

HMA TWOMEY PATTERSON

CHARTERED ACCOUNTANTS

Business & taxation advisers · Registered company auditors

MARCH 2009 - NEWSLETTER

INVESTMENT ALLOWANCE

The Federal Government has announced new investment allowances for certain business capital expenditure. The benefit will be provided in the form of a temporary additional tax deduction for the cost of new tangible depreciating assets on top of the usual tax depreciation for that asset.

Additional 30%

Businesses acquiring eligible **assets between 13 December 2008 and 30 June 2009** will be able to claim an additional tax deduction, equal to 30% of the cost of new tangible depreciating assets.

The assets must be installed ready for use by the **30 June 2010**.

Additional 10%

Businesses acquiring eligible assets between 1 July 2009 and 31 December 2009 will be able to claim an additional tax deduction, equal to 10% of the cost of the new tangible depreciating assets.

The assets must be installed ready for use by the 31 December 2010.

Expenditure Thresholds:

For Small Businesses (i.e. entities with an annual turnover of \$2 million or less), the allowance will be available for assets with a business related cost of \$1,000 or more.

For other businesses, the minimum expenditure threshold per asset will be \$10,000.

Exclusions are as follows:

- Second Hand assets
- Assets used outside Australia
- Non-business assets
- Assets subject to tax deductions outside the tax depreciation regime – i.e., buildings, structural improvements, land, and trading stock are not eligible.
- Intangible assets

Summary Table:

Entity	Cost Of Assets	Date Of Exp/Contract	Must Be Installed By	Additional Tax Deduction
Small Business (Annual turnover \$2m or less)	\$1,000 or more	13 Dec 2008 – 30 June 2009	30 June 2010	30%
		1 July 2009 – 31 Dec 2009	31 Dec 2010	10%
Other Business (Annual Turnover greater than \$2 million)	\$10,000 or more	13 Dec 2008 – 30 June 2009	30 June 2010	30%
		1 July 2009 – 31 Dec 2009	31 Dec 2010	10%

While the cash flow benefit of the Allowance will not be available until the relevant tax return is lodged, it may be possible to adjust tax instalment payments to take into account reductions in tax payable due to the expected deduction.

NB: Draft legislation was only released on 25 February 2009.

One off Cash Bonuses have also been announced as follows:

2008 Taxable Income *	< than \$80,000	\$900 Bonus
2008 Taxable Income *	\$80,000 – \$90,000	\$600 Bonus
2008 Taxable Income *	\$90,000 – \$100,000	\$250 Bonus
\$900 Bonus for families eligible for FTB Part B on 3.2.09.		
\$950 Bonus for farmers receiving ECRP on 3.2.09		
\$950 Bonus per child of school age for families eligible for FTB Part A on 3.2.09.		
\$950 Bonus to students who receive Youth Allowance, Austudy & related payments		

(* You must lodge your 2008 Income Tax Return by 30th June 2009 and you must also have paid tax after taking into account available tax offsets & credits to be eligible.)

Thinking about refinancing?

Take advantage of falling Interest Rates

Just because your business finance was once competitive, doesn't mean it still is! Changes in interest rates could mean that you are paying much more than you need to.

Wouldn't you like to pay less interest or reduce the term of your loans?

For a no-obligation discussion about your refinancing options call our Finnconnect consultant:

Allan Moore on 6382 5011



EXCEPTIONAL CIRCUMSTANCES – INTEREST RATE SUBSIDIES

Are you eligible to reapply?

The current declaration period for Small Business and Primary Production Interest Rate Subsidies is 1 October 2008 to 31 March 2009. Small businesses that can prove a 20% downturn in sales in the 2008 calendar year, as a result of the impact of the drought, are encouraged to apply.

Drought assistance Extended:

Exceptional Circumstances assistance has been extended to 31st March 2010 in many areas including Forbes, Gundagai, Riverina, South West Slopes and Young.

