

# The Bean Counter

HARDING MARTIN  
CHARTERED ACCOUNTANTS

July 2008

## Office Hours

Extended trading hours apply during July, August and September. During these months we will be open on Saturdays from 9am to 4pm, by appointment only.

## Secure Your Financial Future

Do you want to secure the financial future of yourself and your family, and at the same time minimise the amount of tax you pay? Come and see Rob Rush, our resident financial planner. It maybe important to take advantage of the superannuation changes in the latest Budget.

## Retain those receipts!!!

Remember the importance of receipts and other documentation! The Australian Taxation Office (ATO) can call for the documents at any time, so proper storage of these documents is essential. It is imperative that you collect and retain these documents, as many claims cannot be made without them. For many taxpayers most documents only need to be kept for five years, however if an item is being depreciated then the original receipt must be kept for five years after the last claim has been made. Items or assets that are subject to capital gains tax on sale or disposal must also be fully substantiated, therefore all documents relating to these items or assets must also be retained.

## Our increasingly popular Tax by Mail Service

### SAVES TIME ALL ROUND

If you would like us to prepare your return with the information mailed or dropped in, the following details will be needed to allow us to prepare your income tax return promptly:

- Your full name
- Full name of spouse
- Contact telephone number – business hours
- Current residential address
- Current postal address
- Occupation
- Names and dates of birth of dependent children
- Have you changed your name since your last return?
- All relevant details from the enclosed checklist

## AUDIT ACTIVITY 2007

The ATO has announced it will particularly focus on work-related expenses and allowances including travel, self-education, uniforms, laundry and cars. They expect to contact over 240,000 taxpayers across a wide range of occupations. Some taxpayers will be required to provide additional information, including log books, to verify their claims.

### Occupations under the spotlight:

Tourism, travel consultants and guides  
Fitness and sporting industry employees  
Construction tradespeople who are employees  
Guards and security employees  
Mining site employees

The Tax Office is also focusing on travel allowances paid to employee truck drivers and overtime meal allowances paid to all workers.

## TAX OFFICE WARNS OF EMAIL SCAM

A fraudulent email is being circulated that claims to offer a refund from the Tax Office. The email uses the Tax Office logo and has the words 'Australian Taxation Office – Please Read This' in the subject line. The Tax Office's advice is to delete the email immediately.

The email asks you to click on a link which redirects to a website that looks similar to the Tax office website and then asks for your credit card and personal details. The website is not associated with the Tax Office in any way.

If you have entered your credit card details on the website from the email it is suggested that you contact your credit card provider as soon as possible and report the possible compromise.

**DON'T FORGET WE HAVE EFTPOS AVAILABLE AND YOU GET A REDUCED FEE FOR PAYMENT ON THE DAY.**

## Landlords

The ATO is continuing its ongoing campaign in relation to rental properties. Major areas being investigated are deductions claimed for special building write-off, repairs and depreciation. Speak to Louise if you have any concerns.

# WHAT YOU NEED FOR YOUR RETURN

**IMPORTANT: PLEASE READ SO THAT YOU ARE WELL PREPARED WITH EVERYTHING THAT YOU NEED TO COMPLETE YOUR RETURN**

***In order to allow us to process your return in the shortest possible time, please ensure that you have all your income and expense records in order at the time of the interview including:***

## **INCOME**

### **Gross Salary:**

Gross salary, wages and other work-related income, all PAYG Payment summaries (group certificates) including Workcover. If you are missing a payment summary please contact the payer and they will supply you with a copy. Ensure that you have the entire period from 1 July 2007 to 30 June 2008 covered. If there is a missing summary and you cannot obtain a copy, call us prior to your appointment and we will advise you of the extra information we will require for completing your return.

### **Allowances:**

Details of allowances should be shown on the payment summaries. There may also be benefits, earnings, tips and directors' fees not included on the payment summary that are assessable and must be declared.

### **Lump Sum & Termination Payments:**

Documentation including the **Statement of Termination Payments** form. If you rolled over an amount or part of an amount, we will need a **Rollover Notification Form**. Check your payment summary. If you have an amount shown at "C" on a PAYG Payment Summary, we will need this documentation in order to finalise your return.

