

Dear Client,

We are pleased to supply you with the June 2010 special edition of **Client Alert**, which includes the **2010 Budget report** summarising the important outcomes of the Federal Budget handed down on Tuesday, 11 May 2010.

Also included is the **2010 Tax Return Checklist** to assist you in compiling the necessary information for the preparation of your 2009/10 income tax return.

This edition contains a newsletter covering important taxation developments up to and including 4 May 2010:

- **Division 7A Applies To 'Payments by Direction'** — A Federal Court decision relating to deemed dividends and directions by a company for its debtor to pay amounts to a shareholder.
- **Judgment of \$81.4 million Stands Against Trustee** — A Qld Court of Appeal decision relating to a trustee and its liability to pay tax.
- **Personal Superannuation Contributions Deduction Denied** — An Administrative Appeals Tribunal decision relating to disputed deduction for personal superannuation contributions.
- **SMSF Trustees with Enduring Power of Attorney** — An SMSF Ruling on how a person who holds an enduring power of attorney can be a trustee in place of an SMSF member.
- **SMSF Trauma Insurance Policies** — An SMSF Determination on how SMSF trustees can purchase a trauma insurance policy and still satisfy the sole purpose test.
- **Super System Review: Preliminary Report on SMSFs** — The Super System Review panel has released a report containing many recommendations in relation to SMSFs.
- **Cents per Kilometre Rates** — The Government has released the cents per kilometre rates for calculating motor vehicle expenses for the 2009/10 income year.

### **Holiday**

The office will be closed on **Monday, 14<sup>th</sup> June 2010** for the Queen's Birthday Holiday.

Please contact us if you wish to discuss how the points raised in **Client Alert** specifically affect you.

Yours sincerely

**GUESTS ACCOUNTING**

# client alert

tax news | views | clues

## **Division 7A Applies To 'Payments by Direction'**

The Federal Court has confirmed that the deemed dividend provisions can apply where a payment is made by a debtor of a company to a shareholder at the direction of the company.

The taxpayer and her former de-facto spouse were the shareholders and directors in a private company. In the 2001 income year, the company directed US clients to pay over \$160,000 in debts owed to the company into the account of the taxpayer (of which she was sole signatory). The funds in the account were used for the private expenditure of the taxpayer and her former de-facto spouse.

The Court held that the deemed dividend provisions can apply if a company makes a payment to a shareholder by way of directing its debtors to make the payment. In the Court's view, there was no reason to construe the notion of 'pay' as requiring a direct flow of money from the payer to the payee, or that it precludes payment by direction.

Broadly, a payment or loan by a private company to a shareholder (or their associate) will be considered a deemed unfranked dividend unless steps have been taken to avoid this.

## **Judgment of \$81.4 million Stands Against Trustee**

A taxpayer has lost an appeal before the Qld Court of Appeal in which the taxpayer sought to exonerate itself from a liability to pay tax imposed.

The taxpayer was the trustee of four trusts. The Commissioner commenced proceedings against the taxpayer to recover outstanding income tax, interest and penalties which related to the trusts. In an earlier judgment, the Qld Supreme Court granted the

Commissioner summary judgment against the taxpayer for \$81.4 million.

The taxpayer argued that it was not personally liable for the tax because it had not received any of the monies which were the subject of the Commissioner's assessment.

However, in the Court's view, the relevant provisions of the tax legislation that the taxpayer relied on did not have potential application to limit its liability as it was assessed under a provision relating to the tax treatment of trusts. Therefore, the Court affirmed that the taxpayer was liable for the \$81.4 million.

## **Personal Superannuation Contributions Deduction Denied**

The AAT has refused a taxpayer's claim for a deduction for personal superannuation contributions after ruling that he did not satisfy the 'maximum earnings as employee condition'.

Following a work accident in 2004, the taxpayer was unable to work and received workers' compensation payments until he retired on grounds of invalidity on 12 July 2007. The taxpayer received a lump sum payment upon his retirement. During the 2007/08 income year, the taxpayer made personal contributions to two superannuation funds.

