

R J C — & Co — E V A N S

Accountants • Tax Agents • Auditors

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Editorial

Not so long ago our daily lives were simpler.

However, you can't turn back time.

The world is a much smaller place these days. Monumental changes, particularly in terms of technology means that it no longer takes six months to receive a letter from the other side of the world. Instead the internet is able to be used to not only send the written message but to see and speak to our overseas friends, relatives and business associates.

Progress cannot occur without change, but the only change that brings progress is the kind that produces positive results. Change must be positive.

Managing change requires an enormous amount of energy and it is in our nature to resist change. Taking a new path and doing what may seem a simple task is likely to be a real challenge until you become comfortable with the new way of doing things. You only have to recall the challenges you faced as a teenager when you first started driving a car. There was so much to learn and do, all at the same time. This was initially daunting. However, driving a car and managing these tasks is now second nature for most of us and we now do it without thinking.

Former US President Jimmy Carter noted in an address that, "we must adjust to changing times and still hold to unchanging principals."

The "face" of RJC Evans & Co has changed many times over its 91 year history. The firm has had to adapt to both significant legislative and technological changes. We have found that improving knowledge is one of the best ways to accept change. We are here to help you understand and adapt to the raft of legislative change. Contact our office if you are uncertain about any recent changes.

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Minimum Pension Changes

Age	Minimum Payment 2011-12	Minimum Payment 2012-13
65 and under	3%	4%
65-74	3.75%	5%
75-79	4.5%	6%
80-84	5.25%	7%
85-89	6.75%	9%
90-94	8.25%	11%
95 and older	10.5%	14%

As announced in the 2011 Budget, minimum payment amounts for Account Based, Allocated and Term Allocated Pensions will be reduced by 25% in 2011-12, rather than the 50% which has occurred in previous years.

This proposal has now been legislated. It is important to review your pension payment to ensure that the minimum pension is paid each year.

Taxation of Unearned Income

From 1 July 2011 unearned income for minors (children under age 18) will not be able to access the Low Income Tax Offset (LITO). Earned income from work will still be eligible for the LITO. Unearned income distributed to disabled children will not be affected by these changes.

The effective tax free threshold for minors is reduced from \$3,333 to just \$416. This is based on \$1,500 LITO for 2010/2011 Financial Year.

Change in Business Activity Statement (BAS) Lodgement Extensions

As of the June 2011 Business Activity Statement (BAS), there will no longer be an extension on the lodgement of a paper BAS.

All BASs in paper form must be lodged by the date printed on the form (previously a two week extension was available on most BASs).

If we are preparing and lodging the BAS form on your behalf, we do have an extension of four weeks. However the BAS must be lodged electronically by our office.

Therefore should you need an extension of up to 4 weeks, please forward your BAS to our office for processing electronically.

Fuel Efficient Car Limit

The fuel efficient car limit for 2011-12 is \$75,375. This remains unchanged from 2010-11.

Work Bonus

The Work Bonus provides an incentive for senior pensioners to participate in the workforce by disregarding half of the first \$500 of their fortnightly gross employment income from the income test.

Therefore, if you earn \$300 per fortnight, Centrelink uses \$150 in your income test calculation. If you earned \$700 per fortnight, Centrelink uses \$450 in your income test calculation. The income test still also includes the normal allowable income free threshold.

The Work Bonus applies to salary, wage, commission and leave payments from your current employer. It does not apply to leave payments on termination, investments and superannuation income or income as a sole trader or from partnerships.

For more information, or for a copy of the Work Bonus fact sheet, visit: www.centrelink.gov.au

ATO Scam

One of the latest financial scams doing the rounds is in the form of bogus generous telephone calls from the Australian Taxation Office (ATO).

The way the scam plays out is that the tax office imposter asks individuals to pay \$200 in order to receive a tax office grant of \$7,000.

As we all know if it looks like it is too good to be true then it generally is.

The perpetrators of the scam are quite convincing, quoting a case file number and a return telephone number as measures of authenticity.

The Tax Commissioner has declared the ATO would never ask for payment before releasing any sort of refund.

Education Tax Refund to Include School Uniforms

From the 1st of July 2011 the extended education tax refund will also cover expenditure on uniforms which are required or otherwise approved by a school, including optional school uniforms and sports or physical education uniforms. This is in addition to costs incurred by parents and carers on items such as computers, stationery and textbooks.

