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TAXWISE® INDIVIDUAL NEWS

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MONEY IN YOUR POCKET

Personal tax rates

The following changes have been made to the individual tax rates (the changes are in bold):

Current	
Taxable income ($)	Rate (%)
0 - 6000	0
6,001 - 34,000	15
34,001 - 80,000	30
80,001 - 180,000	40
180,001 +	45

From 1 July 2009	
Taxable income ($)	Rate (%)
0 - 6000	0
6,001 - **35,000**	15
35,001 - 80,000	30
80,001 - 180,000	**38**
180,001 +	45

More for low income earners

From 1 July 2009: LITO will be increased from $1,200 to $1,350. If you're eligible for the full LITO, you will not pay tax until your taxable income exceeds $15,000.

Medicare levy threshold

With effect from ***1 July 2008*** (ie for the 2008/09 income tax year), the Medicare levy low income thresholds have been increased to:

- $17,794 for individuals;
- $30,025 for individuals in families; and
- $25,299 for pensioners below Age Pension age.

FEDERAL BUDGET 2009-10

In addition to the key changes outlined above, the following changes were also announced as part of the Budget.

Superannuation – concessional contributions caps

A super contributions cap is the maximum amount you can contribute to super without being liable to excess contributions tax.

Concessional contributions are sometimes known as 'before-tax' contributions and include:

- contributions made by an employer for an employee, including contributions made under a salary sacrifice arrangement; and
- personal contributions that are claimed as a tax deduction (where the person is eligible to claim).

The Government has announced that it will reduce the concessional contributions cap to $25,000 per annum (indexed) reduced from $50,000, with effect from the 2009-10 financial year.

The transitional concessional contributions cap (applicable to individuals aged 50 and over for the 2009-10, 2010-11 and 2011-12 financial years) will be reduced to $50,000 per annum from $100,000.

TIP
Top up your super before these changes kick in on 1 July 2009.

Australians working overseas

The Government has announced its intention to remove the income tax exemption for foreign employment income, with effect from 1 July 2009. A limited exemption will remain for certain specified aid, charity and government workers.

Currently, foreign employment income earned by Australians working overseas for a continuous period of 91 days or more is exempt from income tax.

Australians working overseas will need to consider the following issues:

- are they still Australian "tax" residents;
- will their foreign income now be taxable in Australia;
- will they be entitled to foreign tax offsets for any tax paid overseas; and
- will there be any fringe benefits tax or PAYG implications?

TIP
If you are an Australian resident working overseas, you should seek advice regarding whether these changes will affect you!

Private Health Insurance Rebate

From ***1 July 2010***, the Government intends to introduce three new tiers for the private health insurance rebate (**PHI rebate**). The following table shows the projected PHI rebate and Medicare levy surcharge.

	Tier 1	**Tier 2**	**Tier 3**
Singles	**$75,001 - $90,000**	**$90,001 - $120,000**	**$120,001+**
Families	**$150,001 - $180,000**	**$180,001 - $240,000**	**$240,001+**
Medicare levy surcharge	1.00%	1.25%	1.50%
PHI rebate			
< 65 years	20%	10%	nil
65 to 69 years	25%	15%	nil
≥ 70 years	30%	20%	nil

Tightening access to non commercial business losses

The Government has announced that it will tighten the application of the rules on the use of non commercial losses to prevent high income individuals from offsetting excess deductions from non commercial business activities against salary and other income.

The new rules will only apply to taxpayers with an adjusted taxable income of over $250,000.

A QUESTION TO ASK…
Do you have losses from a non commercial business activity (e.g. a hobby farm)? If so, these amendments could affect you!

Employee Share Schemes

The Government has announced its intention to amend the employee share scheme provisions. The new measures, if implemented, will apply to shares and options acquired after 12 May 2009.

Under the proposed changes, any discounts provided on shares or rights will be taxable in the income year the shares or rights are acquired (i.e. the option for tax deferral will be removed).

Following its announcement, the Government has agreed to further consultation before amending these rules. This consultation process is currently underway.

TIP
If you are going to receive shares or options under an employee share scheme, you should seek advice regarding the possible changes to the employee share scheme rules.

EDUCATION TAX REFUND

The 2008-09 year (1 July 2008 to 30 June 2009) is the first year you may be entitled to claim the Education Tax Refund (ETR).

You may be able to claim the ETR for eligible education expenses you incur while your child attends primary or secondary school.

It is also possible for independent students to claim the ETR to help them meet the cost of primary and secondary school education.

Who's eligible?

Families, independent students and approved care organisations can claim 50% of their eligible educational expenses if:

- they received family tax benefit (FTB) Part A for the child; or
- a payment was made for the child that stopped them from receiving FTB Part A for that child.

What can I claim?

