



Having trouble with finance? We can assist?

Through Macquarie Finance, our office now has the ability to access, prepare and lodge applications for finance for vehicles to assist you in acquiring your vehicle.

Please contact Emanuel or John for more information relating to this.

Simpler Superannuation changes

The changes to superannuation, which start from 1 July 2007, include the following :

- q taxpayers who have had tax paid on their super contributions (that's most workers) will pay no tax on their super payout after they turn 60, whether the amount is taken as a lump sum or as a superannuation pension;
- q self-employed taxpayers can claim a full tax deduction for their super contributions, and may also be eligible for the Government Super Co-contribution scheme;
- q "concessional contributions" (including employer contributions and deductible personal contributions) are generally capped at \$50,000 p.a. (although there are transitional arrangements for people aged 50 or over);
- q "non-concessional contributions" (including undeducted personal contributions) are generally capped at \$150,000 p.a. (although there is a 'bring-forward' option under which people under 65 years of age can contribute up to \$450,000 over a three-year period);
- q reasonable benefit limits are abolished;
- q most employment termination payments (ETPs) will not be able to be rolled over into super;

- q ETPs will be concessionally taxed up to a cap of \$140,000 for 2007/08 and will not be subject to tax on any tax-free component;
- q treatment of death benefit ETPs will depend on whether they are made to a dependant or not, and how much is paid; and
- q the maximum superannuation contribution base for superannuation guarantee (SGC) purposes for the 2007/08 year is \$36,470 per quarter (an employer is only required to contribute a maximum of 9% of this amount each quarter for each employee).

Rental property deductions 2007

In 2007 returns, the ATO will be looking at:

- q renovations claimed as repairs – such as remodelling of bathrooms and kitchens;
- q claiming too much interest on loans that have a private component;
- q claiming the full cost of an inspection visit when it is combined with a private purpose;
- q claiming deductions for properties only available for rent part of the year;
- q claiming the cost of land as a capital works deduction; and
- q claiming depreciation on assets such as fixtures, instead of capital works deductions.

FBT & Entertainment

Of course, the good news for many employers that provide benefits to their employees is that the minor benefit exemption has been raised from, basically, \$99 to \$299 from 1 April 2007.

This draft ruling sets out a number of examples explaining how, in the Tax

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Office's opinion, that benefit may be treated.

Examples of benefits (each worth less than \$300) and the FBT consequences:

- n gift provided at Christmas – exempt;
- n Christmas party provided to employee and spouse/two children where the per head cost is less than \$300 – exempt;
- n Christmas party plus gift to each employee – party and gift are valued at less than \$300 each – both exempt;
- n flowers for special occasion – exempt;

Clients who need assistance with any facet of FBT should contact our office.

Car depreciation limit 2007/08

The Tax Office has advised that the car depreciation limit for the 2007/08 financial year is \$57,123 (up from \$57,009 in 2006/07).

Tax Office provides Div.7A relief until end of 2007/08

The Government doesn't like it when shareholders of private companies use the company's money as their own, and so there are provisions in the tax laws (called Div.7A) which can deem these amounts to be unfranked dividends. These rules have typically been very harsh, and operated automatically.

The Government has recently amended Div.7A so that it is not so harsh, and the ATO has also taken steps to allow companies and shareholders to get their affairs in order without being penalised.

Background

Div.7A ensures that any loans or payments by private companies to shareholders or their associates are treated as assessable unless repaid or placed on arm's length terms. This includes debts owed by shareholders that are forgiven by the private company.

Where a taxpayer breaches Div.7A, the amount of the loan, payment or debt forgiven is deemed to be taxable as an unfranked dividend.

The offer

Under recent changes, the Commissioner of Taxation now has a discretion to ignore the operation of Div.7A where an honest mistake or inadvertent omission has been made.

The ATO has issued a practice statement to set out how taxpayers can take corrective action to fix such mistakes made between 2001/02 and 2006/07.

The Commissioner has said: "People who follow the practice statement and include any outstanding interest or previously undeclared payments in their 2007/08 return can take advantage of the new changes to the law, without being concerned about further enquiries."

From 1 July 2008, the ATO will resume audit work to ensure payments made by private companies are correctly accounted for and company loans are not used to distribute profits tax-free.

Offshore voluntary disclosure

The jailing of celebrity Glenn Wheatley has highlighted the ATO's offshore compliance activities. And it looks like this is only the beginning...

The ATO has announced that it will increase its focus on Australian taxpayers who have used offshore bank accounts, offshore financial products, offshore tax arrangements and/or offshore structures.

It has begun an offshore compliance program, including more audits, to ensure that taxpayers have fully complied with their Australian tax responsibilities.

However, taxpayers can make an 'offshore voluntary disclosure' and cap the shortfall penalty to 5%, or even receive no shortfall penalty, depending on the sums involved.

To qualify for this concessionary treatment, they need to submit a voluntary disclosure in writing on the 'Offshore voluntary disclosure statement form', which can be obtained from the ATO.

Please Note: Many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the information's applicability to their particular circumstances.