



CHARTERED ACCOUNTANTS

Your Personal Advisor

Winter 2009

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LET'S GO TO WORK... FOR YOU

Free HQB Seminar

Our next seminar will focus on Year End Tax Planning and Superannuation Review

When: Wed 17th June, 6pm - 7pm **Where:** HQB Office, 13-15 Park Avenue, Coffs Harbour

Budget 2009: A quick rundown...

Last chance to take advantage of higher superannuation contribution thresholds!

The ability to take advantage of current superannuation contribution levels (aka concessional contributions) will be reduced by half from 1 July 2009. The contribution cap for concessional contributions will be cut from \$50,000 to \$25,000 per annum. Those aged 50-74, who are currently allowed a cap of \$100,000 under transitional provisions lasting to 30 June 2012, will have this reduced to \$50,000 for the next 3 financial years.

Private Health Insurance Rebates slashed!

High income earners will have their private health insurance rebates reduced from 1 July 2009. Rebates for people earning above \$75,001 will be measured according to a new 3- tier system. The Medicare Levy Surcharge will also increase for those earning above \$75,001 who choose not to have private health cover.

Workers aged over 65 will receive an extra 5% rebate in Tiers 1 and 2, while those aged over 70 will receive an extra 10%.

	Singles	Couples	Rebate	Medicare Levy Surcharge
Tier 1	\$75,001	\$150,001	20%	1%
Tier 2	\$90,001	\$180,001	10%	1.25%
Tier 3	\$120,001	\$240,001	NIL	1.5%

More Budget News...

Government reduces matching of super contributions from 150% to 100%

From 1 July 2009, government superannuation co-contributions for those eligible will be reduced to \$1 for every dollar contributed, down from the current rate of \$1.50.

Superannuation Fund minimum pension relief

Self-funded retirees in receipt of account-based pensions from superannuation funds will again be allowed to reduce their pension draw downs for the 2010 financial year to half the minimum pension required under law.

Restrictions on claiming business losses

Taxpayers earning over \$250,000 will no longer be able to claim losses from non-commercial business activities against salary and other income. From the 2009-2010 financial year expenses from non-commercial business activities will only be allowed to be deducted against income from those activities.

Family Tax Benefit will no longer be paid through the ATO

From 1 July 2009 the Australian Taxation Office will no longer handle Family Tax Benefit (FTB) claims. Where you could previously receive a lump sum from the ATO upon lodgement of your tax return, you will now have to lodge a claim through Medicare or Centrelink after your return is lodged.

WIZARD OF ID



First Home Owner's Boost extension

The First Home Owner's Boost has been extended until 31 December 2009. First home buyers will receive the current bonus rates until 30 September 2009, however, the bonuses will be halved for the period 1 October to 31 December 2009.

Changes to Seniors Health Card income test

The government has reversed some of its proposed changes to the income test for the Commonwealth Seniors Health Card. Tax free pensions received from superannuation funds will NOT be assessed as income. Income that is salary sacrificed to superannuation will still be included in the income test.

Increase to pension age & entitlements

From 20 September 2009 single pensioners will receive an increase of \$32.49 per week, (\$30 increase in basic pension plus a \$2.49 increase in Pension Supplement). Pensioner couples will receive \$10.14 extra per week (combined) under the new Pension Supplement. The supplement will combine allowances such as Pharmaceutical & Utilities Allowances into one fortnightly payment.

Seniors Supplement for self-funded retirees

Self funded retirees who are eligible for the Commonwealth Seniors Health Card or Department of Veteran Affairs Gold Card will be able to access the Seniors Supplement from 20 September 2009. Singles will receive \$790.40 p.a. and couples will receive \$1,190.80 p.a. combined, paid in quarterly instalments.

No More Pension Bonus Scheme

The Pension Bonus Scheme will close from 20 September 2009. However, pensioners who work part time will be allowed a discount of up to half of the first \$500 of employment income each fortnight for the purposes of the income test.

Paid Parental Leave

Eighteen weeks paid parental leave will be introduced for births and adoptions after 1 January 2011 for those with taxable incomes of less than \$150,000.

ASIC Fees indexed

From the 2010-2011 financial year the government will index annual ASIC fees against the Consumer Price Index.

Spotlight on the 50% Investment Allowance Tax Break

Eligible businesses are entitled to claim an additional 50% bonus deduction on the cost of new depreciating assets - up from the previously mentioned 30% rate.

Who is eligible?

- Businesses must meet the definition of a “Small Business Entity” (SBE) under tax law. A SBE is one that has annual turnover of \$2 million or less.

Assets must be new and not second hand

What assets are eligible?

- The SBE must acquire new tangible depreciating assets costing \$1,000 or more for which a depreciation claim under tax law is allowed. This may include new expenditure on existing assets provided that such expenditure qualifies for a depreciation deduction.
- Intangible assets (such as software) for which a depreciation deduction is available are excluded.
- Land, buildings and trading stock are not defined as depreciating assets in the tax act and accordingly will not qualify as eligible assets.
- New cars will qualify as eligible assets provided they are predominantly used in the business that is seeking to claim the investment allowance, except where the set rate method is being used to claim car expense deductions.

