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## CHARTERED ACCOUNTANTS

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### JUNE 2007 - NEWSLETTER

#### **Budget 2007 – Small Business Initiatives**

The Government has announced the following small business changes in the May 2007 Budget:

- From 1 July 2007, a business with annual turnover of less than \$75,000 (\$150,000 for non-profit bodies) will no longer be required to register for GST.
- From 1 July 2008, taxpayers who voluntarily register for GST will be able to pay their PAYG instalments on an annual basis.
- From 1 July 2007, any small business that makes mixed (taxable and GST-free) supplies or mixed purchases will be able to approach the ATO to discuss the development of a simplified accounting method for their use.
- From 1 July 2007, purchases by businesses of \$75 or less (excluding GST) will no longer require a valid tax invoice to claim an input tax credit.

#### **Budget 2007 – Child care tax offset is now a direct payment**

From 1 July 2007, families will receive the existing child care tax offset (i.e., a 30% rebate on out-of-pocket approved child care costs, up to a maximum of \$4,000 per child, plus indexation) as a direct payment through Centrelink, soon after the financial year in which they incur child care costs.

Families will still receive the tax offset for out-of-pocket costs incurred in 2005/06 through the lodgment of the 2007 income tax return.

#### **Additional superannuation co-contributions**

The Government announced in the May 2007 Budget that it will provide a one-off doubling of superannuation co-contributions for people who made eligible contributions in the 2005/06 income year (i.e., on or before 30 June 2006).

This means that if a person was eligible for a co-contribution of \$1,500 for the 2005/06 year they will now instead receive \$3,000. If eligible for a \$500 co-contribution for 2005/06 year, they will now receive \$1,000.

#### **Super co-contribution reminder**

Super fund members who are eligible to receive the super co-contribution need to make personal contributions before 30 June 2007 to receive a co-contribution before January 2008.

*Editor: To be eligible to receive the super co-contribution, a taxpayer's 'total income' (assessable income plus reportable fringe benefits) must be less than \$58,000, and at least 10% of that total income must be from eligible employment (e.g., salary and wages).*

The co-contribution amount will be paid directly to the member's fund after the ATO receives the fund membership information and the member's income tax return.

*Note: From 1 July 2007, people who are self-employed and make after-tax contributions will also be eligible for the super co-contribution.*

#### **Simplified Superannuation – Transitional Integrity Measure**

The Government has announced a transitional integrity measure to stop taxpayers circumventing the \$1 million contribution cap by organising for a friend to contribute on their behalf.

Under the Simplified Superannuation regime, the Government has effectively capped the amount

of non-concessional (i.e., undeducted, or post-tax) contributions, that a taxpayer can make between 10 May 2006 to 30 June 2007, to \$1 million.

However, where contributions are made by a person on behalf of another person between 10 May 2006 to 30 June 2007 (for example, those made by a friend), they can be taxed in the hands of a superannuation fund (generally at 15%), but such contributions may not be included in any cap.

This issue, if not addressed, could have resulted in people getting around the contribution cap by giving large amounts of money to another person to contribute to a superannuation fund on their behalf prior to 1 July 2007.

Therefore, the Government has amended the law to ensure these contributions made between 7 December 2006 and 30 June 2007 are included in the \$1 million cap on non-concessional contributions.

*Editor: This transitional cap of \$1 million only applies to contributions made until 30 June 2007. From 1 July 2007, a \$150,000 p.a. (or \$450,000 over three years) cap will generally apply to all taxpayers.*

## **No need to give duplicate copies of payment summaries**

The ATO has decided that employers and certain other entities will no longer need to provide their employees and other payees with a duplicate copy of their PAYG withholding payment summary (*Ed: Or 'group certificate' in the old language...*).

This exemption basically applies to entities making the following payments:

- payments for work and services (except for payments made under voluntary agreements to withhold, payments under labour hire arrangements, or payments specified under regulations);
- retirement payments (except for eligible termination payments); and

- benefit and compensation payments.

Therefore, such entities are only required to provide the recipient with the original payment summary, and the recipient does not need to attach the duplicate to their return (if they lodge a paper return).

This exemption applies to payment summaries given on or after 1 May 2007.

## **Director pays herself a bona fide redundancy payment**

The AAT has held that a director of a company, was entitled to "dismiss" herself and pay herself a tax-free bona fide redundancy payment.

The sole client of the company had cancelled its contract, meaning the company went out of business and needed to dismiss all of its employees.

The company made lump sum payments of salary and holiday pay to most of the employees, and also made lump sum payments of \$18,530 each to the taxpayer, her husband and her son, claiming these were tax-free bona fide redundancy payments.

The AAT held that:

- the fact that the taxpayer was involved in the decision to dismiss herself did not make the dismissal voluntary, in light of the cancellation of the contract; and
- the amount paid was not excessive.

## **FBT car parking threshold**

The car parking threshold for the fringe benefits tax (FBT) year commencing on 1 April 2007 is \$6.78 (up from \$6.62 for the previous FBT year).

## **CGT improvement threshold**

For the 2007/08 income year, the improvement threshold (which is used for working out when a capital improvement to a pre-CGT asset is a separate asset, and for capital improvements to CGT assets where a rollover may be available), is \$116,337 (up from \$112,512 for the 2006/07 year).

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