

BENEATH THE SURFACE

There are a lot of changes this year. If you have any questions, please call our office today.

REDUCTION IN PERSONAL TAX RATES

The following table outlines the new income tax thresholds and tax rates:

Current thresholds 2005 income year (\$)	Tax rate (%)	New thresholds from 1 July 2005 (\$)	New thresholds from 1 July 2006 (\$)	Tax rate (%)
0 - 6,000	0	0 - 6,000	0 - 6,000	0
6,001 - 21,600	17	6,001 - 21,600	6,001 - 21,600	15
21,601 - 58,000	30	21,601 - 63,000	21,601 - 70,000	30
58,001 - 70,000	42	63,001 - 95,000	70,001 - 125,000	42
70,001+	47	95,001+	125,001+	47

WHAT ELSE IS NEW?

- The abolition of the superannuation surcharge from 1 July 2005
- From 1 July 2005, the definition of "medical expenses" will be amended to exclude expenditure on purely cosmetic procedures
- CGT rollover relief on marriage breakdown will be extended to, for example, cover assets transferred to a spouse under a binding financial agreement
- The splitting of spouse superannuation contributions will now be allowed for contributions made on or after 1 July 2006
- The superannuation guarantee arrangements will be extended to apply to payments of salary or wages that are made after the quarter in which the relevant employment relationship ceased
- On 1 July 2004, the super co-contribution increased from \$1 to \$1.50 for every \$1 of your personal superannuation contributions, up to a maximum of \$1,500 a year. The maximum super co-contribution applies where your total income (ie, **assessable** income **plus** reportable fringe benefits) is \$28,000 or less and reduces by 5 cents for every dollar over \$28,000, and cuts out completely when it reaches \$58,000.
- From 1 July 2004, a resident individual who is at least 55 years of age (on 30 June 2005), and has **net income from working*** of less than \$58,000 for the year may be able to claim the mature age worker tax offset up to a maximum amount of \$500 pa. *Net income from working excludes eligible termination payments, amounts paid on termination of employment in lieu of unused annual leave and long service leave, and passive income amounts (eg interest income, dividend income and rental income, etc)
- The Government has introduced a child care tax offset that enables an eligible parent to claim a 30% tax offset for their out-of-pocket child care expenses. The tax offset applies from 1 July 2004 and is capped at \$4,000 maximum per child. It is in addition to the child care benefit (CCB) and you must be receiving CCB to be eligible for this offset. As it applies to the 2004-05 tax year, you must have records of your child care costs, and keep your reconciliation letter from the Family Assistance Office (FAO). This offset can only be claimed on a taxpayer's income tax return and **please note** that it is claimed a year in arrears, ie 2004-05 costs, are claimed in the 2005-06 tax return.
- The government has increased the private health insurance rebate from 30% to:
 - ⇒ 35% for policies covering at least one person aged 65 years to 69 years, and
 - ⇒ 40% for policies covering at least one person aged 70 years and older.
 These changes apply to private health insurance cover from 1 April 2005.

eBAY & GST

eBay Australia has liaised with the Australian Competition and Consumer Commission (ACCC) to modify its GST policy which now makes it a requirement for all sellers on the eBay site to include any applicable* GST in their auction or Buy It Now price. (*If seller is registered or required to be registered for GST.)

HOLIDAYS

Our office will be closed for spring holidays from 1 – 9 October 2005 inclusive.

CONTRIBUTIONS TO FUND RAISING EVENTS

From 1 July 2004 individuals (generally not companies) may be able to claim a deduction for a contribution of money or property relating to an eligible organisation's fund-raising event, even if you received a minor benefit in return. To be eligible to claim a deduction, your contribution and the benefit must meet certain conditions.

For example: Karen pays \$260 for a ticket to a charity film screening, including champagne and finger food, organised by an eligible deductible gift recipient (DGR). The market value of the event is \$25 which does **not** exceed the **lesser** of: 10% of the value of her contribution (ie $\$26 = 10\% \times \260) **and** \$100. Karen can claim a deduction of \$235 (ie \$260 less \$25).