Rental property depreciating assets will not qualify - the activity is considered to be a passive investment

When must assets be acquired?

- The eligible asset must be acquired between 13 December 2008 and 31 December 2009 and first be put to use by 31 December 2010. Acquiring an asset usually means entering into a contract to buy or, if applicable, construct the asset.



Claiming the tax break

- The bonus deduction is claimed by the business who is claiming the depreciation expense. The bonus deduction is in addition to the depreciation claim.
- The deduction is claimed in the relevant business' tax return in the year the asset is first put to use.

Potential Traps when claiming the new Investment Allowance

Financing Asset purchases

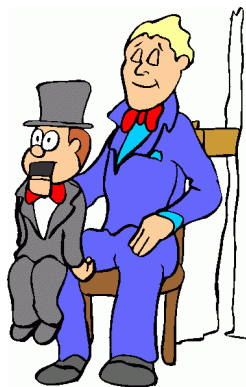
Be aware that with most finance leases it is the finance company that is entitled to claim the investment allowance on the new asset. This may not be an issue if the finance company is willing to pass on the saving to you, but that would be up to each respective finance company's policy.

Companies and Unit Trusts

Those operating their business through a company or unit trust may not enjoy the same tax savings. This is because of deferred issues in relation to accessing the tax free distribution from such entities. For those in this situation we ask that you give us a call before proceeding.

NOTE: The investment allowance is still available to business entities with a turnover of more than \$2 million. It is based on depreciating assets costing \$10,000 or more and may be at a rate of 30% or 10% depending upon when the asset is acquired and put to use. Please call us for more clarification on this topic.

Glynis' Gag



A young ventriloquist is touring the clubs and one night he's doing a show in a small town in Arkansas. With his dummy on his knee he starts going through his usual dumb blonde jokes when a blonde woman in the 4th row stands on her chair and starts shouting:

“I've heard enough of your stupid blonde jokes! What makes you think you can stereotype women that way? What does the colour of a person's hair have to do with her worth as a human being? It's guys like you who keep women like me from being respected at work and in the community and from reaching our full potential. Because you and your kind continue to perpetrate discrimination against not only blondes, but women in general... and all in the name of humour!”

The embarrassed ventriloquist begins to apologise, and the blonde yells, “You stay out of this mister! I'm talking to that little brat on your lap.”

Tax planning tips to consider before year end...

Defer income or accelerate deductions!

This effectively delays the taxing of income until the following year and is used where this year's income is higher than usual or lower income is anticipated next year.

Bringing forward certain expenditure in the current year increases your expenses thereby reducing your taxable income.

Depending on whether you return on a cash or accrual basis, this will determine the appropriate steps you need to take.

Bad Debts

Review debtors and take all reasonable steps to recover the debt and if unrecoverable, write it off. Don't forget to document this before 30 June 2009.

Don't pay tax on sales that will not be recovered

Where you accounted for GST on an accrual basis you will be able to claim back the GST remitted on the unrecoverable debt.

Trading Stock

Review stock on hand to determine if there are any obsolete items that can be written off by 30 June 2009.

Director's Fees

The payment of these before year end will ensure a tax deduction in the current year. Note that PAYG withholding applies to these payments and should be remitted with your next activity statement. You may also need to meet superannuation requirements.

Superannuation

To receive a tax deduction for concessional contributions in the 2009 financial year you must ensure that the superannuation fund receives the contribution prior to 30 June 2009. To avoid being penalised for excess contributions tax at a rate of 46.5%, make sure the total of all your concessional contributions does not exceed the relevant caps for the year (\$50,000 for those aged under 50 years; \$100,000 for those aged 50 years and over).

Life Insurance and Estate Planning



Life Insurance can be an effective way to provide for a family in the event of a spouse's untimely passing, particularly where the family is carrying external debt (eg. Home loans). It is also becoming a useful mechanism in estate planning to provide for various beneficiaries and also mitigate the potential for any challenges to the will.

In any case, it is important to ensure that any life insurance policy is structured in such a way that the actual intended recipients will receive the proceeds and that they receive those proceeds quickly.

If you would like more information on life insurance please contact Ian Armstrong or Michael Tsakaros at HQB Financial Services on 02 6652 2333 for a free consultation.

Kokoda Update

As you read this newsletter our intrepid travellers are trudging through mud up to their knees, fending off leaches and generally having a rip-roaring time on the Kokoda Track in Papua New Guinea. We wish them all the best on this physically and emotionally tough endeavour, and will feature some tales from the trek in our next newsletter.



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This newsletter is compiled as a helpful guide for your private information and is subject to copyright.

We suggest that you do not act solely on the basis of material contained in this newsletter because items are general comments only and may be liable to misinterpretation in particular circumstances.

We recommend that our advice be sought before acting on any of these crucial areas.