

InfoConnect

Electronic Tax Newsletter from Aspiron Consulting Group 2009 Federal Budget Edition

Welcome to this edition of InfoConnect, the newsletter from the Aspiron Consulting Group.

On 12 May 2009, the Treasurer handed down the 2009 Federal Budget. The tax measures contained in the Federal Budget mainly target business and individual taxpayers although it also includes significant rollbacks to the superannuation rules originally announced by the previous Howard Government.

We summarise below some of the major tax measures announced in this Federal Budget that may have a material impact to our Small/Medium Business clients. We also outline some implications on the various measures that may be of interest.

Business Taxation

Small Business Investment Allowance—Previously the Government has announced a 30% or 10% investment allowance to businesses on qualifying capital acquisition (depending on the time of acquisition of the eligible asset). The allowance was intended to take form of an extra one-off deduction in the year in which the capital expenditure is committed. Although the draft legislation is yet to be passed as law, the Government has expanded the investment allowance for small businesses (i.e. turnover < \$2m) to a 50% bonus deduction for eligible assets acquired between 13 Dec 2008 to 31 Dec 2009. **Implications: Although the details of the 50% deduction is yet to be announced, special rules apply on how to qualify for the deduction. Care must be taken to ensure your intended purchase is eligible for the allowance.**

Entrepreneur Tax Offset—The Government had previously announced that the 25% Entrepreneur Tax Offset (“ETO”) would be mean-tested from 1 July 2009 (at \$75,000 for singles and \$120,000 for families). The application of the mean-testing for the ETO would now be deferred for 12 months to apply from 1 July 2010. **Implications: This effectively means that taxpayers carrying on a business that turns over less than \$75,000 would still be able to benefit from the ETO without subject to means-testing.**

Extension of non-commercial loan rules—The non-commercial loan rules (also commonly known as “Division 7A Rules”) will be extended from 1 July 2009 to cover payments made by a private company to a shareholder (or associate) by way of a licence or right to use real property and chattels. This is intended to reduce the scope for private companies to allow their shareholders or associates to use company assets such as real estate, cars, boats for free or at less than arm’s length value. It is important to note that the provision of non-cash benefits to directors of a private company (or associates) may also attract Fringe Benefits Tax. Separately Division 7A rules will also be expanded to apply to corporate limited partnerships. **Implications: Private companies will need to review all dealings with their shareholders and associates to ensure they are at arm’s length. Further, taxpayers will need to review their business structure to ensure that they continue to comply with the non-commercial loan rules.**

Foreign Income Attribution Rules Modified— The CFC rules will be amended to narrow the range of foreign income that is subject to tax in Australia. Further the FIF provisions will be removed which will be replaced with a set of specific anti-avoidance rules covering the deferral of passive income not caught by the CFC rules. The deemed present entitlement rules will also be repealed and the transferor trust rules will be revised. **Implications: Taxpayers that have been subject to the CFC and FIF attribution should review their overseas structure to take advantage of the new rules.**

ASPIRON CONSULTING GROUP

Professionals Who Get Your Jobs Done

Suite 516, Level 5
100 Victoria Parade
EAST MELBOURNE VIC 3002
www.aspiron.com.au

Phone: (03) 9663 9639
Fax: (03) 9663 9657
E-mail: enquires@aspiron.com.au

Capital Gains Tax Rollovers for Fixed Trusts—The Treasurer indicates that a limited CGT rollover relief will be provided for assets transferred between “fixed trusts” from 1 November 2008 that have same beneficiaries each with the same entitlements. This means that the qualifying fixed trusts now can defer the crystallisation of a CGT liability arising from an asset transfer to a later time when the receiving trust deals with the asset. **Implications: Currently a CGT liability would be crystallised when an asset is transferred between two fixed trusts notwithstanding that the trusts have identical structure and unit holding. This measure is consistent with the general theme that a CGT liability should ordinarily be crystallised only if there is a change in the beneficial ownership of the asset. Importantly, the roll-over relief does not apply to any trust that has a material discretionary element (eg most family trusts) presumably as a discretionary beneficiary does not have an ownership in the trust asset until it is distributed.**

