

# “In Brief” with



**Securing your financial future!**

## **50% Investment Allowance – deadline fast approaching**

**Don't miss the vehicle and equipment tax break - act now**

The best news is how much money all small businesses can save. The 50% Investment Allowance is a one-off tax deduction equal to an additional 50% of the capital cost of eligible new or demonstrator equipment and motor vehicles costing as little as \$1000.

The asset must be ordered by 31st December 2009, then delivered and installed by 31st December 2010, again a 6 month extension on the previous deadline.

This is a once in a lifetime opportunity, a 50% extra tax deduction with the luxury of a window in which to act. By December 2010 we would expect the economy to be rebounding strongly, leaving better positioned businesses ready to capture the profit impetus as a result of the upswing. However, owners should be aware that there are some hidden traps depending upon the method of the purchase.

### **Examples:-**

- **Chattel Mortgage:** The business is able to claim the Investment Allowance in the tax year that the goods are installed (provided the goods were ordered before the relevant "order" deadlines and installed by the "delivery" deadline) Also all of the GST is remitted back to the business in the first BAS which can be a huge boost to cash-flow.
- **Pays cash:** The business owns the goods as soon as the invoice is paid and once the goods are installed the Investment Allowance can be claimed. (Provided the goods were ordered before the relevant "order" deadlines). However this may tie up valuable cash-flow when there are excellent alternatives.
- **Finance Lease / Rental:** The financier owns the goods and the financier gets the benefit of the Investment Allowance (however ONLY at 10%) and MAY give their customers SOME interest rate credit for the benefit.
- **Commercial Hire Purchase, (CHP):** This can only be used for small businesses (with a turnover of less than \$2Million per annum) for settlement before 31 December 2009 and delivery up until 31st December 2010 and is no longer able to be used by larger businesses as they were subject to a 30 June 2009 "order" deadline on the 30% investment allowance.

How much could you save? As an example, on a piece of equipment worth \$100,000 you could receive a tax deduction of \$50,000 additional to the \$15,000 depreciation allowance you can already claim. That adds up to a huge \$65,000 tax deduction in the first year.

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### **Important Dates**

#### **September 2009 Quarterly BAS/IAS**

Self prepared 28 October 2009

EFS Prepared 25 November 2009

#### **September Monthly IAS/BAS**

21 October 2009

#### **October Monthly IAS/BAS**

21 November 2009

#### **November Monthly IAS/BAS**

21 December 2009

This government initiative has already, and will continue to amount to a big boost with far reaching implications. Small business is the lifeblood of the country and has significant influence on market sentiment & confidence.

Right now, interest rates are still low and new equipment and motor vehicles are being sold at bargain prices. So this stimulus means that this could be an opportune time for you to upgrade.

It is worthwhile speaking to us as your professional accountants and qualified financial advisors to accelerate the finance process.

## Claiming losses from the disposal of investments

Many investments have fallen in value over the past year as a result of the global financial crisis. It is expected that many taxpayers will report significant losses in their 2008/09 income tax returns.

If you have realised a loss from the disposal of investments, such as shares, you must treat the loss in the correct manner. In contrast, if you are a share holder and you have not disposed of the investment, any loss in value of the investment is not a capital loss at this time and is not considered for tax purposes until it is realised (that is, until you dispose of the asset).

The Tax Office has released a guide to help taxpayers understand the difference between revenue losses and capital losses.

Losses are either capital losses or revenue losses and will be categorised according to whether the relevant income has been classed as capital gains or ordinary (business) income. Normally, revenue losses can be used to offset other assessable income. Capital losses however, can only be used to offset capital gains made in the same year otherwise they are carried forward to offset capital gains from future periods.

A revenue loss is a loss arising from carrying on a business for the purpose of earning income. Generally, taxpayers who carry on a business of share trading can recognise revenue losses.

In contrast, a capital loss is a loss made by someone who holds shares for the purpose of earning income from dividends and similar receipts (i.e. an investor).

Taxpayers who have sold shares and disclosed the income as capital gains in prior years would be expected to realise a capital loss during the current year.

Taxpayers who seek to reclassify their activities may be asked to provide evidence that demonstrates a change in the nature of their activities or that they have declared their income incorrectly in the past.

