

End of Year Tax Checklist

The best way to ensure that your tax return is completed in the most efficient manner is to provide all information to your accountant from the outset. We have detailed below the documents and information that should be provided upon visiting your accountant.

- Back up copies of any relevant computer files. Please advise us of what version of software you are using and any password.
NOTE: Even if supplying your information electronically, we also ask that you provide the following supporting information.
- Bank statements for the period 1 July to 30 June. Alternatively, if a bank reconciliation has been prepared the statement at 30 June should be sufficient.
- Term Deposit notices.
- Dividend slips for dividends received during the year. Alternatively, a summary of dividends received should be provided detailing franked, unfranked and imputation credit amounts.
- Copies of contract notes for listed or unlisted shares or units in unit trusts purchased or sold during the year.
- Closing stock on hand values at year end.
- List of trade creditors and trade debtors at year end.
- Livestock numbers held at 30 June.
- Details of any debts, which are bad or considered doubtful.
- A copy of the Payment Summary Statement and individual Payment Summaries for employees.
- A copy of your Private Health Insurance Annual Tax Statement.
- Copies of monthly or quarterly Business Activity Statements.
- Any new hire purchase, lease agreements or loans entered into during the year.
- Details of any private portion of expenses (telephone, travel, motor vehicle expenses, light & power etc.)
- Copies of Log Books kept for motor vehicles.
- Copies of legal expenses invoices paid during the year to determine their tax deductibility.
- Details of any donations made during the year to determine their tax deductibility.
- Details of insurance expenses paid during the year.
- Details of any capital asset additions or disposals.
- Details of any business expenses paid personally by directors either by cash or credit card.
- Copies of any recipient generated invoices that relate to your income

QUICK YEAR END TIPS FOR 2010

- ✓ Pay all required superannuation contributions by 30 June 2010.
- ✓ Do a stock-take of all stock on hand as at 30 June 2010. Check for any obsolete stock and value accordingly.
- ✓ If you have purchased a rental property, do you have a Quantity Surveyor Report?
- ✓ Farm Management Deposits need to be made by the 30 June 2010.
- ✓ Pre-pay interest and other expenses.
- ✓ Review if capital gains have been made and whether any capital losses can be realised before 30 June 2010.
- ✓ Talk to us before the 30 June 2010.
- ✓ Check out our website for regular updates.

IMPORTANT DISCLAIMER: This is not advice. Clients should not act solely on the basis of the material contained in this newsletter. Items herein are general comments only and do not convey advice per se. Also changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of these areas. This newsletter is issued as a helpful guide to clients and for their private information. It should be regarded as confidential and not be made available to any person without our prior approval.



PATISON PARTNERS

CERTIFIED PRACTISING ACCOUNTANTS

2010 CLIENT NEWSLETTER

Welcome to the Patison Partners June 2010 Client Newsletter. The end of the financial year is a key time to focus on tax and financial planning. We believe effective tax planning should be a year-round consideration. With the somewhat precarious nature of the global economy it is essential that all individuals and businesses are well prepared for financially testing times. We are committed to working with you during these challenging times.

With the ever changing taxation laws and rules, this newsletter is only a guide to some of the key issues going forward. If you have any questions or wish to clarify a particular issue, please call us. If you have friends or associates who might be interested in our services or this newsletter, feel free to share this with them.

In This Newsletter:

- Introducing Adjusted Taxable Income
- Non Commercial Losses
- ATO Attack on Trusts & Unpaid Present Entitlements
- Division 7A Loans
- Budget 2010
- Estate Planning Tool
- Bookkeeping
- Financial Planning

INTRODUCING ADJUSTED TAXABLE INCOME

The Australian Taxation Office (ATO) will use new income tests when working out certain government benefits and obligations administered by the ATO and other government organisations. The changes do not alter the benefit thresholds but may alter how much benefit you will receive.

Accordingly, from 1 July 2009, the ATO will be using 3 new measures:-

- Adjusted taxable Income (ATI)
- Rebate Income (RI); and
- Income for Surcharge Purposes (ISP)

Adjusted taxable income will be calculated by adding to your taxable income, other income and benefits as follows:

- Adjusted fringe benefits, **plus** tax free pensions or benefits, **plus** target foreign income, **plus** reportable superannuation contributions, **plus** total net investment losses, **less** deductible child maintenance expenditure.

