

CPA

A.L.L. BUSINESS

Certified Practising Accountant

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2006 Budget

The Treasurer, Peter Costello recently handed down his annual budget promising significant tax changes in the areas of personal and business taxation and superannuation. The following is a brief overview of the changes.

Tax Rate Changes - All rates plus Medicare levy of 1.5%

| Existing 2005/2006 | Tax Rate | New 2006/2007 | Tax Rate | Taxable Income | Taxable Saving |
|-----------------------|-------------|--------------------|-------------|-------------------|-------------------|
| \$0 - \$6000 | 0% | \$0 - \$6000 | 0% | 10000.00 | 365.00 |
| \$6001 - \$21600 | 15% | \$6001 - \$25000 | 15% | 30000.00 | 1211.00 |
| \$21601 - \$63000 | 30% | \$25000 - \$75000 | 30% | 50000.00 | 510.00 |
| \$63001 - \$95000 | 42% | \$75001 - \$150000 | 40% | 80000.00 | 2050.00 |
| \$95001 + | 47% | \$150001 + | 45% | 130000.00 | 4800.00 |

Other Benefits for Individuals

- Low Income Tax Offset will increase from \$235.00 to \$600.00 and the threshold will increase from \$21600.00 to \$25000.00.
- Medicare Levy low income thresholds will increase to \$16284.00 for individuals and \$27478.00 for families.
- Family Tax Benefit (Part A) will increase to \$4318.00 per child.
- Senior Australians will not pay tax or Medicare levy until they earn \$24867.00 for singles and \$41360.00 for couples.

Aged Based Super Contributions Limits

These will be abolished with effect from July 1 2007, however, the limits for 2005/06 are as follows:

| | |
|------------|-------------|
| Under 35 | \$ 14603.00 |
| 35 - 49 | \$ 40560.00 |
| 50 & Above | \$100587.00 |

Depreciation Changes

The diminishing value rate used for depreciation will increase from 150% to 200% for all assets (excluding intangibles) purchased after 10-05-06.

The benefit is one of timing rather than tax saving, however, this may result in a saving when combined with the new tax rates for 2006/2007.

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8 Most Common Errors in Tax Returns



1. Omitting Interest Income
2. Incorrect or Omitted Dividends Imputation Credits
3. Capital Gains/Losses are incorrect or omitted
4. Understating Income
5. Home Office Expenses
6. Depreciation on Rental Property fixtures & fittings
7. Depreciation on income producing buildings
8. Borrowing costs associated with negative gearing

Be sure to avoid these errors by consulting our handy checklists available on our website or in the office to ensure you supply all relevant documents when we complete your return. Providing everything at your appointment helps make the process of completing your return quicker.

The New Fuel Tax Credit

From 1 July 2006 you can claim a fuel tax credit for fuel used in carrying on your business as follows:

- Petrol or Diesel in a vehicle over 4.5 tonne GVM
- Farm vehicles
- Diesel used in activities previously eligible under the energy grants credits scheme
- Other fuels used in heating or manufacture



- Credits are claimed on your Business Activity Statement (BAS)
- You need to be registered for GST to claim the Fuel Credit.

Drop into the office to collect a fax sheet on the new scheme.

30% Child Care Tax Rebate

- The new 30% child care tax rebate is designed to help families with the cost of approved child care. The first claim for the rebate can be made in the 2005/2006 income tax return.
- The rebate is not means teste and covers 30% of out-of-pocket expenses up to \$4000.00 for the 2004/2005 financial year.
- The rebate can only be claimed by the person receiving Child Care Benefit (CCB).
- It is non-refundable, but any unused rebate can be transferred to the claimant's spouse. A transfer form will need to be completed in this case by the person receiving CCB.
- In order to claim the rebate you will need to know the total fees paid and the CCB received for each child.
- When we prepare your income tax return, we can access a Centrelink report which provides all of this information.



Due Dates for end of year

Yes its that time of year again!! Below we have listed the various important dates for this busy time of the year. If you need any clarification, please contact our office.

- | | |
|-----------------------|---|
| 30th June 06 | Pay Super contributions to be eligible for a tax deduction. |
| 14th July 06 | Issue PAYG summaries to staff. Deliver all BAS related information to A.L.L. Business. |
| 28th July 06 | BAS April - June 2006 due. |
| 28th July 06 | Pay Super contributions to a complying fund to avoid paying Super Guarantee charge. |
| 14th August 06 | Send employer copy PAYG summaries and summary statement to the ATO. |

EMPLOYERS NOTE !

As a result of changes in personal tax rates, effective 1 July 2006, employers must ensure that they deduct the correct amount of PAYG tax from their employees gross wages or salaries.

If you use a computerised payroll system ensure that it has the latest tax tables loaded. Consult your software provider to confirm.

If you use a manual payroll system, call into our office, any post office or most newsagents to collect the new schedules.



Entrepreneur's Tax Offset - ETO



- The ETO is a tax offset equal to 25% of the income tax liability for a business in the Simplified Tax System (STS) with a turnover of less than \$50000 pa and a part offset for turnovers up to \$75000 pa.
- The ETO applies to assessments for the 2005/2006 income year.
- The tax offset is non refundable.

ATO Audit Focus 2006/2007

The Tax Office has decided that this year they will focus their audit activities on the following industries:

- Hospitality employees
- Information technology professionals
- Business professionals
- Mining industry employees
- Factory, store and process workers
- Mechanical, automotive and electrical trades.

The areas they will be concentrating their efforts on include:

- Allowances
- Home to work travel
- Home office expenses
- Relocation expenses
- Self education expenses

These industry, occupations and expenses will of course not be their only focus!

Family Tax Benefit - Part B - Return to work

This measure, starting 1 July 2005, allows the lower income earner in a couple, who commences or returns to work for the first time after having a child to:

1. Be paid the maximum rate of FTB part B for the period they were not working, and;
2. Be exempt from the FTB part B income test for the period they were not working.

Superannuation Reforms - Effective 1 July 2007

Superannuation Benefits

- No tax will be payable on superannuation benefits paid from age 60 (either lump sum or pension) where tax has been paid on earnings & contributions.
- Reduced tax payable by persons under 60.
- Reasonable Benefit Limits (RBL's) will be abolished.
- Persons over 65 who have retired will no longer be forced to take their superannuation benefits.

Superannuation Contributions & Earnings

- Self employed will receive a 100% tax deduction.
- Age based limits will be replaced with a single contribution limit of \$50000 pa.
- Tax deductible contributions extended to age 75.
- Co-Contributions will be extended to post tax contributions of the self employed.

Car Expenses - Rate per Kilometre 2005/2006

These rates apply where the vehicle has travelled less than 5000km during the financial year. They are also used to calculate the taxable value of certain fringe benefits.



| | |
|-------------------------------|------------|
| Small Car - less than 1600cc | 55c per km |
| Medium Car - 1600cc to 2600cc | 66c per km |
| Large Car - 2600 and above | 67c per km |

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APRIL - JUNE 2006 BAS

Just a quick reminder, the Quarter 4, 2006 BAS is due the **28 July 2006**. As usual we will be working on a first in first out basis and advising you the date it will be available for signature.

In order for us to have it completed by the ATO's due lodgement date, we must have **ALL** information by no later than the **14 July 2006**.

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