POULTON & ASSOCIATES

'experience the difference'

Chartered Accountant

Registered Auditor
Registered Tax Agent

June 08
NEWSLETTER

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2007/2008 Income Tax Rates

Tax Rate	%*
$ 0 -$6,000	0
$6,001 - $30,000	15
$30,001- $75,0000	30
$75,001 - $150,000	40
$150,001 +	45

*not including Medicare levy

Super co-contribution

Now also for self-employed tax payers. Ensure you contribute $1000 prior to 30th June!

Call us if you require details.

Tax Time Is On Us Again!

The end of the financial year is almost upon us. We have included a checklist on our website to assist your preparation prior to your appointment. Make our office your first point of call if you have any queries.

This year we will be asking clients to:

- Produce diaries or log books where travel or motor vehicle expenses are claimed
- Keep an asset register for capital gains monitoring
- Produce diaries supporting claims for overseas travel

Euan will be competing at the world surf life saving titles in Germany from 15th July to 5th August 2008. Mark and Lisa will be available however for appointments.

Please be aware that a new building is still being constructed near our office - parking may be more difficult than normal. If you envisage parking problems please give us a call before arrival and we may be able to assist.

Referrals

Thank you for your referrals. Word of mouth is the main source of new business for Poulton & Associates.

Join our mailing list

Receive regular newsletters and updates including seminar invitations by joining Poulton & Associates mailing list. Simply email us to add you to our list or provide your email address at time of making your tax appointment.

phone: (02) 4225 7779 fax: (02) 4225 9599 email: poulton@accountant.com web: www.poulton.biz
address: 2/73 Market St, Wollongong NSW 2500 postal address: PO Box 5422, Wollongong NSW 2520

2008 Federal Budget Issues

We have prepared a summary of the 2008 federal budget as a general broadcast to our clients. Only the main points of the budget are in this document. These are the changes that will affect most readers. Please contact us for advice that may be specific to your situation.

Personal income tax cuts

Below is a table of new marginal income tax rates.

Marginal tax rates 2008/09	New Income Range ($)
0%	0-6000
15%	6001-34,000
30%	34,001-80,000
40%	80,001-180,000
45%	Above 180,001

Low income rebate will be increased from $750 to $1200 commencing 1 July 2008 ($1350 from 1 July 2009). This effectively means that an individual does not pay tax until they have a taxable income of $14,000 or more.

Medicare

Medicare surcharge threshold has been increased as follows:

- Singles: new threshold is $100,000, up from $50,000.
- Couples: new threshold is $150,000, up from $100,000.

The Medicare surcharge threshold is payable if your taxable income (or combined taxable income if married or de facto) exceeds the above threshold and you do not hold at least Hospital health cover. The amount is an extra 1% “tax” on your taxable income.

If you are not currently in a health fund and your income is above the surcharge threshold we recommend joining a health fund as soon as possible. We have brochures available for Peoplecare Health Insurance in our office. Our clients that join before 31 July 2008 receive 1 months free membership (2nd month after paying first month) plus choice of MP3 player or Peoplecare Sports Pack, consisting of Sports bag, cap and drink bottle.

Fringe Benefits Tax

No longer will workers be able to salary sacrifice a laptop computer unless it is used primarily for work purposes.
Meal cards are now subject to Fringe Benefits tax.

Family Tax

From 1 July 2008, families receiving Family Tax Benefit (Part A) with children undertaking primary or secondary studies will be able to claim a 50 per cent refund every year for key education expenses up to $375 per child per year for primary students and $750 per child per year for secondary students.

Family Tax Benefit (FTB) part B will now be income tested. FTB part B will not be available for the low income spouse where the primary income earner has a taxable income of greater than $150,000 per year.

No baby bonus will be available where the primary income earner has a taxable income of greater than $150,000. However, those who do receive the baby bonus will receive the new total of $5,000 amount fortnightly rather than in one lump sum.

The 30% child care rebate has been increased to 50%. The rebate is capped at $7,500 per year which is up from the current $4,354 per year. The other major change is that the payment will be made quarterly rather than annually.

Luxury Vehicles

Tax on luxury vehicles to be lifted from 25% to 33%. A luxury car is a car that costs greater than $57,000.

First Home Buyers

The government will contribute 17% on top of the first $5,000 to people who contribute to the First home owner’s account, i.e. up to $850. These accounts will also be taxed at a maximum of 15%. Withdrawals from this account will be tax free only when the funds are used for the taxpayer’s first home.

Senior Australian Tax Offset (SATO)

From 1 July 2008, the amount of income a senior Australian eligible for the SATO can earn will increase to $28,867 for a single and $24,680 for each member of a couple. These levels will further increase from 1 July 2009 to $29,867 and $25,680 and from 1 July 2010 to $30,685 and $26,680, respectively.

Professional Investment Services Pty Ltd

Financial services are provided through an authorised
representative of Professional Investment Services Pty Ltd
AFSL: 234951 ABN: 11 074 608 558

Mortgage Health Check

If you are still making loan repayments, it is a good time to revisit your progress. Are you able to increase your payments or frequency of payments to save interest?