The Tribunal found that the taxpayer was engaged in the relevant activity of holding an office for the 12 days in July 2007. While the taxpayer said he was not engaged in any activity because he was unable to work, the Tribunal stated that a person could hold office that does not require any activity.

As a result, the Tribunal agreed that the 10% test for the maximum earnings as employee was not satisfied, as the taxpayer's lump sum payment (which was attributable to those activities) clearly exceeded 10% of his assessable income for the 2007/08 income year.

## SMSF Trustees with Enduring Power of Attorney

The Tax Office has released a Ruling explaining the Commissioner's views on how a person who holds an enduring power of attorney in respect of a member of a self-managed superannuation fund (SMSF) can be a trustee in place of the member (or a director of the corporate trustee) for the purposes of the superannuation legislation.

The Tax Office considers that a legal personal representative (LPR) does not become a trustee of the fund (or a director of the corporate trustee) merely by virtue of holding an enduring power of attorney. Rather, the LPR must be appointed as a trustee of the SMSF in accordance with the trust deed, the superannuation legislation and any other relevant legislation.

Furthermore, the Tax Office says a member must cease to be a trustee of the SMSF or a director of the corporate trustee, except where the LPR is appointed as an alternate director. Provided that the alternate director can only exercise the powers of a director where the main director does not, the Ruling says it is not necessary that the member resign as a director of the SMSF in these circumstances to satisfy the superannuation legislation.

## SMSF Trauma Insurance Policies

The Tax Office has also released a Determination in which it sets out the circumstances where a trustee of an SMSF can purchase a trauma insurance policy in respect of a member and still satisfy the superannuation legislation, in particular the sole purpose test.

To briefly explain, the sole purpose test requires an SMSF to be maintained solely for at least one core purpose (eg the provision of benefits for a member on or after the member's retirement) and, also possibly, at least one ancillary purpose (eg the provision of benefits for a member on or after the member's death).

The Commissioner says any benefits payable under a trauma insurance policy must be payable to a trustee of the SMSF and become part of the assets of the SMSF, at least until the relevant member can satisfy a condition of release. If an SMSF trustee purchases a trauma insurance policy that provides for benefits payable under the policy to be paid directly to someone other than a trustee of the SMSF (eg the insured member or member's relative), the Tax Office says this would contravene the sole purpose test.

## Super System Review: Preliminary Report on SMSFs

The Super System Review has released its preliminary report, *Self-Managed Super Solutions*, which contains a host of recommendations. While the Government has not responded to the recommendations, if implemented, they will impact on the SMSF landscape.

The report makes the following key recommendations:

- **Exotic assets prohibited** — Investments in collectables and personal use assets should be prohibited, such as paintings, jewellery, antiques, wine, exotic cars and yachts.
- **In-house assets prohibited** — SMSFs should be prohibited from any in-house assets. (In brief, an in-house asset is an investment in a related party of the fund.)
- **Leverage and instalment warrants** — A review of the borrowing exception (ie instalment warrants) should be carried out in two years to ensure that borrowing has not become a significant focus of SMSFs.
- **Annual member disclosure** — The corporations legislation should be amended to ensure SMSFs' members are provided with key information annually.
- **Illegal early release** — Existing tax laws should be amended so that amounts illegally early released are taxed at the superannuation non-complying tax rate (currently 46.5%) rather than an individual's marginal tax rate.
- **Binding SMSF rulings** — The Tax Office should be given the power to issue binding rulings in relation to SMSFs.

## Cents per Kilometre Rates

The Government has released the cents per kilometre rates for calculating motor vehicle expenses for the 2009/10 income year:

Car	Non-rotary engine	Rotary engine	Rate per km
Small car	1,600cc or less	800cc or less	\$0.63
Medium car	1,601-2,600cc	801-1,300cc	\$0.74
Large car	2,601cc or more	1,301cc or more	\$0.75

Important: This is not advice. Clients should not act solely on the basis of the material contained in this Bulletin. Items herein are general comments only and do not constitute or convey advice per se. Also changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. The Bulletin is issued as a helpful guide to clients and for their private information. Therefore it should be regarded as confidential and not be made available to any person without our prior approval.

