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Simplified superannuation – new transitional arrangements

After the Government proposed to 'Simplify and Streamline Superannuation' as part of the May Budget, it consulted with the broader community to obtain feedback about these proposals.

The Treasurer has now confirmed that the Government will proceed with the main proposals which were announced in the Budget, including:

- the removal of tax on superannuation benefits (lump sums *and* pensions) from 1 July 2007 for Australians aged 60 and over;
- the abolition of reasonable benefit limits and age-based contribution limits; and
- allowing the self-employed to claim a full deduction for their superannuation contributions, and to be eligible for the Government co-contribution for their personal post-tax contributions.

Also, transitional arrangements will be put in place which include:

- between 10 May 2006 and 30 June 2007, people will generally be able to make up to \$1 million of 'post-tax contributions' into their superannuation;
- from 1 July 2007, there will normally be a \$150,000 annual limit on post-tax contributions; and
- in addition to that annual cap, people will be able to contribute a lifetime limit of \$1 million from the sale of small business assets which have been held for 15 years, as well as any settlements for injuries resulting in permanent disablement.

Editor: These superannuation changes create many tax planning opportunities, so

please contact us for more information or specific planning advice.

GIC for December 2006 quarter

The general interest charge (GIC) for the December 2006 quarter is 13.19%, up from 12.87% for the September 2006 quarter.

SIC for December 2006 quarter

The shortfall interest charge (SIC) for the September 2006 quarter is 9.19%, up from 8.87% for the September 2006 quarter.

Tax Office Data Matching Projects

The Australian Taxation Office (ATO) has announced that it will be requesting and collecting details about millions of taxpayers with respect to the following:

- land sales and title transfers from State and territory authorities;
- property title transfers by non-residents and their names and addresses from the Foreign Investment Review Board;
- names and address details of people with rental properties from the Queensland, New South Wales, and Victorian Residential Tenancies Authorities;
- details of shares, etc, bought and sold from the Australian ASX;
- horse trainers, owners, jockeys, stable-hands and track-riders from the Stakes Payment System of the NSW Thoroughbred racing Board in respect of the 2003/04 and 2004/05 financial years; and
- individuals or entities who have purchased or acquired an aircraft.

These details will be electronically matched with certain sections of ATO data holdings to identify non-compliance with lodgment and payment obligations under taxation law.

Laptop computer upgrades can be exempt from FBT

The ATO has confirmed that where an employer reimburses their employee for the purchase of a laptop computer which is upgraded with built-in internal components (such as additional memory, bigger hard drive, internal modem or wireless LAN module) at the time of purchase, the cost of the upgrades will also be exempt from FBT.

The purchase of additional software (i.e., additional to any computer software part of the overall laptop purchase price, for which there is a clearly identifiable separate cost) may also be exempt if it is an item of computer software for use (at least partly) in the employee's employment.

However, where the employee requests peripheral items such as cables, modems or cradles, or an extension to the warranty that is offered, and these come at an additional cost, these will not be exempt from FBT.

Small business tax debt

The Minister for Revenue and Assistant Treasurer recently stated that, at the end of 2006, there were approximately 914,000 small business tax debts owed to, and collectable by, the ATO valued at \$8.11 billion.

The Minister provided an assurance that the ATO wants to see viable businesses continue to trade. In particular:

- Businesses are encouraged to approach the ATO where they face difficulties in making payments;
- Correspondence and phone contact are made before firmer action strategies are applied; and

- Legal action is generally only taken after appropriate warnings are given. However, where necessary, the ATO will take action leading to bankruptcy or company wind-up where debts are not addressed.

Stock taken for private use

The ATO has set out the amounts that it will accept as estimates of the value of goods taken from trading stock for private use by taxpayers in certain industries for the 2006/07 income year.

These values are as follows:

| Type of business | \$ Amount (ex. GST) | |
|---|------------------------|------------------|
| | Adult/ over 16 | Child 4-16yrs |
| Bakery | 980 | 490 |
| Butcher | 660 | 330 |
| Restaurant/cafe (licensed) | 3,380 | 1,340 |
| Restaurant/cafe (unlicensed) | 2,680 | 1,340 |
| Caterer | 2,930 | 1,465 |
| Delicatessen | 2,680 | 1,340 |
| Fruiter/greengrocer | 710 | 355 |
| Takeaway food shop | 2,550 | 1,275 |
| Mixed business (includes milk bar, general store and convenience store) | 3,220 | 1,610 |

Editor: These figures basically apply for sole traders and individual partners in partnerships – different rules apply for companies and trusts operating such businesses. In addition, if you think these should not apply to you, we may be able to self-assess different amounts for you.

The articles contained in this newsletter are intended for information only and not for advice. For further information or advice, please contact your nearest office.

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