Orr, Martin & Waters

CHARTERED ACCOUNTANTS

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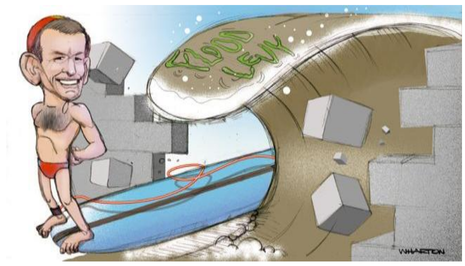
TAXATION NEWS

A New Tax - Flood Levy for 2011/12

The Federal Government has introduced a temporary flood levy for individual taxpayers to help raise revenue to fund the reconstruction cost for areas of Queensland and elsewhere which were affected by severe flood damage earlier this year. The flood levy has been legislated to apply for one financial year from 1 July 2011.

Individuals with a taxable income of $50,000 or less will be exempt. However, a levy of 0.5% will be applied for individuals on taxable incomes between $50,001 and $100,000. A levy of 1% will be applied on taxable incomes above $100,000. For example, under the levy, someone who has a taxable income of $80,000 will pay $150.00 ($2.88 extra per week).

Individuals who receive the Australian Government Disaster Recovery Payment for a flood event in the 2010–2011 financial year will be exempt from paying the levy.



Tax Help for Flood Victims

In the wake of the recent severe flooding in Queensland and elsewhere there has been a raft of announcements from authorities offering tax help to assist those in need.

The Government has announced that clean-up and recovery grants of up to $25,000 will be exempt from tax where they were paid to primary producers and small businesses directly affected by the flooding that has occurred since 29 November 2010.

The Government has also confirmed that the Disaster Income Recovery Subsidy to assist small business persons, farmers, and employees, who have lost their income as a direct consequence of the flooding, will be tax-exempt.

In response to the floods, the Commissioner has also announced that the Tax Office will allow deductions for "bucket donations" of up to $10 in individuals' 2010-11 tax returns without needing to keep a receipt.

FBT Annual Returns

A reminder to employers that Fringe Benefits Tax Annual Returns are due for lodgement by 21st May 2011.

OMW has again prepared its FBT action checklist to assist employers in identifying fringe benefit items and determining their tax liability. The checklist contains questions about the most common business transactions that give rise to FBT and contains all the rates necessary to calculate the tax. Even clients without previous FBT transactions should read this annually just to make sure that they are not providing any new employee benefits.

Celebrating 40 years of Business

We also encourage clients to discuss their FBT obligations with us before lodging a return. We can also prepare or review returns on request.

The checklist is available from our website, or by requesting a copy by email or telephone.
don't forget to call us first!

Electronic Accounting Records – How do yours stack up?

It seems that as each day passes, the business world becomes more reliant on digital communications to record and transfer information. Email and the internet may not have produced the paperless office yet, but computerised document archiving and accounting systems certainly have been adopted by all but the very small business operator.

We have previously mentioned the importance of having good backup and retrieval systems in your business because without them, you are vulnerable in the face of an unforeseen event. Think about more recent weather patterns (floods, bushfires) not to mention cyber attack or theft.

Specifically, for "off the shelf" accounting systems, keeping regular, easily retrievable backups, is a must, but you should keep other records and information handy, such as:

- the software name and version number;
- the components of the software package that have been installed and the date of installation;
- a chronological record of all system changes or upgrades;
- the options that have been enabled or disabled; and
- any manuals or instructions provided with the software package.

Clients should have a general understanding of their computer systems and know where to locate programs, files and backups. This includes prior year records that sometimes cannot be opened under updated versions of accounting software.

We often encounter clients who have difficulty with opening the correct or latest version of their accounting file. This can be disastrous if the wrong file is opened or overwritten which results in the loss of current data (or losing the final journal adjustments prepared by the accountant!) This process is best left to the professionals (that's us!) or a bookkeeper.

Clients who do the bookkeeping function themselves should weigh up the cost of a bookkeeper against the time they spend doing the books, particularly where their all round computer skills are limited.

