

### **Superannuation Co-Contributions**

The superannuation co-contribution is a government measure to boost superannuation savings.

If you earn less than \$61,920 a year, make personal superannuation contributions and are otherwise eligible, the government will match your contribution up to the limits that apply in the tax year the payment was made.

You **NEED TO ACT NOW before 30 June 2010** to ensure you gain the optimum benefits.

For the 2009 – 2010 financial year, taxpayers with an income up to \$31,920 are eligible for the maximum co-contribution amount of \$1000.

The amount phases out by 3.333 cents for every \$1 that the taxpayer's income exceeds the amount of \$31,920. The co-contribution stops when the taxpayer's income reaches \$61,920. The following table explains the contribution in more detail.

Assessable income and Reportable Fringe Benefits (AI)	Maximum Government Co-Contribution
\$0 - \$31,920	\$1,000
\$31,920 - \$61,920	1000 - [(AI - \$31,920) x 3.333%
\$61,920 +	\$0

For example if a taxpayer's income is 41,920 for the year, the calculation is as follows:

$$1000 - [(41,920 - 31,920) \times 3.333\%] = \$666.70$$

If the taxpayer has an income of \$41,920, the maximum co-contribution limit will be \$666.70

Be aware that the self employed are also eligible to take advantage of the government measure.

### **Salary Sacrificing**

Salary sacrificing is an arrangement where you agree to forego part of your future salary or wages in return for your employer providing benefits of a similar value.

You can sacrifice your salary or wages into a variety of benefits including:

- Super (up to \$25,000 which ***includes*** any Super Guarantee Charge (“SGC”) paid by your employer on your behalf)
- Car fringe benefits
- Expense payment fringe benefits, such as
  - School fees
  - Child care costs
  - Loan repayment

For any further information please call Alfred Mallia or Timothy Foster on 1300 131 809

**Self Employed**

From 1 July 2007, most self-employed people have been able to claim a full deduction for contributions they make to their super up to the tax free cap (refer below) until age 75.

A deduction is available for superannuation contributions made by self-employed persons or employees who receive little or no employer superannuation support.

If your employment income is less than 10% of your annual income and you are classified as self-employed for superannuation purposes you are eligible for these deductions on personal superannuation contributions.

The tax free cap of super contributions for self-employed taxpayers for the 2009 – 2010 financial year is \$25,000. This includes any contribution any employers and salary sacrifices that have been made as well.

For example: If you as a taxpayer had paid \$2000 into your superannuation account as your SGC contribution; you can therefore contribute another \$23,000 into your super fund, which would be fully tax deductible.

**Taxation Rates for the 2009 – 2010 Financial Year**

Taxable Income	Tax on this Income
\$1 - \$6,000	Nil
\$6,001 - \$35,000	15c for every \$1 over \$6,000
\$35,001 - \$80,000	\$4350 plus 30c for every \$1 over \$35,000
\$80,001 - \$180,000	\$17,850 plus 37c for every \$1 over \$80,000
\$181,000 and over	\$55,850 plus 45c for every \$1 over 180,000

**50% Education Tax Refund**

The amount that can be claimed for a student is 50% of eligible education expenses for the period the child was in your care. You can claim up to:

- \$750 for each eligible child in *primary school* – that is, a refund of up to \$375, and
  - \$1,500 for each eligible child in *secondary school* – that is, a refund of up to \$750.
- Note: Education expenses in excess of this can be carried forward to the next financial year.

The following expenses are eligible expenses for the education rebate:

- Laptop computers
- iPad
- Home computers and associated costs, such as repairs and running costs
- Printers and cartridge costs
- USB and flash drives
- Home internet connections – usage related to learning only
- Computer software for educational use, including word processing, spreadsheets, database, presentation and antivirus software
- School textbooks and other paper based school learning materials, including stationery, glue, compasses, pencils and pens.

### **Medicare Levy Surcharge**

Any taxpayer not covered by private health insurance will have to pay an extra 1% Medicare levy surcharge if they fall under the categories below.

- If you are a taxpayer and are single with a taxable income plus fringe benefits of \$73,000 or more for the financial year.
- If you are a taxpayer and considered married under tax law and have a family income plus reportable fringe benefits of \$146,000 or more for the financial year. For every dependent child *after* the first the fringe benefit of \$146,000 will increase by \$1,500.

