

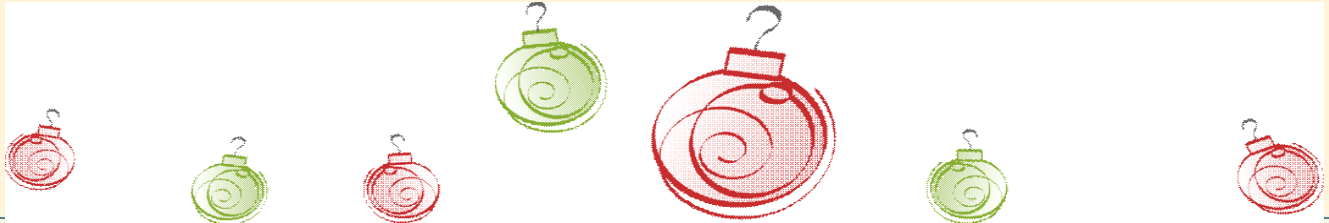
R J C E V A N S
— & Co —



ACCOUNTANTS
TAX AGENTS
AUDITORS



NEWSLETTER • DECEMBER 2009



Welcome to our December newsletter.

There is no doubt that the year is drawing to a close. Already Christmas trees and decorations are going up. The Christmas pageant has been and gone. We are quickly marching towards Christmas 2009.

Christmas is a time for celebration with family and friends, a time to reflect on a year gone, a time to plan and make those resolutions for the New Year.

Christmas is a “Good News” story. We celebrate the birth of, “One Man.” In this issue of the newsletter we acknowledge, with their permission, three clients special achievements during 2009. These “good news” stories provide us with positive reinforcement of what can be achieved with determination and perseverance. Congratulations to these and our other quiet achievers.

Much has changed in the past twelve months. It has been a challenging year. Businesses have needed to be resilient in order to survive and thrive during this period. With a combination of the global economic recession and the drought it has been a difficult period.

Some important lessons learnt over the twelve months include:

Holding your nerve. Investment horizons, particularly superannuation are long term and one year is not long term.

Patience remains a virtue.

Things do get better. There are cycles and they are called cycles for a reason.

Compulsory reading over the Christmas period will be sections of the Henry Report which will provide the Federal Government with a perspective on simplification of the taxation system. It is anticipated that this report is likely to have an ongoing and profound effect on the way business is transacted in Australia. It only goes to show that the landscape in which business is conducted is continually changing.

We will review this report and provide important information about it’s implications for clients in the New Year issue of our Newsletter.

The Christmas break is a good opportunity to recharge, unwind, regroup and regain perspective for the New Year which approaches.

I hope that you will find time to share the spirit of Christmas with those close to you. “What Christmas presents this year? What about a gift that keeps on giving?”

A client recently reminded me that, “the best gifts in life are free, but it costs a lot of time and money before you find this out.”

All of us at R J C Evans & Co take this opportunity to wish you a Merry Christmas, Happy New Year and safe holiday season.

Merry Christmas

Andrew Evans



RJC Evans & Co
116 Greenhill Road
UNLEY SA 5061
Telephone (08) 8272 2500
Facsimile (08) 8271 1853
Email rjcevans@rjcevans.com.au
Web www.rjcevans.com.au

Changes to super co-contributions

The super co-contribution matching rates for eligible personal super contributions have been temporarily reduced as part of the 2009 Federal Budget.

If you make eligible personal super contributions to a complying super fund or retirement savings account and you meet all the eligibility requirements, the rate at which your contributions are matched and the maximum super co-contribution amount paid will be temporarily reduced.

What are the new rates?

The new super co-contribution matching rates will be:

Contribution Year	Matching Rate	Maximum Government Co-contribution
2009/2010	100%	\$1,000.00
2010/2011	100%	\$1,000.00
2011/2012	100%	\$1,000.00
2012/2013	125%	\$1,250.00
2013/2014	125%	\$1,250.00
2014/2015	150%	\$1,500.00

The maximum super co-contribution paid reduces as your income increases, phasing out when you reach the higher income threshold.

The higher income threshold for the 2009-10 financial year is \$61,920.00.

Work Bonus Scheme

From September 2009, only 50% of the first \$500.00 of fortnightly employment income will be included in the pension income test for pensioners over age pension age. This means up to \$250.00 of earnings a fortnight will be excluded from means testing. This is in addition to the normal allowable income fee area (\$142.00 per fortnight for singles; \$248.00 per couples combined). It is important to note that it is not "the first \$250.00" that is exempt. Rather, it is "half of the first \$500.00" per fortnight. So if a person earns less than \$500.00, then it is 50% of the lesser amount.

There is no need to register for the new Work Bonus. However, recipients are responsible for keeping up to date earnings records with Centrelink. Assessable income includes salary or wages (earned in Australia and outside Australia), and director's fees. It does not apply to leave, investment earnings, superannuation, or payments to a principal from a sole trader or partnership. Any employment income over \$500.00 per fortnight will be counted under the new income test rules.

A Work Bonus applies to pensions assessed under the new pension system and does not apply to pensions paid at the transitional rate.