# 2010 Individual Tax Return Checklist

Name of taxpayer: \_\_\_\_\_

Address: \_\_\_\_\_

Preferred Contact No: \_\_\_\_\_

Information	Information Provided	Not Applicable
<p><b>Income</b></p> <p>PAYG summaries from employers, Centrelink and/or superannuation funds</p> <p>Lump sum payments (eg Employment Termination Payment)</p> <p>Trust distribution statement, including copy of the trust's tax return</p> <p>Managed fund annual tax statement and capital gains tax statement</p> <p>Partnership distribution statement, including a copy of the partnership's tax return</p> <p>Dividend statements</p> <p>Bank statements stating interest earned</p> <p>Term deposit statements stating interest earned</p> <p>Buy/sell contract notes for shares (if any shares were sold)</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>
<p><b>Work-related Deductions</b></p> <p>Details of depreciable assets bought during the year (eg laptops)</p> <p>Professional journals / magazines</p> <p>Professional memberships / subscriptions</p> <p>Receipts for continuing professional development courses and seminars</p> <p>Receipts for self-education expenses</p> <p>Receipts for other work related deductions such as protective clothing, uniform expenses and travel</p> <p>Vehicle logbook for motor vehicle expenses (if using the logbook method)</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>
<p><b>Other Deductions</b></p> <p>Receipts for donations of \$2 and over to registered charities</p> <p>Expenditure incurred in managing tax affairs (eg tax agent's fees)</p> <p>Expenditure incurred in earning investment income</p> <p>Income protection insurance premiums</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>
<p><b>Rental Properties</b></p> <p>Annual statement from property agent (if engaging the services of an agent)</p> <p>Date when property was purchased</p> <p>Details of depreciable assets bought or disposed during the year</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>



# 2010 Superannuation Fund Tax Return Checklist

Name of taxpayer: \_\_\_\_\_

Address: \_\_\_\_\_

Preferred Contact No: \_\_\_\_\_

Information	Information Provided	Not Applicable
<p><b>Bank Statements</b></p> <p>Bank statements for the period 1 July 2009 to 30 June 2010</p> <p>Details of all deposits and withdrawals</p> <p>Cheque books butts and deposit books</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>
<p><b>Investments</b></p> <p>Copies of annual tax statements for investments in forestry managed schemes</p> <p>Copies of any off-market transfer forms for any in-specie contributions</p> <p>Copies of confirmation for purchase in forestry managed investment schemes</p> <p>Copies of confirmation for units purchased in managed funds</p> <p>Copies of contract notes and settlement statements for any shares purchased</p> <p>Copies of distribution statement from trust</p> <p>Copies of maturity notices for term deposits</p> <p>Copies of sell notes and settlement statements for shares sold (include original contract notes if possible)</p> <p>Copies of sell notes for units in managed funds sold (include original purchase notes if possible)</p> <p>Details of any investments acquired from members or their associates during the income year</p> <p>Details of any other investment assets purchased and sold</p> <p>Details of investment in related parties, including any outstanding distributions to be received</p> <p>Managed funds distribution statements, annual tax statements and capital gains statements</p> <p>Dividend statements</p> <p>Statements of returns of capital (from shares)</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>
<p><b>Contributions Received</b></p> <p>Records of all employer contributions (including salary sacrifice contributions)</p> <p>Records of any undeducted personal contributions</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p>

