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Practice Update

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JULY 2009

New tax rates and thresholds from 1 July 2009

Editor: Following is a snapshot of the new Individual Resident tax rates and thresholds applying from 1 July 2009, with the changes from last financial year highlighted in bold.

Taxable Income (\$)	Tax Payable
0 – 6,000	Nil
6,001 – 35,000	15% of excess over \$6,000
35,001 – 80,000	\$4,350 + 30% of excess over \$35,000
80,001 – 180,000	\$17,850 + 38% of excess over \$80,000
180,001+	\$55,850 + 45% of excess over \$180,000

Work-related expenses: Back on the ATO's radar

The Australian Taxation Office (ATO) is launching a work-related expenses program telling people what they can claim in their 2009 returns.

The Tax Office looks closely at tax returns from last year and identifies particular occupations where:

- ◆ average amounts of claims are high;
- ◆ there is an increase in the number of people making claims; and
- ◆ there are a lot of people making claims for the first time.

This year, the ATO will write to around 180,000 employees in the following occupations outlining common mistakes and providing advice on how to avoid these mistakes in this year's tax return:

- truck drivers;
- sales and marketing managers;
- sales representatives; and
- electricians.

Some of the mistakes the ATO has seen from employees in these occupations include:

- claiming motor vehicle expenses associated with transporting bulky tools when not entitled;
- failing to keep appropriate records to support claims for internet and mobile phone use;
- over-claiming home office expenses such as rent, rates and electricity;
- not keeping an up-to-date log book when required for claiming motor vehicle expenses; and
- claiming the living-away-from-home allowance when they're not entitled to it.

Taxpayer Alerts: Inappropriate loss schemes

The ATO is closely reviewing three arrangements that attempt to falsely generate claims for inappropriate tax losses.

Although the ATO expects to see an increase in tax losses in the current economic environment, they will be carefully scrutinising claims to ensure taxpayers only claim losses to which they are entitled.

Re-characterising capital losses as revenue losses

The ATO warns it is paying close attention to people who attempt to claim losses as share traders on a revenue account where previously they claimed to be long-term investors eligible for the CGT 50% discount.

Managed Investment Schemes: purported partnership participation

The ATO has seen attempts by promoters to sell interests in managed investment schemes (MIS) to groups of individual investors on the basis that they will be 'partners' in a partnership and will be able to claim upfront deductions for their interests in the MIS.

The ATO reminds taxpayers they can only rely on a product ruling if it is implemented in accordance with the arrangement in that product ruling and warns that partnerships of the type in this alert are not covered by Tax Office product rulings or other tax clearances.

CGT consequences of assignment of default beneficiary's capital interest

Under this arrangement a taxpayer attempts to create or claim a capital loss arising from the artificial receipt and surrender of an interest in a discretionary trust as a default beneficiary.

Tax Office Benchmarking

The Tax Office is developing a range of Business performance benchmarks to complement its Industry Input Benchmarks.

These benchmarks will be targeted at the cash economy, so that businesses can use them together with (soon to be launched) personal living expenses worksheets to see how likely it is that they may expect a visit from the Tax Office.

Using industry data, the ATO will calculate average Cost of Goods Sold, Labour and Rent per \$100 of sales for certain businesses, such as coffee shops and plasterers, and will then use these figures to work backwards to "guesstimate" a business's anticipated Gross Income.

Editor: This is currently in draft form, but we are keeping an eye on how it may affect our clients.

Cash-strapped small business – Help from the ATO

The ATO has announced new measures to help small businesses that are struggling to manage their tax debts in the current economic climate.

12 month GIC-free payment arrangements

Businesses with an annual turnover of less than \$2 million with an activity statement debt can apply to the ATO for a GIC-free payment arrangement from now until 30 June 2010.

Editor: 'GIC' is the 'General Interest Charge', or interest payable on the debt, currently 10.13%

They will have the GIC remitted for a maximum period of 12 months, provided the payment arrangement is maintained.

Deferred activity statement payment due dates

Small businesses can also request a deferral of payment on their next activity statement.

Businesses with short term cash flow problems that pay quarterly and annually may be granted a deferral of up to two months, with those that pay monthly eligible for up to one month.

Activity statements still have to be lodged on time, but no interest will apply for the period of the deferral.

Editor: Please contact us if you would like us to approach the ATO on your behalf.

Super guarantee 2009/10: Maximum superannuation contribution base

The maximum superannuation contribution base for 2009/10 is \$40,170. This is the maximum limit on any individual employee's earnings base for each quarter of 2009/10.

Editor: That is, the maximum amount of super an employer is required to contribute for a particular employee is 9% of this maximum superannuation contribution base each quarter.

CGT improvement threshold

For the 2009/10 income year, the improvement threshold, which is used for working out when a capital improvement to a pre-CGT asset is a separate asset, and for capital improvements to CGT assets where a rollover may be available, is \$124,258.

<p>Please Note: Many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the information's applicability to their particular circumstances.</p>