TFN withholding requirements for closely held trusts—Trusts (including family trusts) will need to withhold amounts from trust distributions at the top marginal rates from 1 July 2010 where a beneficiary have not provided their TFN to the trustee. Exception apply to income on which tax is directly payable by the trustee of the trust (eg income assessable to minors). Individuals who have tax withheld may be able to claim back the tax paid in their tax returns. **Implications: From 1 July 2010, Trustees must ensure that it has the TFN for each beneficiary who receives a distribution to avoid the income being taxed at the top marginal rate at the trustee level.**

Personal Taxation

No change to personal tax rates—The Government has not changed the personal tax rates previously announced by the Howard Government. This means that from 1 July 2009 the 15% threshold will apply to taxable income up to \$35,000 (previously \$34,000). Please see below table for the legislated tax rates with the key changes highlighted:

Current		From 1 July 2009		From 1 July 2010	
Taxable income (\$)	Rate (%)	Taxable income (\$)	Rate (%)	Taxable income (\$)	Rate (%)
0 - 6,000	0	0 - 6,000	0	0 - 6,000	0
6,001 - 34,000	15	6,001-35,000	15	6,001 - 37,000	15
34,001 - 80,000	30	35,001 - 80,000	30	37,001 - 80,000	30
80,001 - 180,000	40	80,001 - 180,000	38	80,001 - 180,000	37
180,001+	45	180,001+	45	180,001+	45

Implications: For many, the taxable income threshold of \$80,000 (i.e. 30% tax rate) remains an important consideration for business structuring (eg company vs sole trader), investment decisions (to invest into superannuation fund), and FBT tax planning.

Private Health Insurance Rebate roll-back—From 1 July 2010, the Government will introduce three new “Private Health Insurance Tiers” for the purposes of the private health insurance rebate. Broadly the rebate will depend on a number of factors including the taxpayer’s marriage status, age, and income threshold, as follows:

Tier	Threshold for Singles (\$)	Threshold for couple/families (\$)	Rebate % (under 65)	Rebate % (ages 65-70)	Rebate % (ages 70+)	Medicare levy surcharge %
0	0 - 75,000	0 - 150,000	30	35	40	1
1	75,001 - 90,000	150,001 - 180,000	20	25	30	1
2	90,001 - 120,000	180,001 - 240,000	10	15	20	1.25
3	120,001 +	240,001 +	0	0	0	1.5

Implications: Higher income earners will be expected to pay more for their private health insurance after 1 July 2010.

If you have any queries on the issues contained in this edition of InfoConnect, or how a specific tax measure may apply to you, please contact your advisor at Aspiron Consulting Group

Phone: (03) 9663 9639
Fax: (03) 9663 9657
Email: enquires@aspiron.com.au

InfoConnect

Electronic Newsletter from Aspiron Consulting Group

Boosting First Home Owner's Grant Extended—The First Home Owner's Boost (FHOB) will be extended for an extra six months and will be reduced by half for the last three months of the extension period. Broadly the \$7,000 FHOB for established homes and \$14,000 FHOB for new homes will be continued for first home buyers entering into contracts between 1 July 2009 to 30 September 2009. This is in addition to the First Home Buyer's Grant of \$7,000.

Between 1 October to 31 December 2009, the FHOB grants will be reduced by 50% (i.e. \$3,500 for established homes and \$7,000 for new homes).

Extending non-commercial loss rules—From 1 July 2009, taxpayers with an adjusted taxable income of over \$250,000 will have excess deductions quarantined to the business activity under the non-commercial losses rules (existing rules continue to apply for taxpayers that have adjusted taxable income of \$250,000 or less).

Family Tax Benefits— From 1 July 2009, Family Tax Benefits ("FTB") - Part A payment rates will be indexed by the CPI consistent with other family payments. The higher income thresholds for family payments will remain fixed until July 2012 including:

- the FTB-B primary earner income threshold—to remain at \$150,000
- Income threshold for receiving the dependency tax offsets to remain at \$150,000
- Baby Bonus eligibility threshold to remain at \$75,000 of family income in the six months following the birth or adoption of a child; and
- Higher income-free area of FTB-A which will remain at \$94,316 of family income (plus \$3,796 for each child after the first).