Information	Information Provided	Not Applicable
Records of any contributions where no TFN was quoted	<input type="checkbox"/>	<input type="checkbox"/>
Written notices from members stating intention to claim deductions for their personal contributions	<input type="checkbox"/>	<input type="checkbox"/>
Acknowledgement notices by trustee to members confirming receipt of notices for personal contributions	<input type="checkbox"/>	<input type="checkbox"/>
<b>Rollovers</b>		
Details of inward rollovers	<input type="checkbox"/>	<input type="checkbox"/>
Details of outward rollovers	<input type="checkbox"/>	<input type="checkbox"/>
<b>Insurance Policies</b>		
Copies of annual life insurance policy provided for members	<input type="checkbox"/>	<input type="checkbox"/>
Copies of death or disability policy provided for members	<input type="checkbox"/>	<input type="checkbox"/>
<b>Benefits Paid</b>		
Copies of any lump sum benefits paid to members	<input type="checkbox"/>	<input type="checkbox"/>
Details of pensions paid to members, including copies of PAYG summaries if applicable	<input type="checkbox"/>	<input type="checkbox"/>
<b>Common deductions</b>		
Death or disability premiums	<input type="checkbox"/>	<input type="checkbox"/>
Approved auditor's fees paid	<input type="checkbox"/>	<input type="checkbox"/>
Investment expenses, including nature of the expenses	<input type="checkbox"/>	<input type="checkbox"/>
Management and administrative expenses, including nature of the expenses	<input type="checkbox"/>	<input type="checkbox"/>
<b>Other Information</b>		
Details of any derivatives and instalment warrants entered into	<input type="checkbox"/>	<input type="checkbox"/>
Auditor's report for the previous financial year	<input type="checkbox"/>	<input type="checkbox"/>
Copies of Instalment Activity Statements and/or Business Activity Statements lodged for the income year	<input type="checkbox"/>	<input type="checkbox"/>
Copies of minutes of meetings	<input type="checkbox"/>	<input type="checkbox"/>
Copies of trustee declarations for any new trustees, or directors of corporate trustees	<input type="checkbox"/>	<input type="checkbox"/>
Copy of investment strategy	<input type="checkbox"/>	<input type="checkbox"/>
Record of all members as at 30 June 2010	<input type="checkbox"/>	<input type="checkbox"/>
If you have any doubt about any income or expenses you have received or incurred, bring the documents in with you	<input type="checkbox"/>	<input type="checkbox"/>
Any other information that you think is relevant	<input type="checkbox"/>	<input type="checkbox"/>

# 2010 Company, Trust or Partnership Tax Return Checklist

Name of taxpayer: \_\_\_\_\_

Address: \_\_\_\_\_

Preferred Contact No: \_\_\_\_\_

Information Required	Information Provided	Not Applicable
<b>Income</b>		
Accounting information, including trial balance, P&L and balance sheet	<input type="checkbox"/>	<input type="checkbox"/>
Asset register detailing depreciable assets bought, and sold or scrapped during the year	<input type="checkbox"/>	<input type="checkbox"/>
Cashbook (if maintained)	<input type="checkbox"/>	<input type="checkbox"/>
Copies of sell notes and settlement statements for shares sold (include original contract notes and settlement statements if possible)	<input type="checkbox"/>	<input type="checkbox"/>
Copies of sell notes for units in managed funds sold (include original purchase notes if possible)	<input type="checkbox"/>	<input type="checkbox"/>
Details of any other income such as rental income	<input type="checkbox"/>	<input type="checkbox"/>
Details of any other investment income	<input type="checkbox"/>	<input type="checkbox"/>
Details of any subsidies, grants and payments received	<input type="checkbox"/>	<input type="checkbox"/>
Details of interest and repayments received from shareholders	<input type="checkbox"/>	<input type="checkbox"/>
Details of proceeds from disposal of capital assets	<input type="checkbox"/>	<input type="checkbox"/>
Managed funds distribution statements, annual tax statements and capital gains statements	<input type="checkbox"/>	<input type="checkbox"/>
Dividend statements	<input type="checkbox"/>	<input type="checkbox"/>
<b>Deductions</b>		
Details of advertising and marketing expenses	<input type="checkbox"/>	<input type="checkbox"/>
Details of bad debts actually written off during the year (please provide documentary evidence)	<input type="checkbox"/>	<input type="checkbox"/>
Details of bonuses and commissions paid to employees	<input type="checkbox"/>	<input type="checkbox"/>
Details of bonuses and commissions paid to external parties	<input type="checkbox"/>	<input type="checkbox"/>
Details of bonuses paid to directors	<input type="checkbox"/>	<input type="checkbox"/>
Details of borrowing costs for new loans entered into during the year	<input type="checkbox"/>	<input type="checkbox"/>
Details of directors' fees	<input type="checkbox"/>	<input type="checkbox"/>
Details of donations of \$2 and over to registered charities	<input type="checkbox"/>	<input type="checkbox"/>
Details of entertainment expenses	<input type="checkbox"/>	<input type="checkbox"/>
Details of expenses associated with establishing, expanding, merging or liquidating the entity, which were incurred during the year	<input type="checkbox"/>	<input type="checkbox"/>
Details of fringe benefits tax paid (please provide FBT return lodged)	<input type="checkbox"/>	<input type="checkbox"/>

