expenses that an individual taxpayer can consider bringing forward would include donations, subscriptions, memberships, seminars & conference registrations, work related internet costs, work related travel expenses and work related mobile phone. All of these expenses need to be < \$1,000 to be deductible in 2009. You may also consider bring forward the purchase of small work related capital items (< \$300) such as PDA's, tools of trade and work related computer equipment.

Individuals who have borrowed for investment purposes such as share portfolio's or investment properties, can prepay the interest on their loans for the next 12 months and claim the deduction in 2009. However the finance agreement with your financier needs to specifically stipulate that this can be done in order to claim a tax deduction – we strongly suggest that you contact your financier before doing this.

Investment property owners

There is also expenditure that you can consider bringing forward as an investment property owner, once again these expenses would need to be < \$1,000. Such expenses would include advertising, body corporate fees, gardening, repairs & maintenance, council rates, water rates and insurance.

You may also consider bring forward capital expenditure on a rental property – expenses < \$300 for individually owned properties and < \$600 for jointly owned properties will be immediately deductible.

You should also consider cashflow implications of the above decisions and ensure that your current position can support your actions.

Consider tax-effective superannuation contributions

As discussed above the contribution caps are \$100,000 for those individuals aged 50 to 74 on 30th June 2009 and \$50,000 for those aged under 50 per annum. Those individuals aged 75 or more are not eligible to make super contributions while those aged 65 – 74 are also required to meet additional tests, please check with us first.

If you are making the contribution as an individual to offset investment income then once again you will only be eligible for a deduction if your salary and wage income does not exceed 10% of your total income.

You may also consider salary sacrificing any end of financial year bonuses that you may get into super as well to reduce your personal taxable income.

The contributions need to be cleared in the superfund bank account by 30th June 2009 so you should look at paying the contribution via BPAY or EFT where possible. If you are unsure if you are eligible for a deduction please contact us. You should also consider your current cashflow position and estimated taxable position in 2009 before making a contribution.

Defer Staff Bonuses or Commissions

If you will receive an end of financial year bonus or commission payment then you can defer the tax on this amount to the 2010 financial year. You will need to ask your employer to pass a resolution committing to paying the bonus/commission by 30th June 2009 and then physically paying it from July 2009 onwards. This will enable your employer to get a tax deduction in the 2009 financial year while the amount will not be assessable to you until 2010.

Capital Gains Tax

If you are contemplating selling any assets such as shares or property before 30th June 2009 you should consider delaying the sale until July 2009. In respect of property and other assets involving contracts the date the contract is signed is the date that the capital gains tax event will take place. Therefore if you sign the contract in June 2009 you will pay capital gains tax in the 2009 financial year. However if you sign in July 2009 you will pay tax in the 2010 financial year also providing you with additional time to make use of the sale proceeds as the tax will not be payable for an additional 12 months.

Keep in mind that if you wish to obtain the 50% tax free amount on the sale of an asset subject to capital gains tax you need to have held the asset for at least 12 months.

WHAT'S NEW

Tax Cuts

The tax rates applicable from 1st July 2009 are as follows:

2009 Tax Rates	Tax Rate %	2010 Tax Rates	Tax Rate %
\$0 - \$6,000	0	\$0 - \$6,000	0
\$6,001 - \$34,000	15	\$6,001 - \$35,000	15
\$34,001 - \$80,000	30	\$35,001 - \$80,000	30
\$80,001 - \$180,000	40	\$80,001 - \$180,000	38
\$180,001+	45	\$180,001 +	45

Low Income Offset

The Low Income Tax Offset applicable from 1st July 2009 and the relevant tax free thresholds will be as follows:

Year	LITO	EFFECTIVE TAX FREE THRESHOLD (ADULT)	EFFECTIVE TAX FREE THRESHOLD (CHILD < 18)
2008/09	\$1,200	\$14,000	\$2,667
2009/10	\$1,350	\$15,000	\$3,000
2010/11	\$1,500	\$16,000	\$3,333

Family Tax Benefits

Family Tax Benefits are no longer claimed through the income tax return from the 2009 financial year onwards. If you have not been claiming benefits during the year you will need to lodge a lump sum claim form with the Family Assistance Office. If you require in assistance in preparing this form please contact us.

Education Tax Refund

Who is eligible?

From 1st July 2008 parents **that are entitled to Family Tax Benefit (FTB) Part A** for children in primary or secondary school for the relevant financial year are eligible for the Education Tax Refund.

Parents are also eligible if they have children in primary or secondary school who would be eligible children for FTB Part A purposes, but for the fact that the child receives certain payments or allowances, for example:

- Youth Allowance;
- Disability Support Pension; and
- ABSTUDY Living Allowance.

How much can you claim?

By keeping their receipts, eligible families will be able to claim a 50 per cent refund every year for key education expenses up to:

- 50% of eligible expenses for each child undertaking primary studies (maximum refund provided of \$375 per child, per year); and
- 50% of eligible expenses for each child undertaking secondary studies (maximum refund of \$750 per child, per year).

What items are covered?

Eligible expenses for the Education Tax Refund include:

- laptops;
- home computers and associated costs;
- printers, USB Drives and disability aids;
- home internet connections;
- education software;
- trade tools for use at school;
- school text books; and
- stationery.

Note school fees and uniforms are not eligible for the tax offset.

How do you claim the Education Tax Refund?

If eligible, parents will be able to claim 50 per cent of the qualifying expenses through their tax return at the end of the financial year. For those who are not required to complete an income tax return, a separate form will be available from the Australian Taxation Office.

First Home Saver Account

If you have a First Home Saver's account and do not need to lodge a tax return you will need to lodge a separate form with the ATO before they will pay any contributions into your account.