Also, for pensioners over age pension age, employment income will be assessed in the fortnight it is earned, rather than treated as an annual figure. Pensioner's with variable income are also now required to report their employment income fortnightly to Centrelink.

Assistance for Small Businesses

The Tax Office has recently introduced two measures to assist businesses that have an annual turnover of less than \$2 million to manage their tax payment obligations.

These measures are:

- Twelve-month general interest charge (GIC)-free payment arrangements; and
- Deferral of activity statement payment due dates.

GIC-free payment arrangements

A business with an activity statement debt, such as GST and FBT, can apply for a twelve-month GIC-free payment arrangement.

An application for an arrangement must be entered into between 1 June 2009 and 30 June 2010.

- A business can renegotiate an existing payment arrangement entered into before 1 June 2009 to take advantage of the GIC-free payment arrangement.

Deferral of payment due dates

A business can also request a deferral of payment on its next activity statement. During the period for the deferral, no GIC will apply.

The maximum deferral period will depend on whether a business lodged its activity statement monthly, quarterly or annually.

Activity statements eligible for a deferral include:

- Monthly statements for the period May 2009 to June 2010 (inclusive);
- Quarterly statements for the period June 2009 to June 2010 (inclusive); and
- Annual statement for the 2008/09 income year.

A payment deferral request must be made on or before the original due date of an activity statement.

Individual Tax Rates from 1 July 2009

The resident individual tax rates will change from 1 July 2009. The new rates applicable for the 2009/10 income year are set out below with the changes in bold:

Taxable Income (\$)	Tax Payable (\$)
0-6,000	Nil
6,001- 35,000	Nil + 15% of excess over 6,000
35,001-80,000	4,350 + 30% of excess over 35,000
80,001-180,000	17,850 + 38% of excess over 80,000
180,001+	55,850 + 45% of excess over 180,000

Investment Allowance – Deadline of the 31st December 09 - fast approaching

Time is running out if you wish to take advantage of the investment allowance. You have until 31st December 2009 to finalise this decision.

Key criteria;

- The asset must be new. Second-hand assets do not qualify.
- The investment allowance is in addition to the normal depreciation claim.
- It is claimable by the entity who is entitled to the depreciation deduction.
- The investment allowance is not apportioned for any non-taxable use of the asset. It should be noted that the asset must be used mainly for business purposes.

The Income year in which the Investment Allowance can be claimed will generally be the income year in which the business installed the asset ready for use (as distinct from when the asset was acquired).

The date you commit to purchasing the new equipment determines the rate of your Investment Allowance deduction. It is the date that you first installed the asset ready for use that will determine the year in which the allowance can be claimed.

The table below summarises the key dates relating to the different rates at which the tax rate could be claimed, if all conditions are met.

Small Businesses

A **Small Business** is a business with turnover with less than \$2 million. Eligible assets must be new and cost \$1,000 or more.

Installed by	New Investment by 31 December 2009
30 th June 2009	50% in 2008/09 tax return
30 th June 2010	50% in 2009/10 tax return
31 st December 2010	50% in 2010/11 tax return

Other Business

Other Businesses are those with turnover of \$2 million or more. For these businesses not only must the asset be new but also must cost \$10,000 or more.

Installed by	New Investment by 30th June 09	New Investment after 30th June 09
30 th June 2009	30% in 2008/09 tax return	-
30 th June 2010	30% in 2009/10 tax return	10% in 2009/10 tax return
31 st December 2010	10% in 2010/11 tax return	10% in 2010/11 tax return

Low-income tax offset

The maximum amount of the low-income tax offset and the phase-out limit will increase from 1 July 2009. For the 2009/10 income year, the maximum amount of offset is \$1,350 (increased from \$1,200 for the 2008/09 income year). The phase-out limit for the 2009/10 income year is \$63,750 (increased from \$60,000 for the 2008/09 income year).

Taxable income (TI)	Offset
0-\$30,000	\$1,350
\$30,001-\$63,749	\$1,350 - [(TI - \$30,000] x 4%
\$63,750+	Nil

Closing a business – GST adjustment

When a business closes down, or when its annual turnover falls below \$75,000.00 and it elects to no longer be part of the GST system i.e. to no longer be GST registered, a GST adjustment is required. In this situation the acquisitions that the entity still holds, and for which it claimed GST credits, result in an increasing GST adjustment. This is because the assets will no longer be used to make taxable supplies within the GST system.

The GST liability is increased to the extent that the asset still has value. It is calculated on the percentage for which the asset was used in the business. The formula for working out the amount of the adjustment; 1/11 x Business use percentage x market value.

Interest on Loan to Acquire Options

The Tax Office has released an Interpretive Decision stating that interest incurred on a loan used to acquire options under an employee share scheme is not tax deductible.

In the Tax Office's view, the interest is incurred too early in time and, therefore, does not have a connection with the gaining or producing of a taxpayer's assessable income.