## Fuel Tax Credit Rate Change

The Tax Office has announced that there will be a change to the fuel tax credit rate for taxable fuel for heavy vehicles travelling on public roads. This rate applies for fuel purchased from July 1, 2009 onwards.

Fuel tax credits provide a credit for any fuel tax (excise or customs duty) included in the price of fuel used in business activities, machinery, plant and equipment or heavy vehicles. To make claims, you must be registered for GST and for fuel tax credits.

The new fuel tax credit rate for heavy vehicles travelling on public roads has changed to 16.443 cents per litre.

This rate change is due to an increase in the road user charge which in turn decreases the fuel tax credit rate.

The tax office has provided a snapshot of what you can claim and cannot claim.

### Activities you can claim for

Once you are registered, you can claim fuel tax credits for fuel you use in:

- vehicles with a gross vehicle mass (GVM) greater than 4.5 tonne travelling on a public road (vehicles you acquired before 1 July 2006 can equal 4.5 tonne GVM)
- specified activities eligible since 1 July 2006 in agriculture, forestry, fishing, mining, marine and rail transport, nursing and medical services, electricity generation, and non-fuel uses
- all other activities, machinery, plant or equipment eligible since 1 July 2008 that were not previously eligible (such as a wide range of construction, manufacturing, wholesale/retail, property management and landscaping activities).

### Activities you cannot claim for

Some activities and fuels are still not eligible, including:

- fuels you use in light vehicles with a GVM of 4.5 tonne or less travelling on a public road (for example, a car or small van)
- fuel you acquired but have not used because it has been lost, stolen or otherwise disposed of
- aviation fuels
- alternative fuels, such as:
  - liquefied petroleum gas
  - compressed natural gas
  - liquefied natural gas
  - ethanol
  - biodiesel.

For more information or to use the fuel tax calculator on the Tax Office website, visit the ATO website <http://www.ato.gov.au>

### Quote of the Quarter:

*"The most useful virtue is patience".*

## Medical Expenses Offset

You can claim a tax offset of 20% - 20 cents in the dollar – of your net medical expenses over \$1,500.00. There is no upper limit on the amount you can claim.

You can claim this offset for yourself and/or your dependants who are Australian residents for tax purposes if your net medical expenses exceeds \$1,500 for the year.

Medical expenses which qualify for the tax offset also include payments for:

- Dental including orthodontic
- Optical
- Therapeutic treatment under the direction of a doctor
- Medical aids prescribed by a doctor
- Artificial limbs or eyes and hearing aids
- As well as many other medical treatments

The medical expenses tax offset, however, does not cover payments to a private health fund and does not cover most cosmetic surgery.

## Superannuation Contributions

**Did you know** that you are eligible to claim a tax deduction to contribute superannuation if you are self employed **or** earning less than 10% of your income from employment sources, **or** not working at all and have no employer supported SG contributions.

This can be useful to reduce your personal income tax liability. However you are limited to the amount which can be claimed based on your age. The current limit is \$25,000 pa per individual under 50 and \$50,000 for those over 50 for a transitional time frame until 2011/2012. This limit includes any contributions made by an employer.

**When you must claim** – you must submit a valid notice to claim the tax deduction to your superannuation fund by the **earlier** of:

- The end of the day on which you lodge your tax return for the year of contribution
- The end of the income year following the year of contribution

Submissions after these dates will not be accepted.

*Note: there are some requirements for the notice to be valid, however providing you have not rolled over your superannuation or commenced an income stream, then your notice should be valid.*

## Income Protection

Insurance can assist in illness or accident.

Like most of us you probably succumb to the odd day off now and again for minor ailments. But what if a more severe sickness or injury prevented you from earning an income for a longer period of time - weeks, months even years?

How would you keep up your mortgage payments, school fees, running the car, credit cards, everyday living expenses, such as food, clothing, phone bills etc. Not to mention medical expenses that your health fund simply does not cover!

IP Insurance is not something that you think about when you head off to work each day or go for that weekend drive or overseas holiday. You insure your home and car without a second thought. You always organise the travel insurance. You also need to cover yourself.

IP Insurance will protect your greatest asset... your income. When things go wrong due to **illness or accident**, your **insurance** will keep your income coming in. Income insurance is worth considering for all working people.



## Beware of early access to Super promotions

There are various plans in the market that offer access to your super before you retire. The promoters of these plans will tell you that they can help you access your super savings for reasons such as paying off debts, buying a house or car or even going on holiday.

