

NEWSFLASH

Visit us at www.bantacs.com.au

BAN TACS Accountants Pty Ltd

BAN TACS
Accountants
Pty Ltd is a
CPA Practice



Issue Number: 212

Pages: 4

Date: 15th August, 2010

Queensland

Gold Coast **PNA**

Level 5, Seabank Building Marine Parade
Southport Qld 4215

Mail to: 98 High St, Tenterfield NSW 2372
Phone: **(02) 6736 5383**
Fax: (02) 6736 5655
E-mail: goldcoast@bantacs.com.au

Ningi **CPA**

Shop 17A 1224 Bribie Island Rd,
Ningi Qld 4511

Mail to: Location
Phone: **(07) 5497 6777**
Fax: (07) 5497 6699
E-mail: ningi@bantacs.com.au

Stanthorpe **PNA**

63A Maryland Street, Stanthorpe Qld 4380

Mail to: 98 High St, Tenterfield NSW 2372
Phone: **(07) 4681 4288**
Fax: (02) 4681 4028
E-mail: stanthorpe@bantacs.com.au

Western Australia

Perth **CPA**

312 Oxford Street, Leederville WA 6007

Mail to: PO Box 1, Mt. Hawthorn WA 6915
Phone: **(08) 9443 5199**
Fax: (08) 9443 5299
E-mail: perth@bantacs.com.au

New South Wales

Kiama **NIA**

3/114 Terralong Street,
Kiama NSW 2533

Mail to: PO Box 5062 Nowra DC NSW 2541
Phone: **(02) 4233 2825**
Fax: (02) 4447 8169
Email: kiama@bantacs.com.au

Nowra **NIA**

93 BTU Road,
Nowra Hill NSW 2540

Mail to: PO Box 5062 Nowra DC NSW 2541
Phone: **(02) 4447 8686**
Fax: (02) 4447 8169
Email: nowra@bantacs.com.au

Tenterfield **PNA**

98 High Street, Tenterfield NSW 2372

Mail to: Location
Phone: **(02) 6736 5383**
Fax: (02) 6736 5655
E-mail: tenterfield@bantacs.com.au

Burwood **CPA**

Suite D, 37A Burwood Rd, Burwood NSW
2134

Mail to: Location
Phone: **(02) 9744 7880**
Fax: (02) 9744 7882
E-mail: burwood@bantacs.com.au

Victoria

Fitzroy **CPA**

151 St Georges Road,
Fitzroy North VIC 3068

Mail to: PO Box 8152 Newtown Vic 3220
Phone: **(03) 5222 8489**
Fax: (03) 5222 8489
Email: fitzroy@bantacs.com.au

Geelong **CPA**

7 Westcott Street,
Newtown Victoria 3220

Mail to: PO Box 8152 Newtown Vic 3220
Phone: **(03) 5222 8489**
Fax: (03) 5222 8489
E-mail: geelong@bantacs.com.au

Highett **CPA**

1/487 Highett Road, Highett VIC 3190

Mail to: PO Box 8152 Newtown Vic 3220
Phone: **(03) 5222 8489**
Fax: (03) 5222 8489
Email: highett@bantacs.com.au

BAN TACS Accountants Pty Ltd

BAN TACS Accountants are a co-operative of accountants who pool their resources and knowledge to provide exceptional client service. All the advantages of a large national firm with the personal service of individual practitioners.

Liability limited by a scheme approved under Professional Standards Legislation

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

Perth Office

We are very excited to announce that BAN TACS has just made a gynomous leap to the West Coast opening an office in Perth, full details in the header above. This office is owned and operated by Vince Ilarda, yes that is right! We welcome Vince as our first male practitioner, and wish him luck! Vince has a strong business management background and particular interest in investment properties and CGT.

As the 20th anniversary of the establishment of the first BAN TACS office in Beachmere fast approaches (4th July, 2012) we take great delight in boasting that we are now a national firm.

Apologies

We apologise for the Newsflash not being updated on the web site for the last few weeks. All we can say is that we thought it was up there! This edition is a combination of the most urgent articles in the last two editions. In particular page 3 contains several articles regarding 2010 tax returns.

Column by Noel Whittaker

The long awaited Cooper Review into superannuation was released last week and predictably its contents dominated the headlines of most newspapers the next day. As a result I spent most of the week on various radio programs talking about what the changes would mean to the average person. The most common question was “Why is superannuation so complicated?”

Yet, if you look at it step by step there is really nothing too difficult about it.