### **Personal Services Income**

If you are part of a partnership, company or trust and obtain your work from one main client that incorporates 80% of your annual turnover, you may be taxed as an individual regardless of your entity setup. Of the three main tests, you will have to satisfy at least one if you want approval by the taxation office and not be considered as an individual.

**The three main tests are as follows:**

**The Unrelated Clients Test** – you must provide services to 2 or more unrelated entities and the services provided must be a direct result of making offers or invitations to the public.

**The Employment Test** – you must engage one or more entities during an income year and they must perform at least 20% of the market value of the turnover for the year, or you must employ one or more apprentices for at least 50% of the income year.

**The Business Premises Test** – must be a premise that is used exclusively for producing personal services income, is physically separated from any other premises that is used for private purposes and must be physically separated from the premises of any of your clients.

### **Non Commercial Losses**

Tax losses incurred by individuals (sole traders) or partners of a partnership from carrying on a business will not be deductible against other income unless the following can be satisfied:

1. The Business meets one of the following tests:
  - Assessable Income Test – the business earns assessable income of at least \$20,000
  - Profits Test – the business has produced a taxable income in 3 out of the last 5 years
  - Real Property Test – the value of the real property (e.g.. land & buildings) used in the business is at least \$500,000
  - Other Assets Test – the value of other assets used in the business is at least \$100,000 (excluding motor vehicles), or
2. The sole trader or partner can satisfy the exception of being a primary producer or a professional artist where the individual's assessable income from other sources (e.g.. wages) is less than \$40,000, or
3. The Commissioner has exercised his discretion to allow the tax loss to be deducted. This generally may be granted in one of the following situations:
  - special circumstances – where the business has been affected by circumstances out of its control (e.g. drought, flood, fire etc.); or

- due to the nature of the business, it is not expected to generate a profit for a certain period of time (e.g. olive farm etc)

If none of the above tests are satisfied, then the losses made from the business will not be deductible and against any other income and must be deferred until the business actually makes a profit. However these tests must be evaluated each year to see whether they have been satisfied.

### **Depreciation and Capital Allowances**

#### **Employees and Landlords**

Taxpayers may elect to depreciate items of plant costing less than \$1000 at a diminishing rate of 37.5%

Any item under \$300 is 100% tax deductible and can be immediately written off.

#### **Small Business Taxpayers**

Small business taxpayers that elect small business depreciation concessions are allowed to *immediately write off* any assets that cost *less than \$1000*.

For assets costing in excess of \$1000 (and have an effective life of less than 25 years), they can be written off through a general depreciation pool at a diminishing rate of 30%. However, new assets added to the pool during the year are only eligible for a 15% deduction in their first year.

#### **Small Business and General business tax break**

For a small business to be eligible for the tax break they must have a turnover of \$2 million a year or less.

Small businesses can claim an additional 50% tax deduction for eligible assets costing \$1000 or more that they acquire from 13 December 2008 to 31 December 2009 and the asset is installed or ready to use by 31 December 2010.

This tax break is in addition to the usual capital allowance deduction claimable for the asset in the taxpayer's usual tax return.

#### **Family Tax Benefit**

Family Tax Benefit can only be claimed directly from Centrelink and not through the tax return system for all current and previous claims.

#### **Insurance**

A number of types of insurance cover maybe tax deductible and therefore, if you pay them before 30th June you can the tax benefit in that years' tax return.

Insurance products that are deductible include income protection insurance, landlord's insurance (for rental property owners) and contents insurance (for rental property owners).

We can help you with further information on insurance.

Please call Alfred or Timothy on 1300 131 809.

**Motor Vehicle Expenses – Rate per km Method**

**Rates per Business Kilometre**

Engine Capacity		Cents per Litre	
Ordinary Car	Rotary Engine Car	2008 - 2009 Financial Year	2009 - 2010 Financial Year*
1600cc (1.6L) or less	800cc (0.8L) or less	63 cents	63 cents
1601cc - 2600cc (1.601L - 2.6L)	801cc - 1300cc (0.801L - 1.3L)	74 cents	74 cents
2601cc (2.601L) and over	1301cc (1.301L) or over	75cents	75 cents

\*The 2009-2010 figures have not been published to date and are only estimates

No log book is required for this method and a maximum of 5,000 business kilometres can be claimed even if you have travelled more. However, under the law of substantiation you must show evidence that you have reasonable estimates of the number of kilometres travelled. For example, if you have travelled 5,035 km for business purposes in the financial year, you can still only claim 5,000km.

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