The maximum you can claim is 50% of eligible expenses up to:

- $750 for each eligible child in primary school - that is, a refund of up to $375.
- $1,500 for each eligible child in secondary school - that is, a refund of up to $750.

If your expenses exceed your refund limit for the year, any excess can go towards your following year's refund claim, as long as you are still eligible.

What's an eligible education expense?

Eligible expenses include the purchase, lease, hire or hire-purchase costs, repairs and running costs of:

- laptops, home computers and associated costs
- computer-related equipment such as printers, USB flash drives, as well as disability aids to assist in the use of computer equipment for students with special needs
- home internet connections, including the costs of establishing and maintaining them
- computer software for educational use

- word processing, spreadsheet, database and presentation software, internet filters and antivirus software
- school textbooks and other paper-based school learning material, including prescribed textbooks, associated learning materials, study guides and stationery
- prescribed trade tools - for example, tools required to complete a school-based apprenticeship.

Education expenses that are **not** eligible include:

- school fees and school uniform expenses
- student attendance at school-based extra curricular activities such as excursions and camps
- tutoring costs and school subject levies
- sporting equipment and musical instruments
- building levies and donations
- library book fees and school photos
- tuck shop expenses
- waiting list fees and transport
- computer games and consoles.

How do I claim the ETR?

You claim the ETR in your tax return. If you don't have to lodge a tax return, you can still claim the ETR on a special claim form provided by the ATO.

CHANGES TO INCOME TESTS

From **1 July 2009**, changes to income tests will mean changes to the way you work out your income for some government benefits and obligations administered by the ATO and other government organisations.

Three new income tests will be used when calculating your tax offsets and obligations such as:

- your rebate income; and
- your income for surcharge purposes.

Several other income tests will also be amended to include new items such as:

- Higher Education Loan Repayment and Student Financial Supplement Scheme Repayments;
- Superannuation income tests; and
- Mature age workers tax offset.

As part of the changes, two new items will be included in your income for income testing purposes:

- your reportable super contributions; and
- your total net investment losses (e.g. from rental properties, shares, managed accounts and the like).

TIP
The changes do not change the income thresholds or the way we work out your assessable or taxable income. However, they may affect the amount of tax you are liable to pay as you may no longer receive a tax offset.

IT'S 2009-10 TAX RETURN TIME

With 30 June 2009 fast approaching, it's time to get serious about looking at what shape your tax affairs are in so you are prepared for this year's tax return.

Four step guide to return preparation

Step 1: Get your records straight

To help prepare your tax return so you can be confident that it accurately reflects your optimum tax position, the starting point is assembling all your tax records. You will need to put together all the relevant records, which will include things like evidence of:

- your income (e.g. Payment Summaries for your salary and wages, dividend and interest income statements, rental property income, and any information on the sale of any of your assets during the year like the sale of an investment property or shares); and
- your allowable deductions (e.g. invoices, receipts of expenditure).

WORK RELATED DEDUCTIONS
If you are going to claim more than a total of $300 worth of work-related deductions, you will need to be able to substantiate how you worked out the full amount. If the total amount of your work related expenses is $300 or less, you don't need written evidence to prove your claim – but the ATO can still ask you how you worked it out!

Step 2: Identify your assessable income

Keep in mind that your total assessable income could well be more than just your salary. If you have investment income (e.g. interest or dividends) or cash income (e.g. tips and gratuities), make sure you keep a record of them and let us know about them.

If you're not sure whether some income you have received is taxable, it's best to tell us about it so we can work out the correct tax treatment for you. Here is a checklist of some of the more common types of assessable income:

- salary and wages
- tips, bonuses and gratuities
- interest income
- dividends
- allowances provided by your employer
- pensions or annuities
- lump sum payments
- capital gains on any asset sales during the year.

Step 3: Maximise your tax deductions

As an employee, you may be able to claim a range of work related expenses, as well as some non-work related items like donations of more than $2 to an approved charity.

Here is a checklist of some of the more common work-related deductions:

- special work clothing
- subscriptions and union dues
- self education expenses relevant to your current employment
- work-related travel expenses
- home office expenses.

Step 4: Make the most of tax offsets

As with previous years, the ATO is still finding that taxpayers are not taking advantage of a number of rebates (now called "tax offsets") and other concessions.

Tax offsets can reduce any tax you may have to pay on your taxable income and can in some instances even result in a refund.

Make sure you get advice to ensure you are not overlooking an offset that may be of benefit to you (such as the *medical expenses offset*).

Consider some forward planning

This is also the time of year when you should be considering some forward planning in readiness for the next tax year. Given the changes to the income tests applying from 1 July 2009, it would be prudent for you to review your current salary packaging arrangements with your employer now in readiness for the new financial year.