Your employer is required to contribute 9% of your gross salary into a superannuation fund and the government takes a 15% tax from that contribution. While your money is accumulating within your fund, the tax on its income is just 15% per annum which is almost certainly less than your own marginal tax rate. This means the money can grow faster inside super, than if held in your own name, as the after tax returns should be higher.

Because the government is giving you tax concessions to encourage you to save for your retirement, the money in your superannuation fund is inaccessible until you retire after reaching your preservation age. This is at least 55, but higher if you were born after 1 July 1960. All withdrawals from super are tax free once you reach 60 and when you start an account based pension from your fund, as most people do, the fund itself becomes a tax free fund.

For retirees it is a money paradise. You are allowed to hold your money in a tax free fund, while drawing a tax free income from it.

Unfortunately, the average Aussie does not understand that superannuation is not an asset like property or shares, but merely a vehicle which lets you hold assets in a low tax area. That’s why they love super when the market is booming, but hate it when the market is down.

To make the most of your superannuation you need to understand the workings of our old friend compound interest. Think about a person aged 25 who currently has \$10,000 in super and who earns \$35,000 a year. If inflation is 3% per annum and their salary increases by inflation they will have \$1.626m at age 65 if their fund returns 9%. However, if the best they can do is 7% they will only have \$961,000. That is a difference of \$665,000 - just because of a better mix of assets inside the fund.

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 & Julie Lockeridge from Whittaker Macnaught are regularly available to see clients in our office

Ruling Applications on Using the Rent to Pay Off Your Home Loan Sooner

In Private Binding Ruling authorisation number 1011345133229 the ATO denied a taxpayer a deduction for interest claimed on a Line Of Credit (LOC) where the borrowings had been used as a deposit for a rental property, to pay rates, insurance and other expenses on the rental property and the interest on the interest only loan for the rental property. In this case the rent from the rental property was used to pay off the private home loan, but no complaint was made about this in the ATO’s ruling response.

The denial of the deduction was based on the fact the LOC was secured by the home loan and when it was necessary to increase the limit on the LOC the bank would be approached to reduce the limit on the private home loan and increase the limit on the LOC. There was no floating cap or formal agreement with the bank that as one loan decreased the other could increase. Nevertheless, the ATO found that the loans were linked by common security. Thus comparing it to the linked loan in Hart’s case where it was found that it was a scheme caught by Part IVA as having the dominant purpose of a tax benefit.

One thing that is clear from this is that the issue is far from certain, and an application for a private ruling on your particular circumstances is absolutely necessary if you are using rent to pay off your home. Mind you, this ruling actually says much more than that, it is drawing a far wider conclusion that if you have a LOC secured against your home and intend to increase its limit when you have more equity, then because the home loan is reduced by more than the minimum repayments you will lose deductibility on the LOC.

This is certainly a bizarre outcome, and it is far from the end of capitalising interest and using the rent for other purposes. It is all about what the ATO considers your dominant reason to be, which is why you need to get a ruling on your particular circumstances. It is also an example of no matter how much another private ruling appears to fit your circumstances you should not rely on it, but instead apply for your own, knowing there are no guarantees.

ATO Delays in Processing Refunds

We can't seem to get a straight answer from the ATO as to why some returns lodged mid to late July have had their refunds delayed. We get various answers and some of them make no practical sense. All we can tell you is that the ATO will not permit us to even enquire about the process of a refund until 28 days after it has been lodged. They are saying 14 days is the minimum processing time not the maximum.

ATO Letter to Rental Property Owners

The ATO's computer has been busy generating "helpful information" letters to taxpayers who lodged a tax return in 2009 that included rental income. There is nothing really earth shattering in the "helpful information" other than it includes legal expenses as a deductible item.

We would just like to advise readers who may have received one of these letters, not to get over excited, they are only referring to legal expenses in regard to the tenant such as drawing up a lease or taking the necessary steps to evict the tenant. The legal expenses incurred to buy the property are only included in the cost base when the property is sold.

Wrong PAYG Summaries

The ATO has advised that some PAYG summaries have an incorrect amount appearing in the reportable superannuation contributions box. This year is the first year that employers are required to include reportable super contributions on the PAYG summaries. The super contributions payable under the guarantee i.e. 9% of wages, are not reportable, generally it is only salary sacrificed contributions that are reportable, but some pay systems are picking up the 9% as well. It is important that taxpayers take the initiative to protect themselves here. Look at your PAYG summary before you go to your accountant. If there is an amount in the reportable superannuation contributions box and you do not salary sacrifice, ask your employer if this is correct. If you do salary sacrifice make sure the amount is only what you have agreed to sacrifice.