Information Required	Information Provided	Not Applicable
Details of interest on loans	<input type="checkbox"/>	<input type="checkbox"/>
Details of lease expenses for motor vehicles, premises and equipment	<input type="checkbox"/>	<input type="checkbox"/>
Details of legal expenses	<input type="checkbox"/>	<input type="checkbox"/>
Details of lump sum payments (including retirement and redundancy)	<input type="checkbox"/>	<input type="checkbox"/>
Details of motor vehicle expenses	<input type="checkbox"/>	<input type="checkbox"/>
Details of prepayments	<input type="checkbox"/>	<input type="checkbox"/>
Details of professional subscriptions and journals	<input type="checkbox"/>	<input type="checkbox"/>
Details of rates, land taxes and insurance premiums	<input type="checkbox"/>	<input type="checkbox"/>
Details of repairs and maintenance	<input type="checkbox"/>	<input type="checkbox"/>
Details of research and development activities and expenses	<input type="checkbox"/>	<input type="checkbox"/>
Details of royalties paid	<input type="checkbox"/>	<input type="checkbox"/>
Details of salaries paid, including fringe benefits (please provide PAYG summaries)	<input type="checkbox"/>	<input type="checkbox"/>
Details of superannuation contributions for directors	<input type="checkbox"/>	<input type="checkbox"/>
Details of superannuation contributions for employees	<input type="checkbox"/>	<input type="checkbox"/>
Details of tax, and accounting and audit fees paid	<input type="checkbox"/>	<input type="checkbox"/>
Details of any assets purchased, including date of purchase and amount (eligible assets may qualify for the Small Business and General Business Tax Break)	<input type="checkbox"/>	<input type="checkbox"/>
Details of travel expenses (include travel diaries)	<input type="checkbox"/>	<input type="checkbox"/>
<b>Balance Sheet — Assets</b>		
Asset register detailing depreciable assets bought and sold or scrapped during the year	<input type="checkbox"/>	<input type="checkbox"/>
Bank statements	<input type="checkbox"/>	<input type="checkbox"/>
Cheque book butts and deposit books	<input type="checkbox"/>	<input type="checkbox"/>
Copies of confirmation for any units in managed funds purchased	<input type="checkbox"/>	<input type="checkbox"/>
Copies of contract notes and settlement statements for any shares purchased	<input type="checkbox"/>	<input type="checkbox"/>
Details of any other investments purchased	<input type="checkbox"/>	<input type="checkbox"/>
Details of capital assets purchased during the year	<input type="checkbox"/>	<input type="checkbox"/>
Details of leases entered into and terminated during the year	<input type="checkbox"/>	<input type="checkbox"/>
Details of loans, payments of forgiveness of debts to shareholders or their associates	<input type="checkbox"/>	<input type="checkbox"/>
Details of work-in-progress	<input type="checkbox"/>	<input type="checkbox"/>
Listing of trade debtors with amounts outstanding	<input type="checkbox"/>	<input type="checkbox"/>
Value of stock as at 30 June 2009 (and basis of valuation)	<input type="checkbox"/>	<input type="checkbox"/>
<b>Balance Sheet — Liabilities</b>		
Accrued expenses (eg audit fees and bonuses) and unearned revenue	<input type="checkbox"/>	<input type="checkbox"/>