Here are 2 good reasons why you should review your loan:

- To take advantage of a lower interest rate;
- To take advantage of new loan products, which may result in lower borrowing costs. For example paying an annual fee to obtain an interest rate discount, or switching to a more cost effective loan product.

There are also numerous life scenarios where you might wish to look at your loan options before simply going back to the same lender.

These may include:

- Planning to increase your current loan for renovations or new investments
- Wanting to consolidate your debt
- Looking to buy an investment property
- Wanting to know your options, as your fixed rate period is soon to expire

Please contact our office to arrange a mortgage 'health check'.

A Complete Financial Plan

When developing your plan, we will help you prioritise your goals and may recommend some of the following strategies:

- Wealth creation
- Weath protection
- Debt management
- Superannuation and retirement planning
- Estate plannning

Wealth creation

Investing is an important way of building a secure financial future. But it is not only about taking on risk to see returns. If you're still young, time will be a great ally. If you're older with a partner or a family, the way you structure investments may significantly increase their value. And as you accumulate assets, they can also help springboard you to greater wealth.

Wealth protection

It's important to protect your existing assets, income and future wealth because unfortunately, death, serious illness and injury are all part of life.

Debt management

Although you may have been brought up to think debt is bad, if used effectively it can be a very good wealth creation strategy. Debt can be used to buy investments like shares and property, which have the potential to grow in value. This strategy, known as gearing, may help build an investment portfolio.

Superannuation and retirement planning

How much will you need in retirement? It depends how you plan to spend those 20 or so years. Maybe it's a quiet life on the coast; perhaps it's a return to the inner city; maybe it's regular visits to family around Australia or even trips further a field. Whether you're about to retire or simply planning ahead, the decision you make now can help ensure you have the security and choices you want in the future.

Estate planning

It's important to put in place plans if you want to pass on your wealth to the people you choose. From a financial planning perspective, it's important to ensure that the wealth accumulated over your lifetime goes where you want it to. If you die without a valid will, a court-appointed administrator will distribute your estate as they see fit.

Frequently Asked Questions

Rental Property

Questions:
I have two questions relating to rental properties:
1. Is stamp duty on the purchase of land to be used for rental income a deductible expense?
2. If capital works allowance of 2.5% is claimed, does this reduce the cost base for CGT purposes?

Answers:
1. No, stamp duty is not deductible but is added to the cost base for CGT purposes.
2. Yes. For properties acquired after 13 May 1997 the cost base is reduced by any payments which are deductible, e.g. capital works allowances.

CGT – Date of Event

Question:
My husband and I are selling an investment house. Is the CGT determined when the property has been sold with acceptance and finance approval provided, or at settlement? Can we have settlement after 30 June and the CGT paid in the next financial year?

Answer:
Unfortunately, no. The CGT event occurs at the date of signing of the contract, not on settlement.

Self Managed Super Funds

Question:
My husband and I are setting up a SMSF and have some questions. We have a holiday home which we use for our own enjoyment and do not rent out. Is there any advantage in transferring that property to the SMSF?

Answer:
You must not transfer your holiday home into your super fund. This is strictly prohibited. A super fund must not acquire an asset from a member or associate unless it is business real estate or listed company shares.

Motor Vehicle Expenses

Question:
I am a primary producer and wish to claim motor vehicle expenses on the cents per kilometre method. I have an investment property a long way away which we visit. I also have a substantial share portfolio and visit companies and attend AGMs, etc. Can I claim the 5,000 kilometre limit for each of the three different ventures using the one car.

Answer:
No. Section 28-25 of the 1997 Tax Act provides that the claim is limited to 5,000 business kilometres. Business kilometres are defined as the distance travelled in producing your assessable income or travelling between workplaces. The fact that you produce your assessable income in different ways does not give you multiple limits.

Travelling Expenses

Question: We have an employee whose principal place of work is in one city. He will travel to another office in another city once a week by car and will probably stay overnight and travel back next day. This employee already receives a car allowance.

If he pays for his own food/accommodation, etc can he then claim a deduction for this? Is it better for him to take part of his salary package as a travel allowance or a living away from home allowance? If the expense were paid by the employer, would this be fully deductible without FBT implications?

Answer:
Home to work travel is not deductible. If the employee travels directly from his home to the office in another city on a regular basis he may run the risk of finding the deductions disallowed as home to work travel.

He should report first to the office in his home city prior to travelling to the other office to ensure deductibility. Once the employee can establish that the travel is work to work and not home-to-work, the travel expenses are fully deductible. If the employee stays away from home overnight then meals and accommodation will also be deductible.

It would assist for the employee to receive a travel allowance to offset the deduction but this is not essential. It could avoid a Tax Office query. If the expense is paid by the employer and the trip is treated as home to work, it will be fully deductible but subject to FBT. If work-to work, it is fully deductible and no FBT.