

# Eastwoods

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# Christmas review

DECEMBER 2010

## Merry Christmas!

We would like to wish all of our clients and colleagues a Merry Christmas, and a safe, happy and prosperous New Year!

We hope that you are able to take a well-deserved break to spend time with family & friends over the Festive Season.

### Office Closure

Please note that our offices will be closed from Friday 24th December 2010, and will reopen on Tuesday 4th January 2011.

## Individual Rates

### 2010/11 Income Year

Taxable Income \$	Tax Payable
0 – 6,000	Nil
6,001 – <b>37,000</b>	15% of excess over \$6,000
<b>37,001</b> – 80,000	\$4,650 + 30% of excess over \$37,000
80,001 – 180,000	\$17,550 + <b>37%</b> of excess over \$80,000
180,001 +	\$54,550 + 45% of excess over \$180,000

## Low income tax offset ('LITO')

From 1 July 2010, the low income tax offset will increase from \$1,350 to \$1,500 providing an effective tax-free threshold of \$16,000 for adult taxpayers and an effective tax-free threshold of \$3,333 for minors. The tax offset will reduce by 4 cents for every \$1 of taxable income above \$30,000.

## Super Alert:

### Beware of the Section 290-170 Tax Deduction Notice Trap

In order to claim a tax deduction for personal contributions to super, a client must submit a valid s.290-170 Notice to the Superannuation Fund, and receive an acknowledgement from the Trustee. No trustee acknowledgement = no tax deduction. A s.290-170 Notice will be invalid if it is submitted after the first of any of the following events:

- you have submitted your tax return;
- 30 June of the year after you made the contributions, eg, if you make a personal contribution in October 2010 and wish to

claim a tax deduction for it for the 2010/11 tax year, the Notice will need to be received by 30th June 2012);

Notices are normally sent to clients by Fund Trustees for completion, or a compliant form can be downloaded from the ATO website. [www.ato.gov.au](http://www.ato.gov.au)

## New superannuation thresholds

Item	2010/11 Rates/ Threshold	2009/10 Rates/ Threshold	Has this changed?
Concessional contributions cap (CCC)	\$25,000 pa (\$50,000 age 50+)	\$25,000 pa (\$50,000 age 50+)	No
Non-concessional contributions cap (NCC)	<b>\$150,000</b> pa (\$450,000 over 3 yrs)	<b>\$150,000</b> pa (\$450,000 over 3 yrs)	No
<b>Super co-contribution</b>			
Maximum amount	\$1,000	\$1,000	No*
Lower Threshold	\$61,920	\$61,920	*Announced 2010 Budget
Upper Threshold			

## Business Tax Break

A reminder to small business clients (annual turnover less than \$2 million), that committed to investing in an eligible asset to claim the 50% business tax break deduction on, or before 31st December 2009.

To be eligible to claim the deduction, the client has until 31st December 2010 to first use or install the asset ready for use in their business.

The 31st December 2010 first use or installation deadlines also applies to other businesses (turnover \$2 million or more) that want to claim the 10% business tax break deduction.

# Payment Summaries

## And Reporting of Incorrect Super Amounts

The Tax Office says some employers have been incorrectly including compulsory superannuation amounts as reportable employer super contributions on their employees' payment summaries for the 2009/10 income year. Reportable employer super contributions should only include additional super contributions made by an employer, for example, super contributions made on behalf of an employee under a salary sacrifice arrangement. The payments being incorrectly included cover things such as super guarantee (9%) contributions and industrial agreement (award) super contributions.

## ATO data matching

### Cars and Property Sales

The ATO is about to start a new data matching program on car sales and property sales that occurred between 1 July 2009 and 30 June 2010.

The car sales program will be much wider than previous programs that only concentrated on luxury cars, as all car sales over \$10,000 will be caught in the net.

### Motor Vehicle data match

Details will be requested from the state and territory motor vehicle registering bodies where a motor vehicle was sold, transferred or newly registered between 1 July 2009 and 30 June 2010, and the transfer and/or market value of the vehicle is \$10,000 or greater.

The ATO is basically using the data matching program to catch:

- those who are not in the system;
- businesses that are not reporting the sales of motor vehicles (for income tax and GST purposes); and

- taxpayers in business whose reported income was not sufficient to support the purchase of the vehicle (perhaps because they may be skimming some or all of the cash takings).

### Real property data match

State and territory authorities will be asked to provide updated identity and transaction details relating to property title transfers between 1 July 1999 and 30 June 2010.

## Employing your Spouse?

### Ensure there's an "Employment Relationship"

Two recent cases before the Administrative Appeals Tribunal dealt with the scenario of a husband employing his wife to assist with looking after rental properties. The question before the Tribunals was whether there was a "genuine employment relationship". If it is found that there was no employment relationship in the circumstances, the taxpayer would not be entitled to deductions for salary or wages, fringe benefits, and superannuation contributions paid in relation to "employing" the spouse. Rather, the outgoings would be considered to be private or domestic in nature.

It is not against the law to employ your spouse. However, the arrangement must be genuine and this requires examining the totality of the relationship when characterising it. One cannot transform an existing domestic relationship simply by calling it a different name, or by adopting some aspects of an employment relationship.

## FBT

### Minor Benefits Exemption

Fringe benefits with a taxable value of less than \$300 may be exempt from FBT if they are provided on an irregular and infrequent basis.

Note: The minor benefits exemption threshold increased to 'less than \$300'

from 1 April 2007 (prior to 1 April 2007, it was less than \$100).

For a benefit to qualify for this exemption, the benefit must have a GST-inclusive taxable value of less than \$300.

This is regardless of whether or not the employer was entitled to input tax credits when providing the fringe benefits.

## Rental Properties

### Claiming travel expense deductions

The Tax Office has put out a travel expense fact sheet for rental properties. The following are excerpts.

### What are travel expense deductions?

Generally, travel expense deductions relate to the cost of travel a taxpayer incurs to inspect or maintain rental properties, or to collect rent.

### What can taxpayers claim?

Taxpayers can claim a deduction for travel expenses for:

- preparing the property for new tenants (except for the first tenants);
- inspecting the property during or at the conclusion of the tenancy;
- undertaking repairs, where those repairs are a consequence of the damage or wear and tear incurred while being rented out;
- maintenance of the property, such as cleaning and gardening, while it is rented or available for rent;
- collecting the rent; and

visiting their agent to discuss their rental property.

A full deduction is allowed where the sole purpose of a trip relates to the rental property.

However, where travel expenses are incurred partly for private purposes, only that portion relating to the rental property is in an allowable deduction.