

The release of the second edition of our Client Newsletter marks the busiest time of year in the financial calendar. Tax time is once again upon us. We have included a 'Four Step Guide' to help you with your return preparation.

We'd also like to introduce you to the team at Conrad Carlile. Each edition of the Newsletter will give you a brief insight into one of the staff members. This edition kicks off with the owner of the business, Katie Picking.

But first, we take an in-depth look at the major Budgetary changes.....

Budget 2009

The Federal Government through the budget released a number of new measures which will impact upon income earners and investors once implemented. Although the Budget outlined changes in a number of areas including infrastructure, health and education, our focus will be on the issues that may affect you.

Business investment allowance details finalised

Following the Federal Government's Budget announcement on 12 May 2009, the details of the Small Business and General Business Investment Allowance have been finalised by Parliament.

The Government announced that it will expand the Tax Break to provide additional assistance to small business entities (SBE) with an annual turnover of less than \$2 million.

A bonus deduction of 50% (increased from 30%) will be available to SBE that order an eligible asset between 13 December 2008 and 31 December 2009, and install it ready for use by 31 December 2010.

There is no change to the proposed scheme for larger businesses. Businesses with an annual turnover greater than \$2 million can continue to access the Tax Break at 30% for eligible assets contracted for prior to 30 June 2009, and 10% for eligible assets that they commit to investing in between 1 July 2009 and 31 December 2009. The minimum investment for qualifying assets remains at \$10,000 per asset.

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Below is a summary of the Business Investment Allowance timelines as approved by Parliament.

Small business taxpayers:

	Acquired by:
Installed by:	31 December 2009
30 June 2009	50% in 2008/09 financial year
30 June 2010	50% in 2009/10 financial year
31 December 2010	50% in 2010/11 financial year

All other taxpayers:

	Acquired by:	Acquired by:
Installed by:	30 June 2009	31 December 2009
30 June 2009	30% in 2008/09 financial year	-
30 June 2010	30% in 2009/10 financial year	10% in 2009/10 financial year
31 December 2010	10% in 2010/11 financial year	10% in 2010/11 financial year

Superannuation initiatives:

Contribution caps

The Government will reduce the following two concessional contributions caps:

- From 1 July 2009, the concessional contributions cap for individuals aged under 50 will be reduced to \$25,000 per annum (from the existing \$50,000 indexed amount).
- The transitional concessional contributions cap (applicable to individuals aged 50 or more for the 2010, 2011 and 2012 financial years) will be reduced to \$50,000 per annum (from the existing \$100,000 amount).

Non-concessional contributions cap recalculated

The annual cap on non-concessional contributions is \$150,000 per annum for the 2008/09 financial year and will remain at that level for the 2009/10 financial year. The ATO previously announced that this cap was going to increase to \$165,000 for the 2009/10 year.

Minimum pension drawdowns halved for self-funded retirees

In recognition of the impact of the global downturn on account-based pensions, the 50% reduction in the minimum drawdown amount that applied for the 2008/09 financial year has been extended for a further 12 months.

This reduction applies to account-based pensions, transition to retirement income streams, allocated pensions and market linked pensions.



Government co-contribution

There will be a temporary reduction in the superannuation co-contribution matching rate. Eligible individuals currently receive \$1.50 for every \$ they contribute – a matching rate of 150%. This will be reduced to 100%. The matching rate will return to the current level in the 2014/15 financial year.

Other budget announcements:

- The age pension age (for both men and women) will be gradually increased from age 65, commencing on 1 July 2017, and reaching age 67 on 1 July 2023.
- The First Home Owners Boost (FHOB) has been extended for an extra six months. For eligible first home buyers entering into contracts between 1 July 2009 and 30 September 2009, the FHOB will continue to provide \$7,000 for the purchase of established homes and \$14,000 for new homes. This means that including the \$7,000 First Home Owner's Grant, until 30 September 2009, purchasers of new homes will continue to be eligible for \$21,000 of assistance, and purchasers of existing homes will continue to be eligible for \$14,000 of assistance.
- Family payments will be reformed. In particular, from 1 July 2009, for a period of three years:
 - ◇ the Family Tax Benefit Part B primary earner income threshold will remain at \$150,000;
 - ◇ the income threshold for receiving dependency tax offsets will remain at \$150,000;
 - ◇ the Baby Bonus eligibility threshold will remain at \$75,000 family income for six months following the birth or adoption of a child;
 - ◇ the higher income free area of Family Tax Benefit Part A will remain constant.
 - ◇ the Family Tax Benefit Part A lower income free threshold (currently \$42,559) and the Family Tax Benefit Part B secondary earner (currently \$4,526) will continue to be indexed annually in line with increases in the CPI.



