



2007 Spring Newsletter

Easier ways to pay your tax debts

The Commissioner of Taxation has announced that taxpayer's who have a tax debt of less than \$25,000, can take advantage of new arrangements to enter into a plan to repay the debt in instalments.

The Taxation Office has set up a self help services phone line for:

- a) Individuals on 13 28 65;
- b) Businesses on 13 72 26; and
- c) Tax agents on 13 72 86
[Fast key code 122]



Three new initiatives were recently trialled in order to better collect tax debts. These were:

- a) Dialler technology;
- b) Calling taxpayers after business hours; and
- c) Referring low-level debts to an external collection agency.

It was concluded that the most successful was the dialler technology which automatically worked through a list of phone numbers and filtered those with busy signals and unanswered numbers.

Between May 2006 and March 2007, more than 193,000 taxpayer contracts were made, with 45,000 taxpayers promising to pay tax debts of \$1 billion.

Labor Proposes More Tax Breaks



With the Federal election looming, major political parties have begun making various proposals and promises in relation to taxation policies.

Opposition Leader, Mr Kevin Rudd

announced recently that the ALP is pushing for more tax breaks – a proposal that will be considered at Labor's upcoming housing affordability conference.

In particular the ALP has announced that it is working to find ways to ease mortgage stress, which has soared in the past six years.

Mortgage stress is where taxpayers pay more than 30 percent of gross family income in mortgage repayments.

Mr Rudd said that the ALP will ease mortgage stress in the following ways:

- a. Offering tax breaks to developers and investors building affordable rental accommodation; and
- b. Streamlining the overall development approval process to take some of the price pressure off housing construction.

According to Mr Rudd, the ALP has proposals with industry, the finance sector, and state and local governments to provide better tax treatment for people who are saving for their first home deposits

Small Business - Help is on the way!

In a recent speech, the Commissioner has elaborated on the Tax Office's efforts to help small business through its "Small Business Assistance Program".

Under the program, the Tax Office will provide practical assistance to small business owners at various stages of their development.

It will address many issues at various stages of the business life cycle such as taking on employees, registering for GST and offering assistance to businesses that fail to meet their obligations.

In addition, the Commissioner said that future improvements for small business include:

- o more practical assistance, designed and delivered in collaboration with industry and local business bodies;
- o Greater access to information online;
- o integration of web services into business accounting software, which will allow activity statements to be prepared, lodged and validated directly from a taxpayer's software;
- o More effort in helping business to get tax matters right the first time;
- o Better customer service from Tax Office staff; and
- o Lower costs in reporting to government due to reduced duplication, increased

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government-to-government data sharing and a reduction in unnecessary reporting.

Top Five Salary Packaged Benefits



Salary packaging is an arrangement between an employer and an employee, whereby the employee agrees to forgo part of their future entitlement to salary or wages in return for the employer providing them with benefits of a similar cost.

A recent edition of the Australian Benefits Review, published by Mercer Human Resource Consulting, has highlighted the top five benefits packaged under salary packaging arrangements.

Cars, superannuation, laptop computers and personal digital assistants have been named as the four most-popular packaged benefits for employees in all ranks – no matter whether they are senior executives/managers or members of support or operations staff.

However, the publication has outlined a difference in the fifth most popular benefit with senior executives and managers preferring a second car while other employees chose car parking.

The top five of salary packaging have been favoured by both employers and employees because most are either exempt or concessional valued for Fringe Benefits Tax purposes.

Cars, in particular, can be concessional valued for FBT purposes no matter how many are included in a salary package, even if never driven for business purposes.

Generally, it all comes down to what you can afford to include in your package and what your employer is willing to offer you.

A Guide to Rental Property Deductions

Some rental expenses are immediately deductible in the year they are incurred, such as advertising for tenants, insurance on the property, or some minor repairs.

Some other expenses like renovation costs must be claimed over a number of years.

Rental expenses relating to private or capital costs generally cannot be claimed, such as the cost of buying or selling your rental property or expenses

connected to your own use of a property which is rented out for part of the year.

You may need to apportion your expenses claimed if:

- Your property is only rented for part of the year, or
- Only part of the property is used to earn rent, and/or
- You rent the property at uncommercial rates

Common mistakes made by taxpayers in relation to rental expenses include:

- Incorrectly claiming property improvements as repairs
- Claiming construction costs as decline in value
- Incorrectly apportioning borrowing costs between business and private
- Claiming expenses for a property that is not genuinely available for rent

Tax Office publications such as “Rental Properties” and “Guide to Capital Gains Tax” are available on the ATO website at www.ato.gov.au

Self Managed Superannuation Funds – Increasing the Numbers

Currently, a Self Managed Superannuation Fund (SMSF) must have 4 or fewer members in order to be a complying fund.

This is to ensure that all members remain involved in the management and decision making of the fund.

A Parliamentary Committee has recently completed an inquiry into the structure of the superannuation industry.

One of the Committees key submissions was a recommendation to increase the membership limit of SMSF's to 10 members.

Major arguments for this increase include:

- Allowing adult children to join their parent's fund.
- Allowing business associates to join together in the same fund.

At this stage, the proposal is only a recommendation, and legislative change will be necessary before membership numbers can increase.

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