First Home Owners Boost

From 1st October 2009 – 31st December 2009 the amount of the First Home Owner's Boost will be scaled back to \$10,500.00 for established homes and \$14,000.00 for new homes (this includes the \$7,000.00 First Home Owner's Grant).

Mail-Out to Super Funds Members

The Tax Office has commenced sending letters directly to individuals who are at risk of exceeding the superannuation concessional contributions cap. According to the Tax Office, the aim of the letters is to prompt the individuals to review the amount of their concessional contributions for the 2009/10 income year.

Clients who have received the letter should contact us to discuss their proposed contributions to avoid triggering any adverse tax consequences.

Foreign Employment Income

From the 1st July 2009 Foreign Employment Income derived by Australian residents working overseas for 90 consecutive days or more till become taxable in Australia. To avoid double taxation, taxpayer's will be entitled to a credit for any foreign tax paid. The existing tax exemption will only apply to certain aid workers, charitable workers or government employees (i.e. defence or police personnel).

Special Occasions

Congratulations to Stephen Evans & David Murdock who since our last Newsletter have celebrated the 2nd of anniversary of their 25th birthday. Congratulations to both of them on this special milestone.

Sharon Lawrence also had a special zero birthday celebration during this period.

Congratulations

Congratulations to **Keith Slade** for making the "100 champions for 100 years," in the Northern Areas Football Association.

The Northern Areas Football Association (NAFA) celebrated 100 years in 2009. To mark this occasion a team of 100 all time players were named from all sides. The pre-requisite for selection was to have played at least fifty games and represented the Association more than once. Keith has currently played 294 games for Orroroo and represented NAFA 9 times and one zone game. Congratulations to Keith on such a significant achievement. This is not a retrospective award for Keith as he continues to play for Orroroo.

In the recent Central Australian Tourism Awards **Jan Hayes** of Ooraminna won the Barry Bucholtz Award for Excellence.

We congratulate Jan on this significant industry award. This recognition comes from being nominated by your peers ie other tourist operators who put forward candidates for the award. This year there were a record number of entries.

A Google of Ooraminna will demonstrate the pursuit of excellence which Jan and Bill Hayes and their family have undertaken in order to create a special taste of the outback through their Ooraminna Station homestead experience.

Michael Angelakis, of family seafood business Angelakis Brothers has been inducted into the South Australian Food Industry Hall of Fame. In the Premier Mike Rann's citation he noted that, "Michael Angelakis exposes this state and produce to international audiences and is a South Australian icon."... Michael is dedicated to seafood from South Australia and through his popular TV programme Out of the Blue his passion for all food sectors is evident." Congratulations Michael.

Motor Vehicle Depreciation Cost-Limit

Since 1980, the depreciation deduction for cars has been limited by a deemed maximum cost price year in which the car was acquired. For the 2010 financial year this has remained at \$57,180.

KM motor vehicle rates

These rates are used by individuals when making a claim for motor vehicle expenses up to a maximum of 5,000 business kilometres. They are also used by employers when reimbursing employees for a business use of their vehicles.

The rates are based on the engine size of the car and are as follows:

Engine Capacity (non-rotary engine)	Engine Capacity (rotary engine)	Rate per Kilometre (cents) 2008/09 year
Up to 1,600cc	Up to 800cc	63.0
1,601 to 2,600cc	801 to 1,300cc	74.0
Over 2,600cc	Over 1,300cc	75.0

Fringe Benefits Tax & Christmas Parties

There is no separate Fringe Benefits Tax (FBT) category for Christmas parties. Fringe Benefits provided by you, an associate or under an arrangement with a third party to any current employees, past and future employees and their associates (spouses and children), may attract FBT.

The cost of providing a Christmas party is Income Tax Deductible only to the extent that is subject to FBT. Therefore, any costs that are exempt from FBT (that is exempt minor benefits and exempt property benefits) cannot be claimed as an Income Tax Deduction.

Christmas Gifts

Minor and infrequent gifts less than \$300.00 from an employer to an employee are tax deductible to the employer. Examples given by the Commissioner of Taxation include a bottle of whisky, wine, perfume or a hamper of food.

Christmas Party (provision of entertainment)

Food and drink supplied to employees as part of a Christmas Party or other social function that fall within the provisions of minor and infrequent gifts, less than \$300.00, as detailed above are not tax deductible to the employer as they involve the provision of entertainment.

Based on the above it is possible to provide a tax-deductible gift valued up to \$300.00 plus a non-deductible Christmas party valued up to \$300.00 to each employee at Christmas time.

How many gifts per year?

The provision of up to four irregular gifts to an employee each year may be considered minor and infrequent. Therefore it is possible to make two further gifts throughout a year in addition to the examples mentioned above. That is a total value of \$1,200.00 in gifts over a year. However if the gift involves entertainment then it is not tax-deductible.

Office Hours Over the Christmas Period

To enable our staff to enjoy a well earned break over the Festive Season, the office will be operating on a skeleton staff (excluding public holidays and will be closed on Thursday 24 December 2009) over the period Tuesday 29 December 2009 through to Thursday 31 December 2009, reopening with full operating staff on Monday 4 January 2010.