Superannuation Contributions

From 1 July 2011 individuals will have the option of having excess concessional contributions refunded from their Superannuation Fund and taxed at their marginal tax rate instead of paying excess penalty rates (of up to 46.5%). However, this option will only apply were the excessive amount is no more than \$10,000 and it is only available for "first time" contribution limit breaches.

Labour Hire Firms and Splitting Income Warning

The Tax Office has recently highlighted its concerns regarding an arrangement where a labour hire firm utilises a discretionary trust for the purpose of splitting the incomes of workers with their spouses (or other related people). Workers may be entering into these arrangements in an attempt to reduce their tax bills; however, they may not be aware that the arrangement, or parts of it, may be ineffective under the tax law. Tax Commissioner Michael D'Ascenzo said he was concerned that firms involved in such arrangements may not be withholding the required amount of tax or providing the correct amount of superannuation to their workers.

Tip: The Commissioner had previously given anyone who has participated in such arrangements until 30 April 2011 to contact the Tax Office for guidance. Mr D'Ascenzo said taxpayers will be entitled to a reduction in any penalties that might apply if an arrangement is proved to be ineffective

Cash Economy Letters Encouraging Compliance, says Tax Office

According to the Tax Office, its cash economy letter program is encouraging positive compliance behaviour among small business taxpayers. This financial year, the Tax Office aims to send over 100,000 letters to taxpayers who it believes may be participating in the cash economy. The Tax Office said it will mostly send letters to business operators reporting outside the small business benchmarks for their industry, or to those who, in the Tax Office's view, have reported insufficient business income to meet their expected living expenses.

Tip: The Tax Office has developed small business benchmarks which it uses to compare the performance of a business against other similar businesses that are operating in the same industry. The benchmarks are published on the Tax Office website. The benchmarks can be used by businesses to help assess if they are likely to be selected for an audit or review. If your business is operating outside the relevant benchmark, it may be prudent to review record-keeping practices or to review how your business operates. Please contact our office for any assistance.

Medical Expenses

You can claim a tax offset of 20% (that is, 20 cents in the dollar) of your net medical expenses over the set threshold.

Please note that the threshold is now indexed and changes each year. For the 2011-12 financial year it is \$2,060

First Home Owner's Grant (FHOG) and First Home Bonus Grant (FHBG)

What is the FHOG?

It was introduced, to help first home owners afford their first homes, on 1/7/00. The grant is currently worth \$7,000 to those who are eligible.

Eligibility requirements:

- Property must be less than \$575,000
- Is a new or established dwelling in South Australia
- Is your principal place of residence within 12 months of the date of settlement or from the date construction is completed
- Is your principal place of residence for at least 6 months
- You must be an Australian citizen or permanent resident
- You must not have owned a property in Australia prior to 1/7/00
- You must be at least 18 years of age

What is the FHBG?

This was introduced as an incentive to get first home buyers into the market and held with affordability. It applies to those who qualify to receive the \$7,000 FHOG. The FHBG is available to individuals who enter into a contract to purchase or build a new home between 17/9/10 and 1/7/13. Between 17/9/10 and 1/7/12 the FHBG of up to \$8,000 is available. In the 2011 State Budget, the Government announced a phase out of the FHBG. The bonus will reduce from \$8,000 to \$4,000 from 1/12/12 and will phase out completely on 1/7/13.

Please note that for FHBG the property value must be less than \$450,000.

100 People – A Tax Profile

If the 12.3 million people who lodged tax returns were represented as 100 people:

- 84 were owed a refund
- 71 used a tax agent
- 65 claimed work expenses
- 27 claimed more than \$1,000 in work expenses
- 54 came from Generations X and Y
- 38 donated to charity
- 32 came from NSW
- 25 didn't pay any tax
- 4 salary-packaged a car
- 4 declared capital gains
- 3 top taxable incomes paid 31% of all tax

Source - ATO

Common Superannuation Mistakes Made By Employers

As an employer it is important that you understand all your superannuation obligations.

Common mistakes we see employers making include:

- Paying insufficient super contributions for eligible employees
- Missing the quarterly cut-off dates (28 October, 28 January, 28 April, 28 July)
- Not understanding that in some circumstances super should be paid for contractors, even if the contractor quotes an Australian Business Number
- Not keeping accurate records
- Not passing on an employee's Tax File Number to their super fund
- Not lodging a Superannuation Guarantee Charge Statement if they have not paid their employee's super to the fund by the due date or have not paid the correct amount.