### **Centrelink/Veterans Affairs:**

Payment summaries, benefits or pensions. If you have been in receipt of a benefit or pension at any time from 1 July 2007 to 30 June 2008 and you have not received a tax statement, please contact Centrelink or Veterans Affairs for a copy. **Even amounts of exempt pensions paid to your spouse have to be taken into account for spouse offset (rebate) purposes.** Veterans Affairs and Centrelink do not issue any statements for exempt pensions, so you will need to phone the relevant department (before the interview) to obtain the actual amount received.

Payment summaries or statements are no longer issued for family tax benefits paid by Centrelink. Once your tax return has been lodged, Centrelink will check your details with the ATO to determine if an under/overpayment has occurred and they will adjust accordingly. Supplement payments from the Family Assistance Office will be paid after the returns are assessed.

### **Annuities:**

Details of the payments received and payment summaries (where applicable), including any other pages with information received from the payer with the payment summary e.g. showing undeducted purchase price, deductible amount, etc.

### **Interest:**

Amounts received from accounts in banks, building societies, credit unions, etc. We need to know the total amount of interest earned and if this is solely in your name or held jointly. The ATO is sent details of your interest earned each financial year and uses their data-matching system to crosscheck interest details provided by the banks against the income declared in the lodged tax return. This is a simple and easy area for the ATO to audit and your information needs to be exact.

### **Dividends:**

All dividends received, plus the name of the company (e.g. Telstra), the amount received, and whether the investment is held jointly, or in your name only. For franked dividends we will need both the franked amount and the imputation credit. Most companies issue two dividends per year. **Please bring the dividend statements received from the relevant institutions.**

*NOTE: If you had your dividends reinvested back into shares, this income must be declared plus you need to keep a record of all these transactions as when you sell the shares we will need to know the date and how much the additional shares cost. We can prepare an asset register and attach it to your file if you want to bring in all your dividend statements with reinvestment details. The sooner you/we keep an asset register so that this information can be accessed easily, the better.*

### **Managed Funds and Unit Trusts:**

**Annual tax statements** from the managed fund or trust, (e.g. BT, Colonial First State). These statements show the break-up of the income you have received during the year. As these funds generally distribute income from various sources to their unitholders, it is vital for us to be able to identify the type of income in order to ensure the correct tax treatment.

### **Sale of Post 19/09/85 Assets (e.g. shares & real estate):**

Information required by us includes copies of contracts showing dates and amounts for purchase and sale, costs and dates for improvements to buildings, legal fees, stamp duty on purchase, commissions paid on sale, advertising costs, etc.

### **Sale of Personal Assets:**

Gains on the sale of personal assets can be subject to capital gains tax. Assets such as works of art, jewellery, rare books, postage stamps and antiques may be liable if their sale price is over \$500 and other personal assets may also be liable if their sale price is over \$10,000.

### **Bonuses from Life Insurance and Friendly Societies:**

If you have cashed in any life insurance or friendly society policy where the policy was held for **less than 10 years**, we will need the documentation regarding the original investment and the redemption.

### **Foreign Pension/Income:**

The total amount of foreign pension or income received for the financial year is required, even if exempt from Australian tax.

### **Rental Property:**

If the property is in the hands of an agent, we will need all the **agent's statements** and, if available, the **agent's summary page** for the financial year. These will include all rental expenses paid from the agent's trust account as well as the income received. **KEEP YOUR RECORDS.** The Tax Office have announced they have a 90% adjustment rate when auditing rental properties so be aware that audit activity is likely to continue and expand in this area.

## DEDUCTIONS

### Work Related Expenses:

Remember that since the ATO introduced self-assessment you are now required to maintain sufficient records each financial year to enable the claims made on your income tax return to be substantiated in the event of an audit. This means that for work-related expenses, (e.g. union fees, tools, uniforms, work boots, etc) you need receipts.

In some cases (e.g. where the expense is below \$10, and the total amount for the financial year does not add to more than \$200), diary records are sufficient. These, however, should have the same details as would normally be shown on a receipt. If an official receipt cannot be obtained from the supplier you can, if there is no other way, write the details of what was purchased on the back of the cash register receipt.

