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AboutTax

A FRIENDLY TAX NEWSLETTER FROM MANU GUPTA

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NEWSPPOINT SILVER LINING IN TOUGH TIMES

After all, everything about recession, or the so-called slowdown, is not bad. Interest rates have dropped considerably low. Houses have largely become affordable again, if you still have an income stream that is. And the government gives out cash gifts from time to time to stimulate the economy. Following are some benefits commenced in March 09 by the Rudd Government :

FOR INDIVIDUALS

Five categories of One-off Cash Bonus for eligible Australians

1. Tax Bonus to be paid by ATO from April 09, to each eligible Tax Resident in Australia.

Taxable Income (\$) in financial year 2007-08	Bonus Amount (\$)
Up to 80,000	900.00
80,001 to 90,000	600.00
90,001 to 100,000	250.00

Taxpayer need not be Permanent Resident, just a resident for Tax purposes.

TIP!

To determine if you are eligible, review your Assessment Notice of 2008, for Tax on Taxable Income (A), Medicare Levy (O) and Tax Offsets and Other Credits (G). If $A + O - G$ is positive, please check the above table to determine your bonus amount.

TIP!

Ensure you lodge your 2008 tax return by 30 June 2009 to take advantage of this Tax Bonus.

2. Families eligible for FTB Part B on 3 Feb 09, will receive an

additional **Single Income Family Payment** of \$900 per family, from Centrelink.

3. Families eligible for FTB Part A on 3 Feb 09, will receive a **Return to School Payment** of \$950 per school going child, from Centrelink.

4. Recipients of certain Centrelink payments such as Austudy, Abstudy, etc on 3 Feb 09, will receive a **Training & Learning Payment** of \$950.

TIP!

If you're eligible and have not registered, contact Centrelink as soon as possible to find out if you can still register and take advantage of this bonus.

5. **Farmer Hardship Payment** of \$950 for eligible farmers.

FOR BUSINESSES

One off investment allowances

A One-off Investment Allowance of 10%-30% deduction from taxable income off investments made in 'new' assets used for business, purchased between 12th December 2008 and 31st December 2009. Allowance would be claimed as additional tax deduction from Taxable Income and will be in

addition to your normal tax depreciation. Minimum investment required by a Small Business Entity is \$1000 net of GST and others \$10,000 net of GST. Allowance rates that apply are as below :

Installed by;	New Investment purchased by 30 th June 2009	New Investment purchased by 31 st December 2009
30 th June 2009	30% in 2008-09	N/A
30 th June 2010	30% in 2009-10	10% in 2009-10
31 st December 2010	10% in 2010-11	10% in 2010-11

TIP! Eligible assets include;

- Tangible depreciating assets but not intangible assets like computer softwares.
- Motor Vehicles & Demonstrator assets

\$150,000 in the year).

- From 1st July 2008, Child Care Rebate increased from 30% to 50% and will not be income tested. Child Care Rebate payments can be paid annually or quarterly basis, but only through the Family Assistance Office.

- From 1st July 2009 Salary Sacrifice amounts will be reported on your PAYG Payment Summary (Group Certificate) and added to Adjusted Taxable Income* thereby limiting access to not only the above Centrelink benefits but also various Tax Offsets like Mature Age Tax Offset, Senior Australian Tax Offset, etc.

**Adjusted Taxable Income = Taxable Income + Net Value of Reportable Fringe Benefits + Tax Free Government Pensions and Benefits + Net Rental Property Losses added back + Foreign Income – Child Support.*



NEWSPPOINT KEEP AN EYE ON YOUR INCOME THIS YEAR.

Rudd Government's 2008 budget quietly introduced income tests on various Tax and Centrelink Benefits, which may eliminate some of us from getting these benefits. It is important that you keep an eye on your income to consider if you qualify for any of the following benefits:

- From 1st July 2008, FTB Part B will not be available where higher income earner's 'Adjusted Taxable Income'* exceeds \$150,000.
- From 1st January 2009, Baby Bonus will be paid in 13 fortnights and will not be available if the family's Adjusted Taxable Income* in 6 months from date of birth of child exceeds \$75,000 (pro rata of

**WATCH YOUR INCOME.
YOU COULD SALARY SACRIFICE FOR
2008/09 IF YOUR INCOME REACHES
CLOSE TO THE ABOVE LIMITS.**

PLANNINGPOINT PLANNING TO BUY A PROPERTY? ARE ALL YOUR QUESTIONS ANSWERED?

The 2 most common questions frequently asked by investors are : (1) About the property : which property, where, price and when to buy and (2) About the mortgage : how to fund the investment – cash/ collateral, which bank to borrow from and at what rate. The story doesn't end here! It starts here! Just like good and bad bacteria, interests are also of two kinds – the bad ones and the good ones. A tax-deductible interest is a good interest which can help you save in taxes. A non-deductible interest is a bad interest as you pay for it from after tax earnings. It is imperative that as an investor your plan should consider;

- Purpose of the property - for living in or renting out
 - If living in, are there plans to move out in future and to convert this property to investment.
 - If renting out, are there plans to move in, in future and to convert this to owner occupied.
- Should the home loan be paid off or kept on interest only?
- Should I use my own money to buy the investment or borrow?
- Should I split the investment with my spouse? – which ratio would be tax effective?
- Should I pay off loan or salary sacrifice money into Super? Or should I use my Super to pay off home loan?
- Is depreciation on investment property a good idea, especially since it would be added back for Capital Gains calculations?

A good tax plan at the time of investment could mean minimising your bad interest and maximising your good interest. More importantly, it should have the flexibility to convert bad interest into good and vice versa if life so demands. It could also mean reducing Capital Gains Tax considerably. All this could save thousands in tax over the life of your investment !

TIP! *Planning to buy a property? Talk to your accountant or call us to make your investment tax smart for life!*

TIP!

From 2009 Tax Year, tax payers would not be able to claim their Annual FTB claim through their Tax Return. So if you have been claiming your FTB Part A or B through your tax returns, now is the time to register with Centrelink so you don't miss out ! Through Centrelink you can opt for annual or fortnightly payments.

PLANNINGPOINT DON'T FORGET YOUR EDUCATION TAX OFFSET.

Legislation to allow Education Tax Offset has finally been passed by the Parliament. For Financial Year 2008-09 onwards, parents spending money for children's education on items such as books, stationery, computers, educational softwares, internet etc., can claim upto 50% back in their tax, subject to the following ceiling:

School	Amount Spent	Max Rebate in a year (50%)
Primary	Upto \$750	Upto \$375
Secondary	Upto \$1500	Upto \$750

School Fees, uniform, private tuition and other payments made to school are not eligible for this offset.

Expenses can be clubbed or split between two or more children and excess expenditure can be carried forward to be claimed in the next year. This offset is only available to families eligible for FTB Part A.

TIP! *Keep all your eligible receipts to take advantage of this scheme.*

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