



Newsletter

Winter 2010 Edition

Happening at CAS

The EOFY is approaching like a runaway train and set to cause some headaches for Tax Agents and clients. Due to the governments commitment to 'Simplify the Tax System' the ever intrusive ATO has twenty six new questions to be answered on individual tax returns! These pertain, mainly, to calculating and reporting the make up of income sources including previously unreported incomes such as certain tax free pensions, foreign income, child maintenance & reportable super contributions. Also a breakdown of wage/ business, sole/joint incomes, partnership incomes etc, etc, etc.



The reworked CAS Tax Checklists will include the necessary components to capture the information required to complete your 2010 tax returns. You can do your bit to keep accounting costs down by firstly, completing the checklist and secondly, sending all relevant information (please contact us if you have any questions).

As a result of these extra ATO requirements the base fee for individual returns will be adjusted over our normal CPI increase to \$150.00 (inc GST).



2010 Budget

The Government stated that the intention of the 2010-11 budget is to enable the Government to return to surplus, strengthen the economy and secure the future. With that in mind they have taken action to address the cost of living for Australians.

From the first of July 2010 workers will benefit from the next round of tax cuts. This includes lifting the low income tax offset to \$1500 giving a tax free threshold of \$16000 for workers with income up to \$30000.

Taxpayers will also receive a 50% discount on up to \$1000 of earned interest which will benefit low and middle income earners who put there savings into interest-earning deposits.

In a measure to 'Simplify the tax system' from 2012-13 there will be the option of a standard \$500 deduction for work related expenses and cost of managing tax affairs - this will increase to \$1000 from 2013-14.

The super guarantee will gradually increase to 12%.

From 1 July 2012 the government will co-contribute up to \$500 for those on incomes under \$37,000 and also allow catch-up contributions by older workers up to \$50,000 pa.

The company tax rate will be lowered to promote economic growth across the whole economy. From 2013-14 the rate will be reduced 29% and to 28% from the 2014-15.

As well from 1 July 2012 the threshold under which depreciable assets of small business can be immediately written off will be increased from \$1000 to \$5000.

Personal Income Tax Rates for 2010

0 - 6,000	Nil
6,001 - 37,000	Nil + 15% of excess over \$6,000
37,001 - 80,000	\$4,350 + 30% of excess over \$37,000
80,001 - 180,000	\$17,850 + 38% of excess over \$80,000
180,001 and over	\$55,850 + 45% of excess over \$180,000



Henry Review

The long-awaited review of Australia's tax system by Treasury Secretary, Dr Ken Henry has not gained significant support from the Federal Government. The primary objective of the Henry Review was to identify reforms necessary to enable the Australian taxation system to meet the challenges of the 21st Century.

The Review produced 138 recommendations but only a few have been accepted, may more have been clearly rejected either partially or wholly, and most will be subject to further consultation. The following recommendations made by the Henry Review have been specifically rejected:

- Introducing Land Tax on the family home
- Reducing the general 50% capital gains tax discount
- Abolishing the Medicare levy
- Removing deductions for 'negatively geared' rental properties
- Requiring parents to work when their youngest child turns 4
- Introducing a bequest or death tax
- Increasing the current GST rate of 10%
- Removing the Luxury car tax

These measures were announced:

- Increasing the SG age limit from 70 to 75
- Government contributions for low income earners
- Concession contribution caps for people aged 50 or more
- Reducing company tax rate
- Capital allowance concessions for small business assets
- Resource super profits tax
- Resource exploration rebate

BUSINESS HINT

Bring a Tennis Ball to the Office

When reading, squeeze the ball in your right hand. This stimulates the left side of your brain, which processes words. If it's blueprints or instructions with diagrams, switch to your left hand. Stimulating the brain's right side helps with visualising and spatial relationships.

Joking Around

Irish Password Protection!

During a recent PASSWORD AUDIT at the Bank of Ireland it was found that Paddy O'Toole was using the following password: MickeyMinniePlutoHueyLouieDeweyDonaldGoofyDublin
When Paddy was asked why he had such a long password: he replied "Bejzus! are yez dat stupid? Oi was told me password had to be at least 8 characters long and include one capital"



ATO Focus on the Cash Economy

The government will provide the ATO with an additional \$107.9 million over four years to target tax avoidance by some small businesses who conduct some or all of their business in the cash economy. The additional funding will be used to "increase the visibility of the ATO in the small business community" and improve the level of compliance of those small businesses who deal in the cash economy.