### Motor Vehicle Claim:

If you use your motor vehicle for work, for self education or for carrying bulky tools to work, we require an estimate of the number of kilometres travelled for these purposes, the make and model of the car and the registration number. If the kilometres travelled for work-related mileage exceeds **5,000 kms** for the financial year, keep a log book for at least a continuous 12 week period and also supply all receipts for repairs, registration, insurance, etc. This will enable us to work out which of the four methods of claim will give you the best deduction. If the kilometres do not exceed 5,000 kms, we can make a claim under the set rate per kilometre method (limited to 5,000 kms).

### Travel to the Accountant:

Please remember that the cost of travel to our office for the preparation of your income tax return and other accounting is tax deductible. Keep a record of the number of kilometres travelled to our office, the make, model and registration number of the car used. (This is not included in the 5,000 km limit mentioned above.)

### Accident & Sickness / Income Protection Insurance:

If you have an insurance policy that covers you for loss of wages due to illness or injury, the premiums are tax deductible. Please provide the name of the company through which the insurance is provided, the policy number and amount paid. Those funds paying a lump sum however are not deductible.

## RENTAL PROPERTY

As already stated the ATO has made it known that they are still targeting rental properties for special attention so be sure to keep all your records.

### Deductible expenses for rental properties include:

#### Advertising

Any advertising expenses to secure tenants, not expenses for the sale of the property.

#### Agents Commission and Management Fees

Fees and charges incurred in managing your rental property.

#### Bank Charges

The fees that are charged by the bank/building society/credit union, etc for running the rental property bank account.

#### Borrowing Costs

These are expenses incurred to obtain or re-finance a loan for the rental property. These costs are generally deductible over five (5) years.

### Council Rates

These include council, water and sewerage rates.

### Depreciation

If you have purchased any carpets, furniture or assets for the rental property, where the cost exceeds \$300, we will need to know the **date of purchase** and the total amount paid.

### Insurance

This may include building, contents, public liability and landlord insurance.

### Interest

On loans for the purchase of the rental property, also any loans taken out to meet costs associated with improvements and/or running costs.

### Legal and Accounting

Expenses incurred in recovering arrears of rent or evicting tenants for non-payment.

### Repairs and Maintenance

A repair corrects a defective or worn out part, or returns a deteriorated part to its condition when first acquired. To be deductible, the repair must relate directly to wear and tear or other damage that occurred as a result of renting out the property.

### Special Building Write-Off Allowance

If your rental property was built after 18 July 1985 there is a Special Building Write-Off Allowance available. This is also available if you have carried out any structural improvements since 26 February 1992, e.g. fences or driveways. The construction costs must be confirmed by the original receipt/invoice or a registered quantity surveyor and be available in writing in the event of an audit.

### Strata Title Fees/Body Corporate

These are fees that cover building insurance, repairs and maintenance, communal lighting, gardening and yard work, and provision for future improvements.

### Travel

This includes travel to inspect the property, collect rent, undertake repairs, rubbish removal and banking, etc. You need to keep a record of the kilometres you have travelled for the rental property. You can also claim your air flights to inspect the property if it was the sole purpose of the trip. If, however, it was a dual purpose flight, e.g. to visit relatives or have a holiday, then the expenses need to be apportioned accordingly.

## HEALTH INSURANCE REBATE

Health funds send out **annual taxation statements** to their members. Please ensure that you bring this statement to the interview as it has the relevant details needed to claim the available rebate. If a statement is not received, please contact your fund prior to the interview.

## MEDICAL OFFSET (REBATE)

These are the net medical expenses you incurred after any refunds from your private health fund and/or Medicare. If the net amount spent exceeds \$1,500 for the 2008 financial year, you are entitled to a rebate of 20 cents in the dollar over the first \$1,500 spent. Medical expenses include doctors, dentists, opticians, chemists, physiotherapists, hire of medical equipment, etc. It does not include chiropractors or membership of a health fund or purely cosmetic surgery.

