



VOLUME 7, JUNE 2010

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Please feel free to email  
[manu@mgarthur.com.au](mailto:manu@mgarthur.com.au) for  
a copy of our free extensive  
tax return preparation  
checklist which comes with  
a summary on tax claims,  
deductions and offsets.

With these documents at  
hand you would be better  
prepared to make the most  
of this year's tax time !

## PLANNING POINT

### TAX TIPS FOR TAX TIME !

For your 2010 tax year :

- Collect all your **tax deductible receipts**, prepone your expenses and postpone your income if possible.
- Call us for a copy of our extensive **tax return preparation checklist** so you don't miss out on possible deductions, and maximise your refund.
- Understand the key concept of **claiming work related expenses**. You need to prove a nexus between the money spent and your income producing activity. Our checklists come with a brief on work related expenses to help you prepare in advance.
- Check your **eligibility for various tax offsets** e.g. for dependent spouse, dependent parents, senior Australians, medical out of pocket expenses, education expenses for kids, etc.
- **Education tax offset** continues this year, giving you back up to 50% of your children's education expenses, provided you are eligible for FTB Part A.
- Request us to review your **best tax position** if you have sold a property or share for profit this year. If you have lost on shares or CFDs, ask us to review if it's capital loss or if it can be claimed as ordinary loss.
- Consider **super contribution** to save tax, particularly if you are above or approaching the golden age of 60.
- Consider personal after tax contributions to **super for co-contribution**. If you earn less than \$31,920 this year, you could get \$1 for each \$1 contributed into your superfund from your after tax income. Earn less than \$61,920 and you may get some co-contribution.
- If you made any personal super contributions, check its **categorisation** by your super fund. Errors could result in lost tax deductions, lost co-contribution or double taxation.
- Changes to tax law from 1<sup>st</sup> July 2009 require taxpayers to **declare and pay tax on their overseas job income** (previously exempted in most circumstances) and **Employee Share Options** allocated this year (previously taxable in future years). If you have any such circumstances, contact us for your best tax position.

#### TIP!

Tax time is your time to ask all your tax questions and plan ahead. So get all your questions ready, bring in your mortgage and superfund statements for a quick review and make the most of this opportunity. We encourage our clients to discuss their financial issues and aim to provide guidance and solutions, all at no extra cost!

## For your 2011 tax year

- Consider applying for **PAYG Withholding Variation** to get your negative gearing benefit in your salary slip instead of at end of the year.
- Consider various **salary packaging** options to obtain greater tax savings and Centrelink benefits. You could salary package a second low cost car for your spouse, parents or children. Review our article on 'New Income Definitions....' for more strategies.
- **Private Health Insurance offset** reduces for high income earners from 1<sup>st</sup> July 2010. If your family income is above \$150,000, you might be out for a higher private health insurance cost.
- Don't want a private health insurance but forced to get one to avoid medicare levy surcharge of 1.5%? Consider '**Public Hospital Only**' cover, which is a low cost low benefit cover but saves you from 1.5% surcharge!

### TIP!

Talk to us about any of the above tips or other tax saving strategies. While maximising your refund this year, we can also set up a comprehensive tax plan for next financial year and help you save tax and generate wealth. What's more, if you do your tax return with us, you get your 2011 tax plan free of cost!

## NEWS POINT

### BIG BROTHER IS WATCHING !

Having invested in data matching technologies, the tax office has affirmed their ability to obtain information on our incomes from sources both in and outside Australia. Banks, state revenue departments, share registries, overseas tax departments and employers are some of the sources ATO has extended its reach to.

**Australian Tax Law requires Australian Residents to pay tax on all sources of income, both from within and outside Australia.** Tax paid overseas is allowed as credit against Australian tax on such income. Tax law also provides the commissioner with immense powers to issue notice of assessments, or amended assessments, as the case may be, based on any information available at his disposal. ATO's latest voluntary disclosure initiative called **Project Wickenby** invites taxpayers to declare overseas income before 30<sup>th</sup> June 2010 and get relief on interest and penalties. For further information, visit [www.ato.gov.au/wickenby](http://www.ato.gov.au/wickenby).

### NEW INCOME DEFINITIONS WOULD MEAN LESS BENEFITS !

Over the years tax payers have tried to use negative gearing investments and salary sacrifice to reduce their taxable income and be eligible for various Centrelink payments and tax benefits. However, recent changes to definition of income for such benefits (*called the adjusted taxable income*) have plugged-in most opportunities. Your negative gearing losses both from property and investment portfolios will now be added back, so will be your reportable fringe benefits and salary sacrifice amounts. Thus most often your adjusted taxable income is much higher than your taxable income, thereby reducing or negating possible tax or Centrelink benefits.

Hence, are there any strategies still available on the table? Few, if any! **One strategy is to salary sacrifice your tax deductible expenses of your negatively geared investment.** Since such expenses are 'otherwise deductible' they will not

be reported as fringe benefit and not be added back. You will thus get the tax benefit but no addition to your adjusted taxable income.

## TIP!

Contact us if you would like to consider the above and other salary sacrifice strategies to effectively reduce your 'adjusted taxable income' and perhaps be eligible for benefits like Family Tax Benefit, Pensions and Allowances, Tax Offsets or other benefits available to low income earners.

## PLANNING POINT

### SUPER TAX SAVINGS THROUGH SUPER

With most loose ends being tightened by the present government, superannuation is turning to be the most effective tax saving and wealth generation tool, especially if you are in the age group of 50+. Consider these super options;

- If you are a low income earner, get super **co-contribution** by making after tax contributions.
- If you are aged 55+ and not wanting to retire, consider **Transition to Retirement Pension**. It could save you tax and add cash flow in your hands.

- Combine **Transition to Retirement Pension** Strategy with **Salary Sacrifice** to maximise tax benefits.
- Purchase a property in your **Self Managed Superfund (SMSF)** to get the benefit of low tax on rent and capital gains, NIL if your super account is in pension phase.



- Consider **Life and TPD Insurances** in super to get tax deduction of insurance premiums.
- Use **Re-investment Strategy** to convert your fund balance into tax free component so your non-dependent beneficiaries do not have to pay tax on payout after you pass away.
- And finally, if you are in your hay days or terminally ill, check if your superfund pays tax free **Anti-detriment Additional Payments**, for the benefit of your surviving family. In your Self Managed Superfund this could mean years of no tax to pay!

## TIP!

Recent improvements to superannuation law provide huge tax saving and wealth generation opportunities. Consider various options and opportunities well in time so you could make the most of it!

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