HMA Twomey Patterson is available to assist clients and non-clients with lodging applications.

TAX PLANNING

It's getting towards that time of year again when we turn our minds to tax planning. Even though the ongoing drought has eliminated the need for tax planning for many of our primary production businesses, for others it will be an opportunity to review your superannuation contributions.

The recent economic changes present a timely opportunity to review your retirement and savings plans.

If you would like to do some tax planning or review your retirement planning *, then please do not hesitate to contact one of our Partners or Financial Advisers at your nearest office location.

**Services provided as an Authorised Representative of Count.*

MEDIA RELEASE: Cootamundra & Harden Storms declared an Agricultural Natural Disaster

Hailstones that caused more than \$2.5 million damage to crops on a number of properties in the Cootamundra & Harden areas on 23 December 2009 have been declared an Agricultural natural disaster.

Affected Primary producers are now eligible to apply for disaster relief assistance loans of up to \$130,000 at 2.85% interest per annum with a two year interest free period. The loans are for replacement and repairs to property and infrastructure, including damage to crops and pasture.

PENSIONS/COMMONWEALTH SENIORS HEALTH CARD AND PENSION BONUS SCHEME UPDATE:

Age Pensions:

Did you know that a single pensioner can earn \$1,558.25 per fortnight and a couple can earn \$2,602.50 and still receive a part pension plus the full benefits of a pension?

Commonwealth Seniors Health Card:

This card entitles the holder to concessional pharmaceutical rates on scripts and a quarterly Telephone Allowance. Also, the quarterly Seniors Concession Allowance equivalent to \$514 per annum is payable, as is any Seniors Bonus the Government may decide to pay. The latest one was the December 2008 payment to give the economy a boost. This was \$1,100 each for couples and \$1,400 for singles.

Pension Bonus Scheme:

This scheme rewards people who are entitled to an age pension but continue to do paid work. It only applies if you are under the pension income and assets threshold.

GOODS AND SERVICES TAX

The Australian Taxation Office is becoming more active in the Audit of Small Business BAS/GST Returns.

You must be in possession of a Tax Invoice for all transactions in excess of \$75.00 (exclusive of GST) and all invoices must be made available to the ATO in the event of an audit. The vendor's ABN must appear on the Tax Invoice.

Where a supplier's invoice is in excess of \$1000 your correct business name must appear on the suppliers invoice. The ATO has indicated that they will disallow GST Tax Credits when these conditions are not adhered to.



ARE YOU IN THE TAXMAN'S SIGHTS?

Beware tax audit targets

The tax office does check claims, and data shows that more businesses are being caught out. We expect that the Tax office will increase their scope and conduct more audits over the next year or two, particularly now the budget is likely to fall into deficit.

Late last year, the Tax Commissioner revealed that, in 2007-08, the tax office:

- Reviewed 25,500 high risk refund returns, resulting in revenue adjustments of \$38 million.
- Completed round 19,000 reviews or audits re work-related expenses, with revenue adjustments of \$14.7 million. The tax office also wrote to over 200 tax agents, and visited another 300, about work-related expense claims.
- Completed around 7200 reviews or audits re rental expenses resulting in revenue adjustments of \$9.2 million.
- Reviewed or audited 6,690 people concerning capital gains Tax (CGT), resulting in revenue adjustments totalling \$1.5 million.

These figures give a clue to the major areas the tax offices focuses on when reviewing the tax affairs of taxpayers and businesses.

The tax office is also continuing its review of rental property deductions claimed in Income Tax Returns.

Last year's surge in rental deductions was 11.8% up from the previous year and was more than double the inflation rate. So no wonder the tax office is interested.

It is very easy for landlords to inadvertently over-claim deductions, given the complicated tax rules that apply in making rental property claims. The tax office is also concerned that rental income is being under-reported, and will use data-matching to identify rental property owners.

There is simply no substitute for the good advice and protection that is offered via using a tax agent's services. At HMA Twomey Patterson, we are looking at extending this protection via the introduction of an Audit Insurance Package.