Also check your reportable fringe benefits box. The first \$3,727 in grossed up fringe benefits is not reportable but once you go over that amount the first \$3,727 is to be included as well. So if you have an amount less than \$3,727 in your reportable fringe benefits box the amount that you should include in your tax return is zero. Even though this doesn't affect your taxable income it is important for other thresholds such as Centrelink and the Medicare levy surcharge.

Extra Information For 2010 Tax Returns

This year's tax return requires additional data about you and your spouse. It is certainly recommended that couples do their tax returns together for simplicity. By the way this now includes same sex couples.

Please come prepared with the following additional information for you and your spouse:

- The amount of any tax free government pension received
- The amount of any Child Support payments made
- The amount of any Foreign Income Received including periodical gifts or allowances
- Overseas business income received but not taxable in Australia
- Temporary Australian residents need to provide all their foreign source income even though it is exempt
- The amount of any other income you have earned overseas that is not taxable in Australia

ATO Warns Identity Theft

Apparently there are some scammers out there claiming to be from the ATO or collecting tax information to fraudulently lodge tax returns claiming refunds.

The ATO never sends emails asking for personal information or credit card details. Even if you get a phone call from the ATO you are not required to identify yourself. They may ask for personal information but unless you are sure they are from the ATO don't give it out. Some of the traps are:

- 1) A scam e-tax site. Make sure you only download e-tax from www.ato.gov.au
- 2) Job advertisements that when you call ask for your TFN and date of birth.
- 3) Calls claiming to be from the ATO wanting bank account details to pay a tax refund.
- 4) Calls asking for a small amount to be deposited in an account in order for a tax refund to be processed.

Let's Get That Record Keeping Better This Year

If you are currently beating yourself up for not keeping better records as you compile the information necessary to prepare your 2010 tax return, can we recommend you visit our shopping page? For just \$49.95 you can purchase a spreadsheet that will keep all the information required in a fashion suitable for your accountant. The spreadsheet has an unlimited life, lots of pop up boxes to clarify areas and absolutely guaranteed only two lines of instructions necessary to get started, all your data is there in front of you.

We could give you a lot more, but experience has taught us that more is not better. There are other simple calculators and spreadsheets available on the page. None of them are that complicated that you couldn't have created them yourself, but why bother at the price and the bonus is our guidance via the pop up boxes or lists.

Please note, these are not intended to eliminate the need to discuss with your accountant the answers, they are designed to prepare you for the interview to such an extent that they will save you more than their purchase price in accounting fees.

Ask BAN TACS

For \$39.95 you can have your questions regarding Capital Gains Tax, Rental Properties and Work Related Expenses answered. Just go to www.bantacs.com.au and look in the horizontal menu under the flowers.

Seminars

Property Investing Basics – Calculating how much it will cost you to hold a property and the basics about negative gearing and positive cash flow. Followed by an open forum where any property tax and finance questions will be answered. Speaker Julia Hartman, presented by Gail Roots The Home Loan Specialists, no charge but limited space. **6pm Monday 6th September 34 Wellington St, Mackay RSVP 07 49575244**

Property Vs Shares – A lively debate between Julia Hartman of BAN TACS and Kim Evetts of Whittaker Macnaught. There will also be plenty of time to answer questions regarding property, shares, tax and finance. Presented by Gail Roots The Home Loan Specialists, no charge but limited space. **6pm Tuesday 7th September 34 Wellington St, Mackay RSVP 07 4957 5244**

Where is Julia?

In Mackay until October though she will be in Townsville for the last week of August.

Evaluating a Rental Property Calculator

Available on the shopping page of our web site. This is an electronic version of the calculator explained in chapter 15 of Saving Tax On Your Investment Property. A calculation you would be mad not to undertake before you purchase a property. Only \$44.95 for one month's use or \$79.95 for a year.

Back Issues & Booklets

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

Alienation of Personal Services Income

Claim Your Trip Around Australia

Defence Forces [Military]

How Not To Be A Developer

Fringe Benefits Tax

Goods and Services Tax

Key Performance Indicators

Overseas Backpacker Fruit Pickers

Secret Plans and Clever Tricks

Self Managed Superannuation Funds

Buying a Business

Claimable Loans

Death and Taxes

Divorce

Investors

Overseas

Real Estate Agent

Selling a Business

Subcontractors

Wage Earners

Capital Gains Tax

Claiming a Motor Vehicle

Division 35

FBT for PBLs

Miners

Professional Practices

Rental Properties

Small Business

Teachers

Year End Tax Strategies

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.