

NEWSFLASH

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BAN TACS Accountants Pty Ltd

BAN TACS
Accountants
Pty Ltd is a
CPA Practice



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Welcome to the **BAN TACS News Flash**. Our aim is to provide short but succinct updates on all tax issues

Gold Coast Office

Yes, another BAN TACS office, this time at the Whittaker Macnaught offices at South Port. Lyn Gower from our Tenterfield and Stanthorpe offices has expanded to the Gold Coast. Contact details are in the header.

We have updated the about us section with a map of Australia to make it easier to display the 11 BAN TACS offices on the east coast.

Professional Sports People able to claim Management Fees

The high court has ruled that professional footballers are not simply an employee of the club that they accept a contract with. They are in the business of commercially exploiting their sporting prowess and associated celebrity. Accordingly, when they engage a manager to organise their employment contract with their club they are already in business. The ATO argued, as is the case with normal employment contracts, the fees were incurred to soon to be considered a cost of employment. Instead they were a cost of obtaining employment.

This case will probably be limited to situations where at least one contract is already in place and there is more than just an employment contract with a club. The court linked the employment contract with the club with their other sponsorship contracts as part of the one business on the basis that there was a synergy between them. Reference Spriggs and Riddell 2009.

Column by Noel Whittaker

The property market throughout Australia is staying reasonably flat – the only exception is the lower end which has been stimulated by the first home owner's grant. This raises the question of whether it is better to buy now or wait and save a larger deposit in the hope that property prices will come down when the grant reduces, and all the demand that has been brought forward peters out.

It is not an easy decision because nobody can forecast with perfect accuracy what interest rates will do in the future, or what property prices will do in the area in which you intend to buy. However, it would be reasonable to believe that the first home owner's grant has artificially pushed up prices of cheaper houses and therefore these properties will fall, or at least stay flat, when the grant is reduced this year. Also, it's a reasonable bet that the interest rates will rise within the next two years.

Therefore, if you are a first home buyer I suggest your best strategy is to get to know the market in the area where you intend to buy so you will know a bargain when you see one, save the biggest deposit possible to eliminate mortgage insurance and when you eventually buy do your budget based on interest rates at 8%. This will give you a good safety buffer against rising rates

Noel Whittaker is a director of Whittaker Macnaught, a division of St Andrew's Australia. This advice is general in nature and readers should seek their own expert advice before making financial decisions.

Noel's e-mail address is noelwhit@gmail.com

David Thompson or Julie Lockeridge from Whittaker Macnaught is regularly available to see clients in our office.

SMSFs Investment Strategy Update

Self Managed Superannuation Funds (SMSFs) are required to keep an up to date investment strategy and follow it. If the investment strategy does not comply the ATO, in extreme cases, could claim the fund is not complying and tax it at 46.5%.

Many investment strategies state the expected return on an investment. If this applies to your investment strategy, this may not be possible in the current financial climate. Nevertheless, you may want to continue to hold your current investments in anticipation of a recovery. It is important that you create a minute evaluating your position and documenting the change in strategy.

GST on Bank Charges

Late Payment Fees – These fees include GST

Retailer Credit Card Charges - When a retailer charges you a fee for using a credit card GST will apply to the fee if the item you buy is subject to GST. In some cases the fee amount will have to be apportioned between items subject to GST and those that are not.

Kilometre Rates for 2009 Tax Returns

If you are only claiming 5,000 kilometres for your vehicle you are only required to keep a detailed reasonable estimate of the kilometres you travelled for the year then multiply them by the following rate that applies to you:

Engine Capacity of 1.6 litres or less 63 cents per kilometre

Engine Capacity between 1.601 and 2.6 litres 74 cents per kilometre

Engine Capacity over 2.6 litres 75 cents per kilometre

Note: It is 5,000 kilometres per car, per owner of the car. Much more detail on how to claim a tax deduction for a motor vehicle is available in our Claiming a Motor Vehicle booklet under the freebees section of our web site.

Useful Rates for the 2009/2010 Financial Year

Maximum income at which people of age pension age do not have to pay tax or Medicare:

Singles \$29,867 Each Member of a Couple \$25,680

Threshold at which Medicare Surcharge will be payable if you do not have private health Insurance:

Singles \$70,000 Family (includes non custodial parents contributing to a child's maintenance) \$140,000

Amount of passive income a minor can have without paying tax providing they have no other income: \$3,000.00

Tax Thresholds:

0	-	6,000	0%	6,001	-	35,000	15%	35,001	-	80,000	30%
80,001	-	180,000	38%	180,001	+		45%				

Tax Offset - Amount of offset \$1,350 No Tax payable if income only \$15,000

Truck Drivers Reasonable Meal Allowance – no substantiation required if employer pays allowance.