For a relatively small fee we will cover the accounting fees associated with a Tax Office audit, giving you peace of mind if an auditor knocks on your door. We will be sending more information about this to clients in the coming months.

EDUCATION TAX REFUND

The new education tax refund aims to help families with children undertaking primary or secondary studies to meet the costs of school education through assistance with certain education expenses.

Eligible families will be able to claim a 50 per cent refund every year for key education expenses up to:

- \$750 for each child undertaking primary studies (maximum refundable tax offset of \$375 per child, per year)
- \$1500 for each child undertaking secondary studies (maximum refundable tax offset of \$750 per child, per year).

Eligible families will be able to recoup the cost of purchases including:

- Laptops
- Home computers and associated costs
- Home internet connection
- Printers
- Education software
- Trade tools for use at school
- School text books, and
- Stationery

The Education Tax Refund applies to eligible education expenses incurred from 1 July 2008 and will be claimed on parents 2008/09 income tax return.

Families with children in primary or secondary school must be entitled to receive Family Tax Benefit Part A or their children must receive Youth Allowance or another relevant payment to be eligible to claim the Education Tax Refund.

Families with children entering or leaving school during the year are eligible to claim the Education Tax Refund for half of the financial year.

Students moving from primary to secondary school are eligible for the Education Tax Refund based on the secondary school rate,

Eligible education expenses in excess of those that can be claimed in a single financial year are able to be carried over to the following financial year.

PENSION DRAWDOWN RELIEF FOR RETIREES

On 18 February 2009, the Government announced the suspension of minimum drawdown requirements for account-based pensions for the second half of 2008-09.

This will occur through a 50% reduction in the minimum payment amount for 2008-09.

For those people who have already taken half of the current minimum payment for 2008-09, the annual nature of the minimum payment rules means that a further payment will not be required until the end of the 2009-10 year.

The temporary suspension of the minimum payment requirement will apply to account-based annuities and pensions; allocated annuities and pensions and market-linked (term allocated) annuities and pensions.

The measure responds to concerns that meeting the minimum drawdown amount in 2008-09 may mean having to sell investment assets and realise losses in a depressed market.

The temporary relief also addresses the concern that the minimum drawdown requirement was set based on asset values as at 1 July 2008, when equity values were higher.

NB: At the time of going to print, legislation had not yet been passed.

ATO ENGAGES EXTERNAL DEBT COLLECTION

In November 2007, the ATO engaged the services of four external debt collection agencies.

We have noticed a significant increase in the ATO's eagerness to collect debt.

The ATO's focus is to collect superannuation guarantee charge, GST, PAYG Withholding and Income Tax debts.

If you are having trouble paying your GST or tax debt on time, we recommend that you contact the ATO to arrange a suitable payment plan. We have found the ATO to be very obliging when contact is made and the current situation explained.

Our advice is to be proactive and don't wait for them to call you!!

OUR TEAM UPDATE

Brett Millar from our Wagga office completed his Bachelor of Business degree on 12 December 2008. Brett will attend his graduation ceremony in April 2009 and has just commenced additional study for the completion of his Professional Year.

We congratulate Brett on this achievement.

We also wish to acknowledge Chris Manwaring from our Count team, on the successful completion of his CFP Certificate. This is the highest certification available in Australia in the financial planning Industry. Well done Chris!

Allan Moore has recently joined the firm as the firm's lending consultant with Finnconnect. Finnconnect is a subsidiary of Count Wealth Accountants and gives us access to 16 different financiers. Allan will assist clients with finance applications and lending requirements. This service extends to private and commercial mortgages as well as leasing and equipment finance. Allan can be contacted at our Young office on 6382 5011.



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Cootamundra 02 69421266
Coolamon 02 69273207

Wagga Wagga 02 69258377
Ganmain 02 69276161

Young 02 63825011
Harden 02 63862485