

# HMA TWOMEY PATTERSON

## CHARTERED ACCOUNTANTS

Business & taxation advisers · Registered company auditors

### JUNE 2008 - NEWSLETTER

#### SUPERANNUATION CHANGES:

**Self-employed:** If you are self-employed and wish to claim a tax deduction for your superannuation contributions, you must now lodge a special ATO form *Notice of intent to claim a tax deduction for super contributions* with your super fund **before** you lodge your income tax return. Once you have lodged this form, you cannot later change the amount.

It is important that you consult with your tax advisor **before** you notify your super fund of the amount of your superannuation contribution that you wish to claim as a tax deduction.

**Life insurance and super:** From 1 July 2008, employer nominated super funds (also known as default funds) must offer minimum levels of life insurance death cover to members.

The minimum level of cover depends on the employee's age. For example, if the employee is aged 20 to 34, the employer's default fund must offer a minimum of \$50,000 worth of life insurance.

**Ordinary times earnings:** From 1 July 2008, employers must use an employee's Ordinary Times Earnings to calculate superannuation guarantee contributions (ie 9%). Ordinary Times Earnings is what an employee earns for ordinary hours of work, including over-award payments, shift loading or commissions. It excludes payments such as overtime.

Also from 1 July 2008, superannuation guarantee must be paid on all bonuses.

#### TAX PLANNING

Put simply, tax planning is arranging a taxpayer's affairs so as to comply with the tax law at the lowest possible cost. Where families have dependent children we look at strategies to maximise Centrelink benefits.

Common tax planning techniques that can be used are deferring assessable income and applying techniques to bring forward deductions.

**Deferring assessable income:** Depending on the nature of the business, income can be reported using either the cash or accrual basis. If you are reporting income on an accrual basis, income is assessable when a recoverable debt is created. If you are reporting income on a cash basis, income is assessable when it is physically received or applied on your behalf.

**Small business entities:** Consider whether your business satisfies the requirements to be classified as a small business entity. A small business entity can access

various tax concessions, such as the simpler depreciation and trading-stock rules. (The small business entity regime replaced the STS from 1 July 2007)

#### PAYING TOO MUCH TAX?

Are you worried about paying too much tax this year or how much you should be putting into superannuation? Come and see us **before** the end of June to allow us to review the interim figures for your business. We can then focus on developing tax planning strategies to minimise your tax payable for the 2008 year.

Some common tax planning areas are:

- Superannuation contributions (\$50,000 fully deductible if under 50 and \$100,000 fully deductible if aged over 50 but under 75 and subject to some rules)
- Prepay interest on Investments
- Farm Management Deposits
- Bonus to employees!
- Pay your June Invoices by 30<sup>th</sup> June 2008
- Pay your Employee's 9% superannuation contributions.
- Plant & Equipment under \$1,000 is tax deductible (if you are a small business entity)
- Plant & Equipment over \$1,000 is depreciated at 15% (if you are a small business entity) in the year of purchase and 30% thereafter.

As the month of June is traditionally a very busy time for the firm, please do not leave it until the last minute to organise your tax planning meeting. Make an appointment today!

#### SUPER CO-CONTRIBUTION CHANGES FOR 30/6/08

##### **New Co-contribution Eligibility for Partners in a Partnership and Sole Traders.**

From 1 July 2007, if you are self-employed in a partnership or as a sole trader and make personal (after-tax) super contributions, you may be eligible for the super co-contribution if your **net** income is less than \$58,000.

To be eligible to receive the super co-contribution, you need to make personal super contributions of up to \$1000 before 30 June 2008.

In addition, your '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, running a business or a combination of both. The exception to this is that a self employed individual can reduce their total income for the year by any business deductions.

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

If you are not sure how much to contribute to maximise this payment, please contact your tax advisor.

## FEDERAL BUDGET – MAY 2008

### **Personal Taxation:** Income Tax Rates

<b>2007/08 Current</b>	
<b>Income (\$)</b>	<b>Rate (%)</b>
6,001 – 30,000	15
30,001 – 75,000	30
75,001 – 150,000	40
150,001 +	45

<b>2008/09 From 1 July 2008</b>	
<b>Income (\$)</b>	<b>Rate (%)</b>
6,001 – 34,000	15
34,001 – 80,000	30
80,001 – 180,000	40
180,001 +	45

<b>2009/10 From 1 July 2009</b>	
<b>Income (\$)</b>	<b>Rate (%)</b>
6,001 – 35,000	15
35,001 – 80,000	30
80,001 – 150,000	38
180,001 +	45

### Child Care Tax Rebate

The Government has confirmed that the Child Care Tax Rebate will increase from 30% to 50%.

The cap on the amount that can be paid will be lifted from \$4,254 to \$ 7,500 per child. In addition, the rebate will be paid quarterly.

### Baby Bonus

From 1 July 2008, the Baby Bonus will be increased to \$5,000. In addition, from 1 January 2009, the Baby Bonus will be paid in fortnightly instalments and will only be available where family income does not exceed \$150,000 per year.

### Education Tax Offset

The Government has confirmed it will provide eligible parents with an Education Tax Offset from 1 July 2008.

### Measures for Carers

The following measures to support carers were announced in the 2008/09 Federal Budget:

- Carer Allowance recipients will receive a \$600 tax-free bonus for each eligible care receiver;
- Recipients of Carer Payments and Department of Veterans' Affairs Carer Service Pensions will each receive \$1,000 tax-free.

### Superannuation

The 2008/09 Federal budget did not announce any substantive changes to superannuation.

### CHANGES TO FAMILY ASSISTANCE FROM 1 JULY 2008

From 1 July 2008, there will be changes to family assistance.

The gross fringe benefits, rather than the net fringe benefits, and some tax exempt foreign income will be included in the family assistance income test.

### WORKERS COMPENSATION CHANGES

From 30<sup>th</sup> June 2008, NSW Workers Compensation Scheme changes mean that any employers whose annual wages are less than \$7500 will not require a workers compensation policy. These changes will come into effect when policies come up for renewal post 30<sup>th</sup> June 2008.

The time period for retention of wages records has also been reduced from seven years to five years.

### SEMINARS – HOW TO RETIRE SUCCESSFULLY

Over the past few weeks, we have presented a series of seminars on "How to retire successfully".

We have received some positive feedback from clients who feel they have a better understanding of superannuation and how strategies can be arranged to better prepare themselves for retirement.

#### **The second step on the journey to a successful retirement is to take effective action.**

If you would like to arrange a meeting to review your retirement plans, please feel free to contact us.

For those who came along to the seminars, we thank you and look forward to helping you, your family and your business on the journey to financial security.



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