## MEDICARE LEVY SURCHARGE

A Medicare levy surcharge of 1% of your taxable income may apply in certain circumstances. For the 2008 financial year this applies to an individual with a taxable income in excess of \$50,000 and families with a combined taxable income in excess of \$100,000, plus \$1,500 for each additional child **after the first**, where there is no private hospital cover.

## OTHER TAX OFFSETS (REBATES)

Do you have a dependant spouse without dependent children?

Did your spouse earn any income? If so, how much? We also need this amount for other areas of the return, e.g. medical offset, medicare levy surcharge and various other rebate amounts.

Do you have any dependant children? If so, we need:

- 1) the childrens' names and dates of birth
- 2) did they receive any income during the financial year? If so, how much?

The **BABY BONUS** is still available to those already receiving the baby bonus via their tax return until their child reaches five years of age.

Were you employed in a remote zone area during the year? If so, where were you employed, what was the name of the nearest town and your dates of arrival and departure from the zone?

Do you have a HELP debt (formally called HECS) or Financial Supplement Loan? We will need the amount in order to calculate your tax correctly.

## CHILD CARE TAX OFFSET

### NOTE:

**For the 2008 financial year the child care tax offset will be paid directly from the Family Assistance Office and will no longer be a part of the tax return.**

## FEDERAL BUDGET 2008-2009 CHANGES TO FTB

2008 is the last year FTB can be claimed via tax returns.

From 30 June 2008 the option of claiming FTB by reduced pay as you go (PAYG) withholding ceased.

If you still need to lodge a 2007 FTB tax claim, you have until 30 June 2009 to lodge it with the Tax Office.

If you are lodging a 2008 FTB tax claim, you must lodge it with the Tax Office by 30 June 2009, but if you claim from the Family Assistance Office (FAO) you have until 30 June 2010 to do so.

Lump Sum FTB claims will continue to be available from the Family Assistance Office at Centrelink Customer Service Centres and Medicare Australia offices.

## BONUSES FOR OLDER AUSTRALIANS

Please note that the bonus payments received as a result of the Federal Budget are **tax free**.

## SELF EMPLOYED SUPERANNUATION

**You can now claim 100% of your superannuation contributions as tax deductible, if required. You must keep you S82AAT confirmation letter from your fund advising the amount you told them you would be claiming.**

## SUPERANNUATION CO-CONTRIBUTION

For the 2008 financial year if you earn less than \$58,000 a year and make personal superannuation contributions the Government will be making co-contributions to your superannuation fund. If you earn \$28,000 or less the Government will match your contributions at \$1.50 for each \$1 you contribute to a maximum of \$1,500. If you earn over \$28,000 but less than \$58,000 the co-contribution will be adjusted accordingly.

## MISSING PAYMENT SUMMARIES

If you know that during the year you have worked for a particular employer and have not received the relevant payment summary please contact the employer before your appointment. It should be a simple matter for the employer to print off a replacement copy of the payment summary for you.

## Tax Rates 2007-08

Taxable income	Tax on this income
\$1 - \$6,000	Nil
\$6,001 - \$30,000	15c for each \$1 over \$6,000
\$30,001 - \$75,000	\$3,600 plus 30c for each \$1 over \$30,000
\$75,001 - \$150,000	\$17,000 plus 40c for each \$1 over \$75,000
\$150,001 and over	\$47,000 plus 45c for each \$1 over \$150,000

The above rates **do not** include the Medicare levy of 1.5%

## Fees 2008

### Basic income tax return:

\$135 (including GST) if paid on the day.

### Non-basic income tax return:

Charged according to work undertaken.

**Extra services** (e.g. receiving, checking and forwarding of BAS, IAS and some other ATO documents):

Charged according to work undertaken.

**Please enquire about pensioner or multiple returns (same year) discounts**

If you pay on the day we can arrange to have your refund credited directly into your chosen bank account once your return has been assessed by the Tax Office.

**Important:** This is not advice. Clients should not act solely on the basis of the material contained in this bulletin. Items herein are general comments only and do not constitute or 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 the areas. This bulletin is issued as a helpful guide to clients and for their private information. Therefore it should be regarded as confidential and not made available to any person without our prior approval.