ATO's DATA-MATCHING ACTIVITIES

In addition to existing data-matching programs (eg bank interest income, low-doc loans, etc), the ATO has commenced a new one, called the CGT Data Matching Project. It will request and collect business names and addresses and details of property title transfers from a wide range of State and Territory authorities, and electronically match to identify non-compliance with CGT, income tax and GST obligations under taxation law.

CONCESSION FOR SUBSTANTIATION OF WORK & CAR EXPENSES

Initially your refund or tax debt is assessed using the information you provide on your tax return. However, the tax office may ask for more information or audit this information at a later date.

The Tax Office has expanded the types of documents that **salary and wage** earners can use for written evidence to substantiate work and car expenses. If the total claims (excluding travel and some other allowances) exceed \$300, you must keep written evidence to prove the **total amount**, not just the amount over \$300. The new approach by the tax office, for situations where you do not hold the relevant receipt, is that they will:

- look at whether you have a credit card or bank statement or another document or combination of documents with supplier details and enough information to support your claim, and
- look at whether you have obtained other third party evidence that provides the specific details – some examples include: tax invoice with EFT payment print-out, internet-generated supplier receipt, *PAYG payment summary* – eg may show union fees, photocopies of receipts originally provided on thermal paper (which fades over time).

HOME OFFICE DEDUCTIONS INCREASED

For the 2004/05 year, deductions by home-based business operators and employees for eligible* home office running expenses (eg electricity, gas and depreciation of office furniture) may be claimed under the actual expense method **or** at a rate of 26 cents per hour**. (*For employees, their employer must consider it necessary for the employee to work from home **and** it must be normal practice in the particular industry. **If this method is chosen you **need** to keep a usage diary for a minimum of four weeks per year.)

TAX OFFICE CONDUCTS AUDITS ON TELEPHONE CLAIMS

At a June tax seminar, the presenter asked the audience to put up their hand if they, or a client, had been the subject of a recent tax office telephone audit – a third of the audience put their hand up. It is thus prudent for us to remind you of the requirement for making a partial telephone claim.

Cost of calls

Either claim actual costs from an itemised account, **or** keep a log/diary for four weeks per year, to substantiate a reasonable estimate of work/business call costs.

Installation or connection costs

The tax office considers that no deduction is allowable. However, there is a reasonable argument for apportionment.

Rental costs

If not used 100% for income-earning purposes, only a proportionate* deduction will be allowable, calculated as follows:

Business calls (incoming and outgoing)

Total calls (incoming and outgoing)

*Employees beware, you need to **either** be "on call" **or** required to contact your employer on a regular basis to be entitled to claim a portion of rental costs.

Silent number – private, not deductible.

MATERNITY PAYMENT

The new maternity payment is payable to an eligible parent for a child that is born, or adopted (subject to certain conditions), **on or after** 1 July 2004 and is administered by the FAO. You must **lodge** your claim **within** 26 weeks of birth. The payment per child is \$3,079 (2005-06), \$4,000 (2006-08), and \$5,000 (2008-09) and is subject to indexation increases. It is not income tested, not assessable for income tax purposes, and is excluded from separate net income. It can only be claimed through Centrelink or the FAO, and **cannot** be claimed through the tax system.

This new payment replaces the maternity allowance (FAO) and the baby bonus tax offset (ATO). However, these two existing concessions continue to apply in respect of children born **before** 1 July 2004, if the relevant conditions are satisfied.



Rana Jewell

Public Accountant & Lifestyle
Consultant

13 Park Rd

Ferny Hills Q 4055

M 0408 51 0001

P 07 3351 4689 F 07 3851 0132

ranajewell@beneaththesurface.com.au

Please Note: Many of the comments in this publication are general in nature.

Anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the applicability of the information to their particular circumstances.