Identifying opportunities resulting from legislation changes like the Budget requires significant time and effort. The team at Conrad Carlile believe that everyone should have the opportunity to realise a brighter future. Setting goals and working towards them can be a positive experience. If you have any questions in relation to the information provided in this newsletter, please contact your accountant for assistance.

Cut to PAYG Instalments for Small Business for 2009/10 Financial Year

The Government has announced that it will cut the quarterly PAYG instalments for the 2009/10 financial year for taxpayers whose quarterly tax instalments are adjusted for previous years' Gross Domestic Product (GDP) growth.

The Government will use the expected increase in the CPI for 2009/10 of 2% (rather than the previous years' GDP growth of 9%) to calculate tax instalments.

Low Income Tax Offset (LITO)

From 1 July 2009, the LITO will increase from \$1,200 to \$1,350, and will continue to phase out from a taxable income of \$30,000.

Taxpayers eligible for the full LITO will not pay tax until their annual income exceeds \$15,000 (up from \$14,000) and minors will not be taxed until annual income exceeds \$3,000 (up from \$2,666).

Tax Refund for Educating Your Children

From 1 July 2008, parents can claim a tax refund every year for educational expenses limited to:

- \$750 for each child in primary school (maximum refund of \$375 per child per year);
- \$1500 for each child in secondary school (maximum refund of \$750 per child per year).

In order to claim the tax refund you must be entitled to Family Tax Benefit part A. If parents would be eligible for Family Tax Benefit part A except for the fact that the child is receiving certain payments or allowances such as Youth Allowance, Disability support pension or ABSTUDY, they may still be eligible for the education tax refund.

Eligible expenses for the education tax refund include (as called by the Treasurer):

- School text books
- Stationery
- Trade tools used at school
- Laptops
- Home computers and associated costs
- Printers
- Educational software
- Home internet connections



Example

Keith and Nicole have two children. Rose is in grade 3 and Violet in grade 10. They purchase a laptop for Violet for \$1500 and some educational software and text books and stationery for Rose for \$750. They will be able to claim 50% of these costs in one of their returns resulting in an extra \$1125 refund.

If you spend more than the limit, then these expenses can be carried over to the next financial year. The tax refund will be claimed each year in the tax return.



Team Profile



Katie Picking is the owner/principal of Conrad Carlile. Katie was born and raised at St. George, Queensland, on a sheep and cattle property. She is one of four siblings. Katie spent five years at boarding school in Brisbane before completing University degrees in Exercise Physiology, Nutrition & Dietetics, a Masters in Accounting and the CPA qualification. She is the recipient of several academic excellence awards. Katie has a keen interest in the rural sector and when not crunching numbers, she can be found chasing her cattle at Charleville. She is a talented sportswoman, with a long list of sporting achievements to her name.

Four Step Guide to Return Preparation

Step 1: Get your records straight

To help prepare your tax return so you can be confident that it accurately reflects your optimum tax position, the starting point is assembling all your tax records. You will need to put together all the relevant records, which include evidence of:

- Your income (Payment Summaries for your salary and wages, dividend and interest income statements, rental property income, and any information on the sale of any of your assets during the year like the sale of an investment property or shares); and
- Your allowable deductions (invoices, receipts of expenditure)

Step 2: Identify your assessable income

Keep in mind that your total assessable income could well be more than just your salary. If you have investment income (eg. Dividends or interest) or cash income (eg. Tips and gratuities) make sure you keep a record of them and let us know about them.

If you're not sure whether some income you've received is taxable, it is best to tell your accountant about it so they can work out the correct tax treatment for you.

Here is a checklist of some of the more common types of assessable income:

- Salary and wages
- Interest and dividend income
- Pensions or annuities
- Capital gains on any asset sales during the year
- Tips, bonuses and gratuities
- Allowances paid by your employer
- Lump sum payments

Step 3: Maximise your deductions

As an employee, you may be able to claim a range of work-related expenses, as well some non-work related items like donations of more than \$2 to an approved charity.

Here is a checklist of some of the more common work-related deductions:

- Special work clothing
- Work-related travel expenses
- Self-education expenses relevant to your current employment
- Subscriptions and union fees
- Home office expenses



Step 4: Make the most of tax offsets

As with previous years, the ATO is still finding that taxpayers are not taking advantage of a number of rebates (or 'tax offsets') and other concessions. Tax offsets reduce any tax you may have to pay on your taxable income and can in some instances even result in a refund.

Talk to your accountant to make sure that you are not overlooking an offset that may be of benefit to you (such as the medical expenses offset).

The information in this newsletter is general commentary only and should not be considered advice. You should not act solely on the basis of the material contained in this newsletter. We recommend that you seek our formal advice prior to acting. Liability limited by a scheme approved under Professional Standards Legislation.