Foreign employment income exemption tightened—Broadly speaking, from 1 July 2009, the tax exemption currently available on qualifying employment income derived by residents working overseas will be tightened to available only to aid workers or specified government employees. Residents working overseas who had paid tax on their employment income overseas would need to rely on the foreign tax offsets to eliminate any double taxation. **Implications: Taxpayers previously relying on the foreign income employment exemption will need to include their foreign employment earnings when preparing their Australian income tax return. The calculation of the foreign tax offset can be potentially complex and may require specialist assistance.**

Superannuation Concessions

Concessional Superannuation Contribution caps halved— The Government has reduced the concessional contributions caps from 1 July 2009 from the current limit of \$50,000 to \$25,000 per year. Further the transitional contribution cap will also be reduced from the current level of \$100,000 to \$50,000 per year. The \$50,000 cap will apply for the 2009/10, 2010/11 and 2011/12 income years. The non-concessional caps remain unchanged for the time being.

Superannuation co-contribution temporarily reduced— The Government will reduce the superannuation co-contribution from the present 150% to 100% for the 2009/10, 2010/11 and 2011/12 income years, then rising to 125% for the 2012/13, 2013/14 and 2014,15 income years. The Government expects the co-contribution to return to 150% for the 2014/15 income years.

If you have any queries on the issues contained in this edition of InfoConnect, or how a specific tax measure may apply to you, please contact your advisor at Aspiron Consulting Group

Phone: (03) 9663 9639
Fax: (03) 9663 9657
Email: enquires@aspiron.com.au

Disclaimer

(c) 2009 Aspiron Consulting Group. All rights reserved.

The information in this publication is provided for general guidance on matters of interest only. It should not be used as a substitute for consultation with professional accounting, tax, legal or other advisers

This document is not intended or prepared by Aspiron Consulting Group to be used, and cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.

Before making any decisions or taking any action, you should consult with Aspiron Consulting Group. No warranty is given to the correctness of the information contained in this publication and no liability is accepted by the firm for any statement, opinion, or for any error or omission.

How we are different

We believe that our **7 Points of Difference** below set us apart from our competitors:

1. **One dedicated professional** as your advisor and point of contact
2. We prefer to **agree our fees up front**, where possible, and as such you always know how much you are paying - **no surprises**
3. **Independent sounding board** for business decisions, without turning on the fee meter
4. We guarantee a **maximum initial response time of 36 hours** if we miss your call
5. We believe in a **simple and no-nonsense approach** on our advice. We aim at structuring our advice in **simple language** that you can understand
6. We take a **honest approach** in providing advice - we have the courage to tell you things you don't want to hear
7. Like many of our clients, we are also a small business and as such **we understand the challenges our clients are facing**. However, we have worked with some of the largest organisations in Australia to know the key issues that our clients are likely to face as they grow.

How our clients benefit

We deliver results. Some of the benefits we have recently delivered to businesses from our expertise include:

- **Fast tracked** capital allowance and tax depreciation claim by **more than \$250,000** after a review of their fixed assets register.
- Developed a **tax risk management framework** for a Fortune 500 company
- **Identified financial & well-being issues** of potential business acquisitions.
- Project managed risk reviews by the **Australian Taxation Office** ("ATO").
- Avoided and minimised the imposition of **significant penalties** by the ATO.
- Assessed, designed and implemented changes to a finance function that had **double throughput** and reduced running cost in excess of 30%.
- Brought a client up to date with **internal control** reporting from being 2 years behind schedule

Taxation & Management Consulting Services

We offer capability and experiences for taxation and business services across the following disciplines:

- **Corporate Taxation Consulting**— beyond preparing tax returns, we proactively engage our clients to deliver effective taxation strategies before it gets too late.
- **Business structuring**—helping our clients set up tax effective structures to carry on their businesses.
- **Tax Risk Management**—we help our clients identify key tax risks, opportunities and issues and manage them real time.
- **Business Health Checks**—we help our clients undertake a reality check on the emerging issues arising from their businesses or a potential acquisition.
- **Change Management** — designing and implementing strategies on maximising buy-ins and minimising resistant for major change initiatives.
- **Finance Process Improvement** —we help our clients improve the process of their finance functions by aligning the corporate strategies with departmental directions and integrating their processes with people and technology to deliver maximum results.
- **Complex Financial Modelling & Forecasts** —we assist our clients analyse and review complex finance projection, modeling, "what-if" sensitivity analysis to ensure profitability, effective management and control of their business.
- **Business Valuation** —we help our clients undertake internal valuation including reviewing asset impairment and valuation of private business for purchase or sale.

*Our Money Back Guarantee**

We deliver results.

If, at the end of a consultation, we have not told you anything new, or clarified your doubts or queries, we will not charge you for our time.

* Refer to our Standard Terms & Conditions for detail