

June 2009

# Taxation & Superannuation

## 30 June—Some Things To Consider

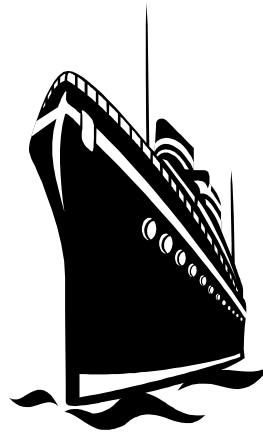
30 June is fast approaching so it is important to stop and assess whether you are taking full advantage of all the opportunities for the end of this financial year.

Putting more money into your super before 30 June 2009 allows you to take advantage of any benefits.

This is particularly important this year .

As announced in the recent Federal Budget, the government has halved concessional contributions effective 1 July 2009.

It needs to be said— Don't let tax drive a decision, make the decision and then tax test the merits of it, don't make a tax decision first.



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## The New Tax Scales—Individual Marginal Tax Rates

Current Tax Threshold 1 July 2008	Tax Rate (%)	New Tax Threshold 1 July 2009	Tax Rate (%)
\$0—\$6,000	0	\$0—\$6,000	0
\$6,001—\$34,000	15	\$6,001—\$35,000	15
\$34,001—\$80,000	30	\$35,001—\$80,000	30
\$80,001—\$180,000	40	\$80,001—\$180,000	38
\$180,000 +	45	\$180,000 +	45

New Tax Threshold 1 July 2009	Tax Rate (%)	Tax Payable (Resident)
\$0—\$6,000	0	Nil
\$6,001—\$35,000	15	Nil + 15% of excess over \$6,000
\$35,001—\$80,000	30	\$4,350 + 30% of excess over \$35,000
\$80,001—\$180,000	38	\$17,850 + 38% of excess over \$80,000
\$180,000 +	45	\$55,850 + excess over \$180,000

## Do Good and Feel Great

It is said that your level of happiness increases exponentially the more you give. In these difficult times why not donate to your favourite charity and get a tax deduction for your efforts.

The ATO has facilitated the claim-

ing of deductions for donations to victims of the Victorian Bushfires and Northern Queensland floods by:

- Allowing donations of up to \$10 to be claimed without the usual need for a receipt and

- For donations made online or over the phone, a credit card statement or web receipt is sufficient evidence of donation

## Spend Up on Business Assets

If you intend on buying new assets for your business, now is the time to spend! A temporary investment allowance of up to 50% for businesses has been announced by the Rudd Government. For small businesses (less than \$2 million annual turnover) the proposed legislation allows you to claim a bonus deduction of 50% of the cost base of an eligible asset that you contract for, start to construct between 13 December 2008 to 31 December 2009 provided you start to use or have the asset installed ready for use by 31 December 2010. Other businesses will be entitled to a deduction of 30% for capital investments of \$10,000 or more.

Cars (including luxury cars) and other motor vehicles attract the allowance (except for cars that are using the

cents per kilometer method of claiming tax deductions).

It is generally only available for the cost of new assets or cost of improving existing assets. Therefore you cannot claim for the acquisition cost of second hand assets.

The assets must be used in Australia for the principle purpose of carrying on a business. Tax-payers with rental properties are exempt.

Land, trading stock and intangible assets (such as computer software) are

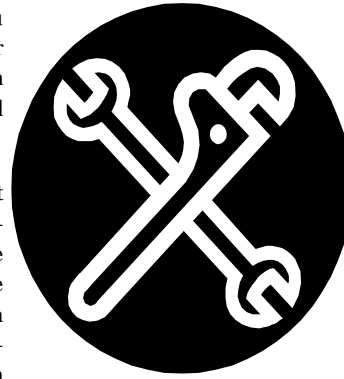
specifically excluded from the allowance.

The assets may be used for purposes other than in the business, provided they are used 'for the principle purpose of carrying on a business in Australia'.

If you dispose of the asset or stop using it principally for business use within 12 months there are no claw backs.

The allowance includes eligible assets such as office furniture, computers, office equipment but not software.

