



POULTON & ASSOCIATES

'experience the difference'



**Chartered
Accountant**

Registered Auditor
Registered Tax Agent

June 09 NEWSLETTER

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2008/2009 Income Tax Rates

Tax Rate	%*
\$ 0 - \$6,000	0
\$6,001 - \$34,000	15
\$34,001 - \$80,000	30
\$80,001 - \$180,000	40
\$180,001 +	45

*not including Medicare levy

How to make an appointment:

Euan will be taking appointments to do tax returns from **Monday to Thursday 9:30am to 5pm and Saturday mornings from 9am to 12pm.**

To make an appointment contact our office by phone or email to make an appointment or alternatively drop off your information to our office and we can email or mail your tax return to you.

If you would like to discuss your investments, superannuation or any other financial planning issues let us know when you are making the appointment.



Tax Time Again

The end of another financial year is almost upon us. You will find a tax return checklist on our website to assist with your preparation prior to your appointment. Make our office your first point of call if you have any queries.

There have been newspaper reports concerning the potential delay of processing tax refunds for the 2009 year. This is due to the recent stimulus payments and recent job cuts at the ATO. We have not received any confirmation from the ATO regarding an increase in the standard turn around of 14 days however we will try to keep you updated on the situation.

What has changed?

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. Please bring along all your tax invoices for books, stationery, school fees, computer expenses etc to claim the offset.

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 historically low interest rates;
- to take advantage of new loan products, which may result in lower borrowing costs.

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

Join our Emailing List

This year we will be asking all clients to provide their email address. This is becoming more important in order to keep up to date with significant changes being made through out the year by the ATO.

Referral

Word of mouth is the main source of new business for Poulton & Associates and we want to reward our clients for referring us new clients. Each client who refers a new taxation or financial planning client will be put into a draw to win a wine pack. A referrer will be drawn out at the end of each month.

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Disclaimer: This publication is of a general and summarised form for the clients of Poulton & Associates Chartered Accountants. Clients and readers of this newsletter should not rely upon this publication without firstly obtaining detailed advice from this office.





2009 Federal Budget

We have prepared a summary of the 2009 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 will be specific to your situation.

Personal Tax Cuts

Below is a table of new marginal income tax rates.

Marginal tax rates	2008/ 2009 New income range (\$)
0%	0 – 6,000
15%	6,001 – 35,000
30%	35,001 – 80,000
38%	80,001 – 180,000
45%	Above 180,001

Low income rebate will be increased from \$1,250 to \$1,350 starting 1 July 2009.

Medicare Levy

The Medicare levy threshold has been increased to \$17,794 for singles and \$30,025 for couple. An additional \$2,757 for each dependant child is added to the threshold.

Private Health Insurance Rebate

There will be changes to the private health cover rebate. The 30% rebate will be reduced to or cut out completely which will affect singles earning over \$75,000 and families with combined incomes of \$150,000.

Singles Income Range	Rate	Couples Income Range
< \$75,000	30%	< \$150,000
\$75,000 - \$90,000	20%	\$150,000 - \$180,000
\$90,000 - \$120,000	10%	\$180,000 - \$240,000
> \$120,000	0%	> \$240,000

Non Commercial Business Losses

The Government will tighten the application of the rules on the use of non commercial losses to prevent high income individuals from offsetting excess deductions from non commercial business activities against salary and other income. The measure will mean excess deductions from unprofitable business activities cannot be used to reduce salary and wage income. Taxpayers with an adjusted taxable income of over \$250,000 will instead have excess deductions quarantined to the business activity. The measure has effect from the 1 July 2009.

First Home Owners Boost

For eligible first home buyers entering into contracts between 1 July 2009 and 30 September 2009 the First Home Owners Boost will continue to provide \$7,000 (total \$14,000) for the purchase of established homes and \$14,000 (total \$21,000) for the purchase of new homes.

For eligible first home buyers entering into contracts between 1 October 2009 and 31 December 2009 the First Home Owners Boost will continue to provide \$3,500 (total \$10,500) for the purchase of established homes and \$7,000 (total \$14,000) for the purchase of new homes.