Information Required	Information Provided	Not Applicable
Details of all loans Listing of trade creditors with amounts owing Provisions for long service leave and annual leave Statements from the lending authority detailing the opening and closing balances of existing loans during the financial year	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
<b>Balance Sheet — Equity</b> Details of any changes to shareholding Details of loans from shareholders or partners Details of any increase or decrease to reserves	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
<b>Addition Information — Company</b> Loans, payments or debt forgiveness made to shareholders or associates of the shareholders, if private company Auditor's report (if applicable) Copies of Instalment Activity Statements and/or Business Activity Statements lodged for the income year Copies of minutes of company meetings If you have any doubt about any income or expenses the company has received or incurred, bring the documents in with you Any other information that you think is relevant	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
<b>Additional Information — Trust</b> Unpaid present entitlements to a corporate beneficiary who is an associate of the trust Copies of Instalment Activity Statements and/or Business Activity Statements lodged for the income year Copies of minutes of trust meetings, in particular distribution resolutions Copy of trust deed, if not already supplied Details of any units redeemed or issued during the year (for a unit trust) Details of any unpaid present entitlements to beneficiaries If trust's deed was amended during the year, please provide details If you have any doubt about any income or expenses the trust has received or incurred, bring the documents in with you	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
<b>Additional Information — Partnership</b> Copies of Instalment Activity Statements and/or Business Activity Statements lodged for the income year Copies of minutes of partnership meetings Copy of partnership agreement If the partnership was restructured during the year, please provide details If you have any doubt about any income or expenses the partnership has received or incurred, bring the documents in with you	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>



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## PERSONAL TAXATION

### **50% Savings Discount for Interest Income**

From 1 July 2011, the Government will provide individuals with a 50% tax discount on up to \$1,000 earned on interest.

This includes interest earned on deposits held with any bank, building society or credit union as well as on bonds, debentures or annuity products.

The discount will be available for interest income earned directly as well as indirectly, such as via a trust or a managed investment scheme (MIS).

#### ***Adjusted taxable income***

The Government states that taxpayers claiming the discount for interest income will have a reduced adjusted taxable income for the purpose of determining eligibility for transfer payments and other concessions.

This may result in some individuals and families becoming eligible for transfer payments or for a larger transfer payment.

The Government notes that the consequential expense primarily affects Family Tax Benefit, but will also affect other payments such as:

- the Baby Bonus;
- Child Care Benefit;
- the Education Tax Refund;
- the Commonwealth Seniors Health Card (CSHC); and
- the Pensioner Supplement (which is linked to eligibility for the CSHC).

The measure will apply from 1 July 2011.

### **Standard Deduction for Work-related Expenses**

The Government will provide individual taxpayers with a standard deduction of \$500 for work-related expenses and for the cost of managing tax affairs from 1 July 2012.

The standard deduction will increase to \$1,000 from 1 July 2013.

Those taxpayers with deductible expenses greater than the standard deduction amount will still be able to claim their higher expenses, in lieu of claiming the standard deduction amount.

The standard deduction will reduce individuals' and families' adjusted taxable income for the purpose of determining their eligibility for transfer payments and other concessions (eg the Family Tax Benefit, the Baby Bonus, Child Care Benefit, the Commonwealth Seniors Health Card (CSHC) and the Seniors Supplement).

This will make some individuals and families eligible for transfer payments or for a larger transfer payment.

### **Medical Expenses Rebate Threshold Raised**

From 1 July 2010, the medical expenses rebate threshold will increase from \$1,500 to \$2,000.

Taxpayers presently receive a rebate equal to 20% of net un-reimbursed eligible medical expenses above \$1,500. This \$1,500 threshold will increase to \$2,000.

In addition, from 1 July 2011, the threshold will be indexed annually to the Consumer Price Index (CPI).

### **Medicare Levy Thresholds Increased for 2009/10**

From the 2009/10 income year, the Medicare levy low-income thresholds will be increased to \$18,488 for singles (up from \$17,794 for 2008/09) and to \$31,196 for those who are members of a family (up from \$30,025 for 2008/09).