GST Compliance Program

The Government plans to provide \$337.5 million over four years (from the 2010/11 to the 2013/14 income years) to the Tax Office to fund extra activities to promote voluntary GST compliance and provide a level playing field for Australian businesses. The funding is also planned to address issues relating to:

- Fraudulent GST refunds
- Non-lodgement of GST Returns
- Systematic under-reporting of GST liabilities
- Non-payment of GST debts



What you need to know about: Sick Leave

A worker is entitled to two weeks paid sick leave each year, based on the number of hours worked, up to a maximum of 76 hours per year. It can be taken in part days if required. Sick leave accrues on a pro rata basis each week. A full time worker, working 38 hours per week, accrues 1.461 hours of sick leave for each completed week of service ($76/52 = 1.461$). A part time worker accrues sick leave pro rata on a weekly basis. The accrual of sick leave will vary with the number of hours that a part timer works. A casual employee is not entitled to paid sick leave. Paid sick leave can be used by a worker

Reportable Employer Superannuation Contributions (RESC)

A reminder to employers of the requirement to include all Reportable Employer Superannuation Contributions (RESC) when preparing an employee's payment summary (formerly known as the group certificate).

A RESC broadly includes all employer contributions that the employee is able to influence and which are in addition to compulsory employer contributions. An example of a RESC is salary sacrifice contributions.

Under ATO rules, effective 1 July 2009, any employee with a RESC amount must be issued with a payment summary including details of all RESCs, even if the employer has not paid the employee salary or wages (for example, if all salary is sacrificed into superannuation). The employee can then include this information in their tax return.

Importantly, employers must report RESC amounts for the income year the contribution relates to. This could be different to the year they are actually received by the super fund.

EXAMPLE: if a salary sacrifice contribution for an employee for June 2010 is paid to the super fund in July 2010, the RESC amount must be reported for the 2009/10 financial year – not the 2010/2011 financial year.

The requirement to include RESC enables the ATO to calculate a number of means-tested benefits such as the mature age worker tax offset, spouse superannuation contributions tax-offset, Government Co-contribution and the 10% test for deductions for personal super contributions.

The Federal Government's free **Superannuation Clearing House** will soon be a reality for eligible small businesses across Australia, after legislation passed in May 2010. The optional service, which is expected to begin accepting employer Super Guarantee (SG) contributions from 1 July 2010, will help employers with fewer than 20 employees satisfy their choice of fund obligation more easily. Eligible employers paying contributions to multiple super funds will soon be able to make a single electronic payment to the Medicare Clearing House.

SG obligation will discharge once the Medicare Clearing House receives the correct amount. The Medicare Clearing House will then forward the contributions to the nominated funds. To register, submit your business details at www.medicareaustralia.gov.au/super from 24 May. It is understood that once Medicare has accepted these details, login details will be sent allowing the employer to login and enter details of each employee and make subsequent super contributions. To find out more visit www.medicareaustralia.gov.au/super

who is unable to work due to their own illness or injury.

Unused sick leave accumulates from year to year. For example, a full time worker who has taken 20 hours of sick leave in one year is entitled to carry over the remaining 56 hours of leave to the next year (76 hours minus 20 hours = 56 hours).

Sick leave is not paid out to a worker when their employment ends.

Need more information?

Call Wageline on 1300 655 266.

Cash flow facts

- 43% of business owners say managing cash flow is a challenge (Commonwealth Bank and Investment Trends *Business Owners Survey*, Nov 2007).
 - Around two-fifths of the companies that failed between 2004 and 2007 did so because of inadequate cash flow (Australian Securities Commission Report 132, *External Administrators*, Jun 2008).
 - Businesses are taking longer to pay their bills, with average payment terms blowing out to 56.5 days (Dun & Bradstreet, Jan 2009).
- We can provide assistance with cash flow management - call us on 9302 4250.**

Disclaimer: While due care is taken in preparing comment on topics this newsletter is not intended to provide advice. If any of the topics above cause concern or general interest please do not hesitate to contact our office.