OMW is happy to discuss your accounting software and record keeping requirements and to assist in finding the best cost effective solution for your business. Call us today!

SUPERANNUATION NEWS

Life Insurance Premiums Deductions – Check the fine print!

A number of our clients have re-structured their insurance arrangements to obtain a tax deduction for life insurance premiums paid out of their self managed superannuation fund. However, we have come across a few situations where the proper paperwork has not been completed and, as a consequence, are unable to claim the premiums in the fund tax return.

If you are currently paying life insurance premiums personally and are contemplating having your self managed fund make the payments, we suggest you consider the following:

1. Generally, to claim a tax deduction for the premiums, the fund must be the owner of the policy. You should talk to your insurance agent to determine if the policy ownership can be transferred, or whether a new policy needs to be written.
2. Check with your agent that the policy is for life cover only. If the policy covers other events, you should check with us first to establish their tax deductibility.
3. Make sure that the payment is made from the fund's bank account, not your personal or business account.

Some agents have promoted insurance products whereby the member makes a contribution to a separate super fund operated by the life office. The fund, who owns the life policy, then pays the premium which is usually equal to the amount of the contribution. In this circumstance, a tax deduction is available as a contribution either;

(a) If paid by your employer, as a super contribution on your behalf, or
(b) If you are self employed and meet certain tests, as a deduction in your personal return.

Note that your self managed fund cannot receive a deduction for payments of this nature.
It is also important to ensure that the life office super fund is advised of how to treat the contribution they receive (i.e as an employer contribution, or a member concessional (tax deductible) contribution).
We encourage clients to discuss their insurance affairs with their agent to fully understand the type of policy and legal nature of the structure. We are happy to discuss with you or your agent the tax deductibility issues if necessary.

Contribution Caps – Reduction for "over 50s" still on!

Following from previous announcements, the government will reduce the tax deductible contributions cap for persons aged over 50 from $50,000 to $25,000 from 1st July 2012 where the member's balance is greater than $500,000.
The government has identified a number of practical difficulties with implementation which could see some taxpayers either breach or circumvent the $500,000 balance threshold. As a consequence, the Assistant Treasurer has released a consultation paper which discusses the options for determining a taxpayer's eligibility to continue contributing up to $50,000 a year.
It is thus timely to remind clients that they effectively only have two tax years in which to contribute $50,000 before being subject to the new rules. We suggest you take this into consideration when discussing superannuation contribution levels with your financial advisor.

New Rules for Collectables and Personal Use Assets

The government has also released an exposure draft of new rules regarding the holding of collectables and personal use assets in a self managed super fund.
The intention is to prescribe more precisely the types of collectables that can be held in a super fund and how they should be maintained and ensure that members do not obtain personal use or enjoyment from these assets.
Any asset that is not held in the required manner will have to be removed from the fund. It is likely that trustees will have until 30th June 2016 to comply with the new rules.
It is important for trustees to seek advice when contemplating the purchase of a "non-traditional" investment to find out the general rules for record keeping, operating and valuing the asset.

Last Chance to get your tax return lodged!

It's always a busy time for tax agents as we near the end of the 2010 lodgement period. Although most returns have a deadline in May, there are many taxpayers that need to lodge much earlier.
We say this every year, and we will say it again: Do not leave your tax return to the last minute! We are happy to discuss the lodgement timetable with you and make arrangements for preparing your returns. Remember, that the Tax Office is applying penalties to taxpayers who lodge even just one day late, so if you haven't made arrangements to have your 2010 tax prepared yet, please call us!!

Calendar

21st March	Monthly Business Activity Statement – February 2011
21st April	Monthly Business Activity Statement – March 2011
22nd – 26th April	Easter and Anzac Day Holiday Period
28th April	Quarterly Business Activity Staten

Happy E

Want to help the planet and reduce our carbon footprint? Well you can by electing to receive your copy of the OMW Newsletter by email. Just send us your preferred email address to: newsletter@omw.com.au along with your full name for correct client identification.