The additional amount of threshold for each dependent child or student will also be increased to \$2,865 (from \$2,757).

From 1 July 2009, the Medicare levy low-income threshold for pensioners below Age Pension age will be increased to \$27,697 (from \$25,299).

This increase will ensure that pensioners below Age Pension age do not pay the Medicare levy while they do not have an income tax liability.

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## SUPERANNUATION

### **Co-contribution Matching Rate Permanently Reduced to 100%**

The Government has announced that it will seek to permanently set the matching rate for the superannuation co-contribution at 100% and the maximum co-contribution that is payable on an individual's eligible personal non-concessional superannuation contributions at \$1,000.

As a result, the previously-legislated increase in the matching rate to 125% for the 2012/13 and 2013/14 years (and to 150% for 2014/15 and later years) will not proceed.

### ***Eligible income thresholds frozen***

In addition, the Government says that for 2010/11 and 2011/12 it will freeze the indexation applied on the income threshold above which the maximum superannuation co-contribution begins to phase down.

Under the superannuation co-contribution scheme, the Government currently provides a matching contribution for contributions made into superannuation out of after-tax income. The matching contribution is up to \$1,000 for individuals with incomes of up to \$31,920 in 2009/10 (with the amount available phasing down for incomes up to \$61,920). The new measure will freeze these thresholds at \$31,920 and \$61,920 for two years.

The Government says this measure follows its earlier announcement in response to the Henry Tax Report, proposing a \$500 annual superannuation contribution for individuals with an adjusted taxable income up to \$37,000.

### **Superannuation Fund Deductions for Terminal Medical Condition Benefits**

The Government has announced that it will seek to extend the range of benefits that are deductible by complying superannuation funds and retirement savings account providers to include terminal medical condition (TMC) benefits.

The Government says that this proposal addresses an anomaly in the taxation law regarding deductibility by superannuation funds and retirement saving account providers of the costs of providing certain benefits to members or holders.

Currently, the Government says deductions are allowable for the costs of providing benefits relating to the death, permanent incapacity and temporary incapacity conditions of release, but not those relating to the TMC condition of release.

This measure is proposed to have effect from 16 February 2008, the date the TMC condition of release was introduced into the superannuation legislation.

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## BUSINESS TAXATION

### **Look-through Treatment for Earnout Arrangements**

All payments under a qualifying 'earnout' arrangement will be treated as relating to the underlying business asset.

Earnout arrangements are used to structure the sale of a business (or business assets) to manage uncertainty regarding the value of the business.

Under the earnout arrangement, an earnout right may entitle the buyer or seller to additional payments, depending on the subsequent performance of the business.

The proposed amendment will have effect from the date of the Royal Assent of the enabling legislation, with transitional provisions available for certain cases from 17 October 2007.

### **Increased Funding to Counter Cash Economy**

The Government will provide \$107.9 million over four years to the Tax Office, to address small business operators who use cash transactions to avoid tax. The Government states that this is expected to increase the "visibility of the Tax Office in the community".

This measure is expected to result in:

- an additional \$491.8 million in revenue in fiscal balance terms over four years; and
- an increase of \$39.9 million in Tax Office-administered expenses over the same period.

In underlying cash terms, the expected increase in revenue is \$366.5 million over four years, including \$146.7 million in GST collections that will be paid to the states and territories.

### **GST Compliance Program — funding for the Tax Office**

The Government states that it will provide \$337.5 million over four years (from the 2010/11 to the 2013/14 income years) to the Tax Office to fund additional activities that will promote voluntary GST compliance and provide a level playing field for Australian businesses.

The Government also states that the funding will address issues relating to:

- fraudulent GST refunds;
- systematic under-reporting of GST liabilities;
- non-lodgment of GST returns; and
- non-payment of GST debts.

**Important:** This is not advice. Clients should not act solely on the basis of the material contained in this Bulletin. Items herein are general comments only and do not constitute or convey advice per se. Also changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. The Bulletin is issued as a helpful guide to clients and for their private information. Therefore it should be regarded as confidential and not be made available to any person without our prior approval.