Small Business Tax Break Extended

The Small Business and General Business Tax Break will be expanded to allow a bonus deduction of 50 per cent (up from 30 per cent) to small businesses with a turnover of less than \$2 million that acquire an eligible asset (including most depreciable assets such as cars, office furniture, computers but not software) between 13 December 2008 and 31 December 2009 and install it ready for use by 31 December 2010. This will apply to assets acquired for at least \$1,000.

The previously announced 30 per cent and 10 per cent bonuses will continue to apply to all other businesses, but with a \$10,000 cost threshold.

Taxation of Employee Share Schemes

Under new rules, all discounts on shares and options provided under an employee share scheme - either qualifying or non-qualifying - will be assessed in the income year in which they are acquired.

The effect of this is that employees acquiring shares or options under qualifying employee share schemes will no longer be able to elect to defer taxation on their discount to a later time. This will ensure that all forms of remuneration are taxable in the year the remuneration is received.

Currently an employee under a qualifying share scheme can elect to be assessed on discounts provided on shares or rights in the income year the shares or rights are acquired. If no election is made, the discount is taxed at a later time (such as when disposal restrictions on the shares or rights are lifted). If an employee elects to be taxed upfront they receive a tax exemption of up to \$1,000 on the discount.

Access to the \$1,000 upfront concession will also be limited. The \$1,000 upfront tax exemption will be limited to those employees with a taxable income of less than \$60,000 after adjustment for fringe benefits, salary sacrifice and negative gearing losses.

The measure will take effect with respect to shares and rights acquired after 7:30pm (AEST) on 12 May 2009.



2009 Federal Budget cont.

Pension Drawdown Relief Extended

The minimum drawdown amount for account-based pensions and term allocated pensions will be halved for the 2009/10 income year. This extends the current concession provided to self-funded retirees for the 2008/09 income year.

Contribution Cap Reduction

The concessional contributions cap has been halved to \$25,000 a year from its current limit of \$50,000. The government will introduce special concessions for persons who are defined benefit fund members on 12 May 2009.

A reduction will also apply to the transitional threshold for concessional contributions. The transitional concessional cap will be reduced from its current annual level of \$100,000 to \$50,000 per year. The transitional concessional cap of \$50,000 will apply for the 2009/10, 2010/11 and 2011/12 years of income.

In the future, the non-concessional contributions cap will only increase when the new lower \$25,000 cap is increased by indexation. It will be calculated as 6 times the level of the (indexed) concessional contributions cap.

The Government has ruled out any changes to the non-concessional cap and the 3 year averaging rule. What has been affected is the benefit of indexation for the 2009-10 year which was meant to move up to \$165,000.

Co-Contribution Decreased

The Government co-contribution has been reduced with effect from 1 July 2009. The new co-contribution rates are as follows:

- 100 per cent for 2009-10, 2010-11 and 2011-12, with a maximum co-contribution of \$1000, reduced by 3.333 cents for each dollar by which the person's total income exceeds the shade out threshold for receiving the full co-contribution;
- 125 per cent for 2012-13 and 2013-14, with a maximum co-contribution of \$1,250, reduced by 4.167 cents for each dollar of total income above the shade out threshold; and
- 150 per cent from 2014-15 onwards, with a maximum co-contribution of \$1,500, reduced by 5 cents for each dollar of total income above the shade out threshold.

Lost Superannuation Accounts Amendments

Two small amendments have been made to the treatment of lost superannuation amounts. These changes are:

- superannuation providers will be required to transfer lost accounts with balances less than \$200, or which have been inactive for five years
- superannuation provider's obligations under the unclaimed money regime will be matched with the requirements of the temporary resident unclaimed superannuation regime.

If you think you have a lost superannuation accounts please contact our office - we will carry out a search.

Age Pension Changes

Increase in Age Pension Age

Age pension qualifying age will increase to age 67 in 2023. The transition to the higher Age Pension age will commence in July 2017, with the qualifying age increasing by six months every two years, to reach 67 on 1 July 2023.

Increase in Age Pension Rate

An increase to the Age Pension rate will be provided in two forms, through an increase in the base rate of pension for singles; and through an increase in a new Pension Supplement for both singles and couples.

