

### BUDGET 2011-12

**The Federal Budget introduced a variety of tax changes that will impact both favourably and unfavourably on taxpayers and small business. An outline of the most relevant changes is given below.**

Although there were no changes to the personal tax rates, with effect from 1 July 2011 a child under the age of 18 will no longer be able to receive the low income tax rebate on unearned income such as trust distributions, interest or dividends. This will impact upon any family trust distribution to minor beneficiaries made after 30 June 2011, with the tax free distribution being reduced from \$3,333 back to \$416 per child.



**Small Business** initiatives announced in the Budget include reducing, for the next year only, income tax instalments paid under the PAYG system. In addition, the following initiatives commence from 1 July 2012: a reduction in the company tax rate to 29%; an instant write-off for all assets costing less than \$5,000, and replacing the current Entrepreneur's Tax Offset with a tax write-off for the first \$5,000 of any motor vehicle purchased.

Fringe Benefits Tax calculations with regard to motor vehicles will be simplified by replacing the multiple rates currently used, with a single rate of just 20%, to be phased in over four years.

The following changes were also announced with regard to superannuation: one-off tax relief will be provided where the concessional contribution cap has been exceeded by up to \$10,000; those over 50 years of age will continue to be able to contribute up to \$50,000 per annum past the previous cut-off date of 30 June 2012 (subject to certain conditions); the income threshold where eligibility for the Government co-contribution begins to phase out will remain as is for a further 12 months.

One change that may have a significant impact on superannuation funds is the removal of the ability for the fund to treat shares as trading stock. The significance of this change is that any share losses will be treated as capital losses and can only be offset against capital gains of the fund. This measure is effective for any gains or losses incurred after 10 May 2011.

Finally, with effect from 1 July 2011, company directors will be made personally liable for unpaid Superannuation Guarantee (SG) amounts. This could result in a financial liability to the directors, especially where the company engages contractors. Please refer to the article on Superannuation Guarantee and Contractors in this newsletter.

### Changes to Trust Laws

**The Government has released an exposure draft regarding amendments to the taxation of trust income. These amendments are in response to the recent High Court decision in the case of *Bamford* and the perceived trust issues arising from the decision.**

The Government intends that the measures when introduced will apply to the 2010/2011 financial year, however there has been significant pressure from the professional accounting bodies with regard to the intended retrospective nature of the changes, and it is hoped the Government will keep the status quo for this year and only apply the changes from 1 July 2011.

We will continue to monitor this situation and advise of any further developments.

### Workers Compensation – Beware

Please note that superannuation paid to your employees is included with gross wages when completing the workers compensation declaration. As your accountant is no longer required to verify and sign the declaration, and since many forms no longer show superannuation as a separate item, it appears that many business owners are leaving it out altogether. This may result in fines and penalties being imposed in the event of an audit.



## Year End Tax Planning – What to do BEFORE 30 June 2011

**With the end of the financial year fast approaching, time is running out to get your business and tax affairs in order. There is no 'magic bullet' to managing your tax liabilities, however the following points should be considered in the planning process.**



- Are you making the most of the concessional tax treatment afforded to superannuation contributions? Remember that any tax deductible contribution must be made before 30 June 2011 and that limits apply.
- Have you made any capital gains during the year from the sale of assets? If so have you reviewed other assets for potential capital losses that might be realised to offset these gains?
- If you are a small business entity (SBE) you may be entitled to a tax deduction for any expenses over the coming 12 months that you prepay prior to 30 June 2011, (such as loan interest, rent etc).
- Don't forget to take advantage of the Government's superannuation co-contribution where you satisfy the requirements.
- If you have a start up business that may be in a loss situation, ensure you satisfy one of the conditions required to be able to offset any loss against your other income.
- Consider deferring assessable income to the following year. This should only be considered where it will not have a negative impact upon the essential cash flow of the business.
- Ensure all debtor balances are reviewed prior to 30 June 2011 to identify and write off any bad debts. Note that the debt must actually be written off before 30 June.
- Review trading stock for unwanted or obsolete stock that should be scrapped. Also separately identify and record any stock that has been marked down to below cost – this stock can be shown at the selling value rather than cost.
- Consider bringing forward the purchase of business consumables (again, subject to cash flow considerations).
- Consider paying the superannuation guarantee for your employees prior to 30 June.

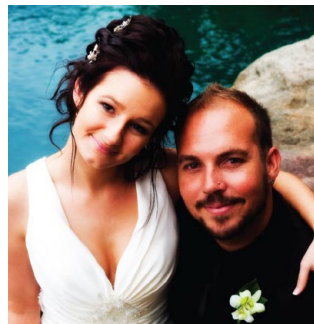
The above points are of a general nature only and should not be acted upon without first contacting us for professional advice that is specific to your circumstances.

## Superannuation Guarantee & Contractors

The Tax Office is currently catching out many businesses with its audit program targeting Superannuation Guarantee (SG) compliance. It seems that many employers are still under the false impression that if someone is a 'contractor' rather than an employee, they do not have to pay the SG on their behalf. Please note that this is NOT correct. Under the Superannuation Guarantee (Administration) Act, an employer is specifically required to pay the Superannuation Guarantee for an individual contractor where the contract is wholly or principally for their labour. It makes no difference if they have an ABN or are GST registered. Given the high level of non-compliance in this area, the ATO has stated that it will carry out an additional 3,000 audits over the next two years, focusing on high risk industries.

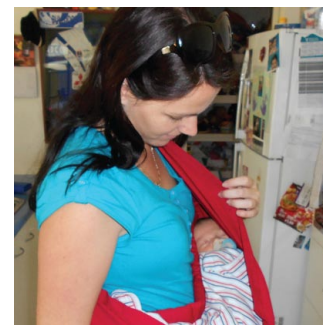
## Team News

**There is a lot to report on the BBV team front since our last newsletter.**



In March, Racquel and her fiancé Luke tied the knot in a beautiful ceremony at Aanuka Resort. Racquel and Luke have since informed us they are expecting a baby towards the end of the year.

And in more baby news, Anita and her husband Michael welcomed a new baby boy, Charley, on the 13th May. Charley is a little brother for Jayden and both Anita and Charley are doing well.



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