Salary below \$93,601 \$82.05 Above \$93,600 \$89.50 Reference TD 2009/15

Overtime Meal Allowance – Maximum amount you can claim without receipts if you receive an overtime meal allowance: \$24.95 Reference TD 2009/15

FBT Interest Rate –5.85% Applicable to employee loans and notional calculation of interest on car provided to an employee. For the FBT year 1st April, 2009 to 31st March, 2010. Reference TD 2009/16

Div 7A Loans - 5.75% reference TD 2009/10

Improvements to Pre 1985 Assets – You can spend up to \$124,258 in 2009/10 improving a pre 1985 asset without having the improvement classed as a separate post 1985 asset but note the construction of a building on pre 1985 land will always be considered a separate asset. Reference TD 2009/12

Luxury Car Limit - \$57,180 same as for the 2008/09 financial year. Reference TD 2009.13

Investment Allowance Key Points - The following only applies to businesses that have a turnover of less than \$2 million

- 1) 50% of the amount spent if entered into the contract before 31st December, 2009 and installed ready for use by 31st December 2010
- 2) Must spend more than \$1,000
- 3) All amounts are net of GST if you are entitled to claim GST
- 4) Purchases after 31st December, 2009 will only qualify for 10%
- 5) Land, buildings, computer software and intellectual property do not qualify.
- 6) Batches of identical items or items that form part of a set, can be added together to pass the threshold and identical items acquired before 31st December 2009 can be added to those purchased after that period to see if the threshold has been passed. Though then only 10% will apply.
- 7) You must purchase a new asset or new improvements to a current asset.
- 8) The asset must, at the time it started to be used in the business, be principally used in Australia to carry on a business.

These are the basics. The issue is covered in detail in our year end tax strategies booklet for 2009.

Demolishing a House

PBR 72756 states that if you demolish a house the cost base is not reduced because of the loss of the house and can be increased by the demolition costs. Just be aware that if you sell the vacant land you will not be entitled to use the main residence exemption no matter how long you have lived there. The main residence exemption requires a dwelling to be sold with the land but this can be a caravan. The only exception to the dwelling rule is when the dwelling has been accidentally destroyed.

Seminars

Become an Investment Property Tax Expert- Cost \$495 Directed at Accountants, Speaker Julia Hartman Ring (03) 9328 2688 to book. Presented by CPDS
Brisbane – 1st September, 2009 9.30 am to 4pm



Destiny Financial Solutions helps people, who describe themselves as average Australians, build property portfolios which deliver an income for life. In 1994, Reuben and Margaret Lomas founded the business which today has 14 branches and a long list of successful clients around Australia.

Destiny's approach ensures there is a distinct separation between the provision of property investment advice and the sale of properties. Destiny does not sell property, but helps people to buy it – safely and successfully – using many principles drawn from the Financial Planning Industry. The approach is designed for busy people who aspire to building a secure property portfolio with minimum risk. All Destiny advisers are experienced property investors themselves and are highly qualified in property finance and advice.

Destiny Financial Solutions has been successful in transforming the financial lives of many people. Qualified Destiny advisers can help you with property selection strategies, property education, mentoring and motivation, short and long term planning, lending and negotiation advice.

If you'd like to learn more about Destiny Financial Solutions or experience our expertise, please visit

www.destiny.net.au

Need the Answer To A Tax Question Fast?

No appointment necessary. Simply go to www.bantacs.com.au and click on ask bantacs. For \$39.95 get a comprehensive written answer to your question. Tip – before you ask check out the notice board, the answer may already be there, for free.

Where is Julia?

Heading north for the winter. She will arrive in Mackay around the middle of July and will be going as far north as Townsville.

Back Issues & Booklets

To obtain free back issues of the fortnightly BAN TACS Newsflash or any of the following booklets visit our web site on www.bantacs.com.au. You can also subscribe to our Newsflash reminder.

<i>Alienation of Personal Services Income</i>	<i>Buying a Business</i>	<i>Capital Gains Tax</i>
<i>Claim Your Trip Around Australia</i>	<i>Claimable Loans</i>	<i>Claiming a Motor Vehicle</i>
<i>Defence Forces [Military]</i>	<i>Death and Taxes</i>	<i>Division 35</i>
<i>How Not To Be A Developer</i>	<i>Divorce</i>	<i>FBT for PBIs</i>
<i>Fringe Benefits Tax</i>	<i>Investors</i>	<i>Miners</i>
<i>Goods and Services Tax</i>	<i>Overseas</i>	<i>Real Estate Agent</i>
<i>Key Performance Indicators</i>	<i>Rental Properties</i>	<i>Selling a Business</i>
<i>Overseas Backpacker Fruit Pickers</i>	<i>Small Business</i>	<i>Subcontractors</i>
<i>Secret Plans and Clever Tricks</i>	<i>Teachers</i>	<i>Wage Earners</i>
<i>Self Managed Superannuation Funds</i>	<i>Year End Tax Strategies</i>	<i>Professional Practices</i>

Disclaimer: Please note in many cases the legislation referred to above has only just passed through parliament. The full effect is not clear yet but it is already necessary to make you aware of the ramifications despite the limited commentary available. On the other side of the coin by the time you read this information it may be out of date. The information is presented in summary form and intended only to draw your attention to issues you should further discuss with your accountant. Please do not act on this information without further consultation. We disclaim any responsibility for actions taken on the above without further advice as to your particular circumstances.