These schemes are **illegal** and heavy penalties apply if you decide to participate in these schemes.

The promoters of these illegal schemes encourage you to transfer your super savings from your existing fund to a self managed super fund so you can use your savings before you retire. These promoters will offer to make it easy for you to transfer your super for a substantial fee.

With the exception of some very specific circumstances, you cannot access your super savings until you reach retirement age. These circumstances are generally limited to expensive ongoing medical treatment, a terminal medical condition or severe financial hardship.

### When can I access my super benefits?

Generally, you must reach preservation age before you can access your super and the following table will work out your preservation age.

<u>Date of Birth</u>	<u>Preservation age</u>
Before 1 July 1960	55
1 July 1960 – 30 June 1961	56
1 July 1961 – 30 June 1962	57
1 July 1963 – 30 June 1964	58
1 July 1964 – 30 June 1965	59
From 1 July 1964	60

Please note that preservation age is not the same as pension age. Pension age is when you become eligible for government pension benefits depending on your income and assets.

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It can replace up to 75% of your gross revenue when you need it most, when you are ill or injured and unable to work and will keep a regular income coming in while you recuperate and concentrate on getting well again. The length of time you receive your payments will depend on the contract term you choose. A policy can pay you for 2 years, 5 years or to age 65.

If you are young, single, married and reliant on a regular income. If you have debts, a home loan, car payments to make, school fees and regular bills to pay, [IP Insurance](#) could be the most important form of insurance you will ever use and in most cases it is also tax deductible. IP Insurance is designed to keep income coming in, month after month, year after year on a regular basis while you are ill or injured.

[IP Insurance](#) is the first step in securing your lifestyle if something does go wrong. At Elite Financial Solutions, we source income protection policies from [major insurance](#) companies to give you the best that is available. So, come in and talk to our team at Elite Financial Solutions as professional accountants and qualified financial advisors, we can show you how.

## Sharemarket News

The Australian sharemarket performed strongly in July, continuing its recent run of monthly positive returns and taking local equity markets up 36.6% from its early March lows.

Positive news in the housing sector combined with recent signs that the economic downturn in Australia will be less severe than anticipated has helped buoy local sharemarkets. However caution is still warranted as issues remain in global economic growth and in financial markets.

In the international market most major global sharemarkets rallied over July, with much better than expected economic data and June quarter company earnings results. Whilst this may well be the beginning of the end of the global recession, caution is still required, and the recovery is likely to be gradual rather than sharp.

**Investing today** – It is always important to have a long term view to investment to benefit from future economic growth. We would recommend investing over a period of time rather than in one lump sum, whilst markets remain volatile. It is recommended that you seek advice for investments which are suitable to your goals and objectives, however it is important to be in the market to build capital for your future and retirement.

## Freezing Order – Anti tax evasion

Two recent Federal Court decisions have highlighted the Commissioner of Taxation's willingness to seek freezing orders over taxpayers' assets, as well as the Court's readiness to grant those orders where there is a risk that the assets may be disposed of so as to avoid the payment of a tax debt.

A freezing order - also known as a *mareva* injunction - made by the Federal Court restrains a person from removing assets from a jurisdiction or otherwise dealing with his or her property, and applies to assets both in and out of Australia. The party seeking the order (for example the Commissioner) does not have to give the other party any notice before the order is sought, and there does not have to be a judgment in favour of the party seeking the order at the time it is made.

For the Commissioner, a freezing order is a powerful aid that assists him in preventing a taxpayer from seeking to avoid payment of a tax debt by moving or selling assets. It is not, however, a tool the Commissioner uses on a regular basis, but rather when he believes there is a serious behavioral risk on the part of the taxpayer. Taxpayers with a history of avoiding their tax obligations or who have participated in what the Commissioner considers to be tax avoidance schemes would be potential targets for a freezing order.

The Commissioner must satisfy the Court that there is a real risk of dissipation of assets. Factors the Commissioner will consider under his policies before seeking a freezing order include a taxpayer's compliance history and previous business dealings. The Commissioner can seek a freezing order as soon as he issues a Notice of Assessment, as this creates a debt due, even though it is not immediately payable. He does not have to wait until the due date for payment has passed, and he can rely on the provisions in the tax legislation, which provide that the production of a Notice of Assessment is generally conclusive evidence that the assessment is correct.