The new tests will be used by Centrelink and the Child Support Agency for their assessments, and will be used by the ATO to determine eligibility for various rebates and tax offsets.

From 2009/2010, employers will have to show reportable super contributions on the PAYG summary for the first time. Reportable super contributions are contributions made on your behalf that exceed the mandated superannuation guarantee or trust deed minimum contribution. **It is important that the correct figures are included as this will indirectly impact you and your employees.**

Should you require assistance in the preparation of the PAYG Summaries, please contact our office as soon as possible.

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www.patison.com.au



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NON-COMMERCIAL LOSSES

The basic non-commercial loss rules have been in operation for several years and need to be applied when a net loss is derived from a business activity carried on by a sole trader or a partnership. An additional test has been introduced for the 2009-10 and later income years targeting high wealth individuals.

From 1 July 2009, your total adjusted income must be less than \$250,000 in order to satisfy this test. You also need to pass one of the four original tests before claiming the loss against your taxable income. If you fail this test, then your loss from the business activity cannot be offset against your other taxable income.

Whilst some exceptions exist you may need to plan and talk to us before 30 June 2010 so this test is not failed.

ATO ATTACK ON TRUSTS & UNPAID PRESENT ENTITLEMENTS

In December 2009, the ATO released a draft ruling (TR 2009D8) outlining how Division 7A should apply to private companies with an unpaid present entitlement from a trust. This is not an uncommon practice or strategy, however, the ATO has decided to alter its interpretation which it previously held over the last 10 years.

So what does this mean?

Division 7A was enacted to ensure that private companies are not able to distribute profits to shareholders or associates by way of non-arms length payments or loans rather than as taxable dividends. Where Division 7A applies, such payments and loans are treated as dividends in the hands of the shareholders or associates. The dividend is then taxed based on your marginal tax rate.

The ATO intends to treat these unpaid present entitlements as a Division 7A loan and effectively tax it again. This does not seem like a fair tax system!! Our professional bodies have made numerous submissions to the ATO and government on this issue. We must wait for the final ATO ruling to see what the final position shall be with this issue. We will keep you informed of the outcome.

DIVISION 7A LOANS

If you have a private company and the company has made a payment or loan to you or your associate under a loan agreement, then you need to ensure the minimum repayment is made before 30 June 2010. Minimum repayments not made will be treated as unfranked dividends.

Should you require details of what minimum repayment is required, please contact us before the 30 June 2010.



Our Tip #1 Review Company Loans

Division 7A loans must satisfy specific rules in order not to trigger any adverse tax consequence. Please call us to discuss the various options.

BUDGET 2010

Here is a brief outline of some of the tax-related changes announced in the Federal Government's 2010 Budget. We encourage you to contact us if you require any further detail to suit your personal circumstances.

INDIVIDUALS & FAMILIES

Income Tax Rates Changed: The threshold for the 15% bracket has increased from \$35,000 to \$37,000 and the 38% rate for the \$80,000 - \$180,000 bracket is reduced to 37%. The 2011 rates are:

Taxable Income (\$)	Rate (%)
0-6,000	0
6,001-37,000	15
37,001-80,000	30
80,001-180,000	37
180,001+	45

Low Income Tax Offset increased: From 1 July 2010 the low income tax offset will increase from \$1,350 to \$1,500 thereby increasing the effective tax-free threshold to \$16,000 for people earning \$30,000 or less.

Medicare Levy threshold increased: The thresholds will be increased to \$18,488 for individuals and \$31,196 for families with effect from 1 July 2010.

50% discount for interest income: From 1 July 2011 the Government will provide individuals with a 50% tax discount for the first \$1,000 of interest earned. The discount will be available for interest income earned directly from an authorized deposit taking institute (eg; Banks, Credit Unions etc) or indirectly via a trust or a managed investment scheme.

Standard Deductions for Work Related Expenses: Individual taxpayers will be entitled to an optional standard deduction of \$500 from 1 July 2012. This will increase to \$1,000 from 1 July 2013. Where the individual has in excess of the standard deduction, they will be able to continue to claim those expenses when lodging their tax return under the existing rules.