The Government will provide a \$30 per week increase in the single basic pension rate. This increases the single base pension from 25 per cent to 27.7 per cent of Male Total Average Weekly Earnings and this new benchmark will be legislated. A new Pension Supplement will also be paid:

- a \$2.49 per week increase for singles; and
- a \$10.14 per week combined increase for couples

Income Test – Increased Taper Rate

The Government will increase the income test taper from 40 to 50 cents in the dollar for a single pensioner and from 20 to 25 cents in the dollar for each member of a couple, for income above the relevant income free threshold. This threshold is currently \$138 per fortnight for single pensioners and \$240 per fortnight for pensioner couples (combined).



Self Managed Superannuation Funds

Poulton & Associates Takes Self Managed Superannuation Fund Advising to a New Level

Figures released by the Australian Taxation Office show that there is more than \$320 billion sitting in assets residing in self managed superannuation funds ("SMSFs"). Actuaries – Deloitte Trowbridge have stated that *"by 2021 SMSFs will be the largest sector of the superannuation industry with \$1,468 billion (\$1.46 trillion) in assets."*

Our firm has long identified SMSFs as a high growth area but complex advising area. With the Simpler Super changes to the taxation laws allowing members of a SMSF to take their benefits tax free after age 60 as well as create tax effective SMSF Wills, the sky is the limit. However SMSF advising is highly specialised and adviser resource intensive – it is not for everyone.

Our firm has recently committed to an extensive SMSF business and client education program that delivers the following benefits to our SMSF clients:

- **Improved SMSF trustee education:** Clients have full access to ongoing SMSF seminars, newsletters and DVDs designed to increase their SMSF education and knowledge.
- **Advance Adviser Strategic Knowledge:** Our SMSF advisers participate in ongoing specialised SMSF training of more than five hours per month as well as attending intensive six monthly two day specialist SMSF strategy conferences. Although this amount of training is extensive resource wise, it ensures our SMSF clients have SMSF advisers who are strategic, up to date and can make a real difference in a their client's life.
- **Associated with other high level SMSF advisers:** We have direct access to Australia's leading SMSF expert, Grant Abbott the author of the CCH "Guide to SMSFs" and other like-minded SMSF advisers allowing us to bounce ideas, client situations and get advice from Australia's leading SMSF resources.
- **Laying a strong SMSF foundation:** The SMSFs trust deed is generally ignored by many accountants and financial planners. We see it as laying an important foundation for the fund and the family. The trust deed needs to continually meet the needs of its members and also incorporate ongoing changes including the all important Simpler Super reforms. The ATO have made this a requirement for trustees. We ensure that our clients have the latest and best SMSF trust deeds, they are educated on what the deed does and doesn't allow and that the deed is current as required by law.

We have and intend to continue to take SMSF advising not only seriously but to a new level of expertise and education ensuring that our SMSF clients and their families will profit from our enhanced skills and associations.

The Ten Key Benefits of a SMSF Strategies SMSF

1. The Fund has flexibility to look after your family
2. Provides a supplement to salary while working
3. Provides a secure income in retirement
4. Offers a financial helping hand if your health deteriorates
5. Investment choice
6. Low taxation fully sanctioned by the government
7. Looks after your family when you die
8. Access to the age pension
9. Protection from creditors
10. Splitting benefits with a spouse

If you wish to discuss the opportunities available to you by setting up a Self Managed Superannuation Fund please contact our office to make an appointment with our specialist advisor.

Other considerations – disadvantages

The SMSF structured can offer members many benefits and advantages. However they may also present a number of disadvantages and responsibilities that some people may not be willing to accept including:

- They can be time consuming to administer, particularly where a professional administrator is not engaged to attend to the day-to-day administration,
- Trustees must assume responsibility for operation of the fund. Although certain functions may be outsourced to professional advisers, this does not release trustees from there responsibilities,
- SMSF's may be costly to administer, particularly where there are only relatively small amounts being invested in the SMSF structure. Furthermore, costs may be duplicated where a SMSF intends to only invest in managed funds and/or listed securities that could simply be acquired through a retail public offer fund.