



SPV Update

Please read this update
and contact this office
if you have any queries

June 2011

2011 Budget Highlights

Families

Phasing out the Dependent Spouse Tax Offset for taxpayers with a dependent spouse who turns 40 on or after 1 July 2011 will reduce disincentives to work. The Govt will phase out the dependant spouse tax offset for taxpayers with a dependent spouse born on or after 1/7/1971.

The Government will extend 'Earn or Learn' requirements to those aged 21. This is part of broader changes to Youth Allowance (other), which will delay eligibility for Newstart Allowance by one year and reward young workers with a more generous income test. From 1 July 2012, Newstart will be closed to new applicants under 22yrs old

The Government will provide \$772 million to increase Family Tax Benefit Part A for dependent 16 to 19 year olds in full-time secondary study, to help families meet costs and support their teenagers to stay in school.

Expanding the Education Tax Refund (ETR)

Cover school uniforms, including optional uniforms and sports uniforms. This applies to uniforms purchased after 1 July 2011.

Tax

To reduce access to income splitting by high-income earners, the Low Income Tax Offset will no longer be available for the unearned income of minors, from 1 July 2011. An example of unearned income is a distribution from a discretionary trust

Tax Write-off

From 2012-13, assistance to small business will be delivered instead through a company tax rate cut to 29%, instant write-off of all assets costing less than \$5,000, and a new measure allowing an immediate deduction for the first \$5,000 of a motor vehicle. The remaining cost is depreciated at 30 per cent (15 per cent in the purchase year), which was the previous treatment for the entire cost of the motor vehicle.

Fringe Benefits Tax

The Govt will reform the current "statutory formula" method for determining the taxable value of car fringe benefits by replacing the current rates with a single rate of 20% regardless of distance travelled. Starts with new contracts 10/5/2011 and will be phased in over 4 years.



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. Liability limited by a scheme approved under Professional Standards Legislation.

Medicare Levy

Flood and Cyclone Levy (only effect 2011 -12) – Those taxpayers with a taxable income in 2011-2012 of \$50,000 or less will not pay the levy. Taxpayers with taxable incomes between \$50,001 and \$100,000 will pay .5% above of their taxable income above \$50,000. Taxpayers with taxable income over \$100,000 will pay .5% over \$50,000 and 1% over \$100,000.

Exemptions to the levy:

- Received an Australian Govt Disaster Recovery Payment (AGDRP) for a disaster event in 2010-11;
- Is directly affected by a national disaster recovery and relief arrangement (NDRRA) declared disaster in 2010 – 2011

Tax Time 2011

With tax time fast approaching I thought I would include a few tips to help reduce tax. As always please call and discuss options before you implement them as the information is general in nature.

Expenditure

- Bring forward any deductible expenditure you planned to undertake after June 30, e.g. If your vehicle is due to be serviced in July get it serviced now;
- Equipment and tools etc under \$1000 is an immediate tax deduction;
- Other expenses you might consider bringing forward include advertising, donations, repairs, consumables and spare parts etc

Remember with this form of tax planning the aim here is just the deferral of tax.

Super Contributions

If you are looking for an actual tax saving, your self employed and meet certain conditions you might consider the payment of extra super. Super contributions are taxed at 15% in the super fund while that extra income could be taxed at 31.5% or 46.5% depending on your tax threshold.

Bad Debts

If you are on the non cash (accruals) tax system and you have bad debts or it is highly unlikely that you will be paid for your services or product, if you physically write off that debt you will be entitled to a deduction. Please bear in mind that if you continue to send out invoices/statements to a debtor after June 30, the ATO will treat that you have not physically written off the debt as you are still chasing payment.

Compliance project: Government stimulus payments

The ATO has recently started a compliance project that focuses on businesses that received government stimulus payments.

As part of this project, they have received information about payments made to businesses under the Home Insulation Program and Building Education Revolution, and compared this information to their other records.

The ATO will send about 5,000 advisory letters in total to businesses that have received stimulus payments to remind them they must report this income in their income tax returns and activity statements where applicable.

Until next issue

SPV accounting

Principal:

Seb Vecchio

Contact

seb@spvaccounting.com.au

Address

2 Ponderosa Dr
Cooroy QLD 4563
P (07) 5442 6884
F (07) 5447 7406

Admin/Bookkeeper: Tracy Vecchio

tracy@spvaccounting.com.au
www.spvaccounting.com.au