Passing On An Employee's Tax File Number

You must provide your employee's Tax File Number to their super fund within 14 days of receiving it.

Super For Contractors

You need to pay super contributions for contractors employed under a contract that is wholly or principally for the contractor's labour, even if the contractor quotes an Australian Business Number.

Annual PAYG Instalment

Although Annual PAYG Instalments are not due until the 21st of October 2011, the Instalment Notices for those clients paying under this system were sent out in early July 2011 by the Australian Taxation Office.

There is often confusion about this Annual PAYG amount.

Quite simply, the amount needs to be either paid in full by the 21st of October 2011, or varied.

When your Income Tax Return is accessed by the Australian Taxation Office, a credit is received for the Annual PAYG Instalment Liability.

This will be shown at Label F on the Notice of Assessment, regardless of whether the amount has been paid.

If your Income Tax Returns are lodged before the Instalment Liability is paid, you will still have to pay the liability or the varied amount by the due date. If nothing is owed, the Instalment Notice should be varied to 0 prior to lodging the Tax Return. Please contact our office if you require any assistance.

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Financial Planning

Over the last few months there have been personnel changes in our financial planning team. A recent addition to the team has been Hayden Loxton. Hayden has worked in the financial services industry since 2002. Prior to joining the Count Financial team here at RJC Evans & Co Financial Planning, he has worked with several large financial planning organisations in different roles advising private clients and business clients, including most recently at Perpetual Private Wealth.

Hayden has a Bachelor of International Business degree, an Advanced Diploma of Financial Services (Financial Planning), and SMSF qualifications. He has extensive experience in portfolio construction, investment management, retirement planning, superannuation and recommending appropriate strategic structures.

Please call Hayden for any of your financial planning needs.

Staff News

We congratulate Claire Rathjen and her husband Malcolm on the safe arrival of their second child Abbey Paige. We have heard that both mum and dad are doing well!

We also congratulate Kristy Laslett and Greg O'Grady, Chantelle Van Den Brink and Adam Ellis on their engagements.

Another milestone anniversary recently occurred at RJC Evans & Co with our receptionist, Michelle Hardie, celebrating 15 years with the firm. Michelle's friendly and welcoming disposition is well known and much appreciated. As you can no doubt understand our reception area gets quite hectic at certain times of the year. Michelle has handled this in her "unflappable" manner. Even at the end of the week Michelle ensures that all matters which should be finalised have been. Michelle's service to clients and the firm has been exemplary. We take this opportunity to thank Michelle for this contribution.

The firm has recently been saddened by the news of Margaret Koschade's early retirement, due to ill health. Margaret has been a member of the firm for over 30 years. A significant part of this time has been working in Craig Martin's team. These days such loyalty and continuity of service is a rare attribute.

Margaret has experienced and coped with significant legislative and technological change during these years. To name just a few 30 years ago there was no capital gains tax, fringe benefits tax, goods and services tax, luxury car tax and no motor vehicle cost base limit. These changes have been extensive and continual.

Many RJC Evans & Co graduate accountants have been fortunate to have had Margaret train and guide them through their early careers. Margaret's quiet contribution to their development will be missed.

Margaret has also indicated that she will miss the clients who she has assisted – some for this entire period. We hope that without the daily pressure of work Margaret's health will stabilise and she will be able to enjoy "retirement". Best wishes and thank you for your contribution Margaret.

SPECIALISING IN:

Tax returns, Taxation advice, Capital Gains Tax Planning, Accounting, Budget and Cashflow preparation, Company secretarial services, Company and Trust audits, New Business assessments, Estate Planning, Computer and software selection, Financial management, GST Advising and BAS Preparation.

DISCLAIMER:

Important: We suggest that our clients do not act only on the basis of the material contained in this Report because the items herewith are general comments only, and may be liable to misinterpretation in a particular circumstance. Also, changes in legislation sometime occur quickly. We therefore recommend that our advice be sought before acting in any of these areas. This report is issued as a helpful guide to our clients and is for private information. Therefore, it should be regarded confidentially and not be made available to any person without prior approval.