The value of the deduction will depend on your marginal tax rate.

Medicare Expense Tax Offset threshold increased: The threshold will be increased from \$1,500 to \$2,000 with effect from 1 July 2010. The threshold will also be indexed to CPI from 1 July 2011.

SUPERANNUATION

Superannuation Co-contribution: The Government will permanently match eligible contributions at 100% and will freeze the indexation applying to the threshold. This means the matching contribution is up to \$1,000 for people with incomes of up to \$31,920 in the 2010 income tax year. The threshold where no superannuation co-contribution is payable is \$61,920. The thresholds will remain at these levels for the next two years.

Superannuation Guarantee (SG): As part of the Government's response to the Henry Tax Review, the SG rate will increase from 9% to 12% by 2019/20. The SG will increase in steps beginning from 2013/14. Furthermore, the maximum age limit of 70 is increased to 75 from 1 July 2013.

Government Superannuation Contribution: A contribution of up to \$500 will be paid annually to individuals with adjusted taxable income of up to \$37,000 per annum. This amount will be paid directly into a complying superannuation fund.

SMALL BUSINESS, COMPANIES & TRUSTS

Company Tax Rates: A qualifying small business company will have the rate reduced from 30% to 28% from 1 July 2012. For all other companies, the tax rate will reduce to 29% from 1 July 2012 and to 28% from 1 July 2014.

Business asset write-offs: A small business will from 1 July 2012 be able to claim an immediate tax deduction for qualifying business assets valued up to \$5,000. This is an increase from the current value of \$1,000.

Single Small Business Pool: A small business from 1 July 2012 will be able to pool all depreciable assets into one pool and apply a single rate of 30%.

ATO COMPLIANCE PROGRAM

Increase ATO audits: The Government has allocated an additional \$108 million over 4 years to the ATO to assist with data matching programs aimed at small business operating in the cash economy.

We believe the level of ATO audit activity in general will increase dramatically in the next few years. This is quite common after an economic downturn.



Our Tip #2 Audit Insurance

An ATO audit can be quite costly and time consuming. Audit insurance helps mitigate these costs should you be subject to an audit. Please contact us if you would like us to arrange audit insurance for you.

ESTATE PLANNING TOOL

Estate planning is one of those things which everyone knows has to be done but quite often it ends up being too late, confusing and messy. The executor of an estate is often faced with the daunting task of unravelling a lifetime within a relatively short period of time.

So what can you do to make this process less daunting?

We have recently introduced an estate planning manual known as "For Your Peace of Mind". This manual has been set-up in a logical order whereby you provide answers and information to a series of questions.

The "For Your Peace of Mind" manual will act as a Family

Information Album which will be invaluable to the executors and family in general.

If you require any further information regarding this new estate planning tool, please contact Yvonne Pike from our office.

BOOKKEEPING

As accountants we recognize the vital role of bookkeepers in the recording of client's data. Our bookkeeping arm known as IT Figures, is designed to provide you with a complete business solution. This service enables timely and accurate financial reports, which give quality information to your accountant at end of year.

Our bookkeepers and system consultants are experienced in a wide variety of industries and software packages and have extensive training in accounting. IT Figures can also provide training for individuals who wish to perform the bookkeeping for their own business.

IT Figures can assist you in the following areas:

- Bookkeeping
- BAS & GST Reporting
- Group or Individual Training
- Installation, Design & Setup of Systems
- Payroll & Payment Summaries
- Software Sales
- System Consulting
- Technical Support



Our Tip #3 Review your Accounting software

Check if your Accounting Software is up to date with current legislation. Please call our IT Figures team if you require assistance.

FINANCIAL PLANNING

Whether you are approaching retirement, starting out in business or looking to establish investments to provide for your family's future – you will find an appointment with our financial planners well worth your while. We have a direct relationship with OzPlan Financial Services Pty Ltd licence No: 221235, who can provide you with a no-obligation free initial appointment to assist your financial planning.



We Are Here To Help

Make good use of us! This guide is merely a starting point, designed to help you identify areas that might have a significant impact on your tax planning.

Please keep us informed of your plans and consult us early for help in taking advantage of tax-saving opportunities and tax efficient investments.