Please check with your accountant for full details.



## Take Advantage of Education Tax Refund



Do you have children at school incurring significant expenses? Take advantage of the Government's education tax refund. Eligible families will be able to claim a 50% refund every year through their tax return for key education expenses up to the value of \$750 for each child undertaking primary studies and \$1,500 for each child undertaking secondary studies. The following are kinds of purchases eligible

under the tax refund: laptops, home computers, home internet connections, text books and stationery.

Eligible families are those entitled to receive Family Tax Benefit (Part A) payments with children undertaking primary or secondary studies for the relevant financial year.

## Accelerate Your Expenses

Prepaying qualifying expenses (interest, rent and the like) up to 12 months in advance will enable you to accelerate the deduction for those expenses. You should ensure the expenses do qualify for a deduction now. Consider your income, expenditure and cash flow for the year you seek the deduction compared to the projections for the years following. There is no point accelerating expenses you cannot afford to pay.

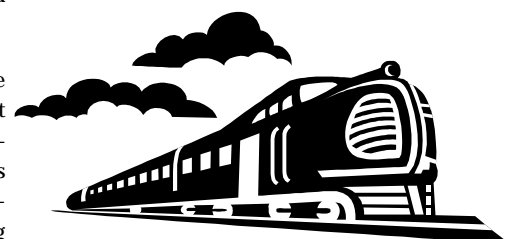
Understand your past and having a plan for the future will help to maxi-

mize tax return benefits annually.

Businesses, consider writing off bad debts at the end of the taxation year, remember to do this you must be of the opinion the debt is bad, and unlikely to be recoverable.

Review and take appropriate repair and maintenance works at the end of the taxation year, especially on rental properties. As long as it is for repairs and maintenance for an income producing asset, and not capital works, the

cost should be income tax deductible. Please confirm with your accountant.



# Superannuation Strategies

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### Government Co-Contribution

Anyone who earns less than \$60,342 for the 2008/09 financial year (including self-employed) and makes a personal contribution into their super account before 30 June will receive an additional super contribution from the Government of up to \$1,500. This strategy can generate an immediate 150% tax free return.

### Making spouse contributions

Each financial year, if you have a spouse on a low income (assessable income including reportable fringe benefits is less than \$13,800) you can receive a tax rebate for making a contribution into your spouse's super fund while also making a direct saving against your tax liability. All this for just boosting your partner's super.

### Personal Super Contributions

If you are self employed or under 65 and not working, you may be able to reduce your taxable income and personal income tax liability by making personal super contributions. If you have sold an asset in the last year that realized significant gains, you could also offset any personal income tax that would have been payable on capital gains.

### Salary Sacrifice

Perhaps you will be getting a pay rise or an end-of-year bonus. Salary sacrificing is the perfect opportunity to take advantage of the tax break, with the maximum tax rate being 15%. You may also wish to review your super contribution levels to help boost your retirement income.

### Maximising Superannuation Contributions

The tax free status of super post age 60 now makes it the most tax effective form of savings. This is why it makes sense to achieve a longer term savings through maximizing concessional and non-concessional contributions.

You should make the most of thresholds for a concessional contribution to super, especially this financial year as the threshold has been halved effective 1 July 2009.

Regular additional super contributions are also better from an asset protection perspective. Generally, super is protected from bankruptcy, the more regular the pattern, the more protection.



Where to in retirement?

“We can't predict the future ..... but we can help you plan for it”

## Keep Good Records

Having the most iron-clad and effective tax planning will count for nought if you cannot prove it when the ATO comes knocking.

Under Australian tax law you are required to keep the records that evidence the income and expenditure you claim, generally the records are to be kept for a period of 5 years from the relevant date. For most

records the 5 years will commence from the date of the notice of income tax assessment, however, for some issues such as capital gains taxable asset, the 5 years may commence following the disposal of the asset.

If you are worried about chopping down more trees, electronic records are acceptable.

Good record keeping also assists in the forward planning process. For example, reviewing your allowable deductions will help you to avoid overlooking potential deductions.

