

2009 September Newsletter

Salary Sacrifice and Child Support



As a result of recent legislative changes, income for the purposes of child support payments will be calculated using a new formula.

Voluntary salary sacrificed superannuation contributions will now be included in the calculation of child support income.

Compulsory superannuation contributions, such as employer contributions made under superannuation guarantee requirements, will continue to be disregarded in the computation of child support income.

In addition, net losses from financial investments will now be added to a parent's adjusted taxable income for child support purposes.

The changes will take effect from July 1, 2009 and will affect child support assessments for the periods after July 1, 2010

Superannuation Guarantee & Back Payment of Wages



Employers who fail to make the superannuation guarantee contributions (SGC) by the quarterly cut off date are required to pay the superannuation guarantee

charge to the Tax Office.

Employers are required to make superannuation guarantee contributions on payments of salary or wages they pay to their current and former employees.

Following some uncertainty, the Tax Office has recently confirmed that the law requires employers to make superannuation contributions on back payments of salary or wages to former employees.

In a new guide called "Superannuation on back payment of wages", the Tax Office provides the following example:

Sue finished her employment with company Y on June 30, 2005. The company provided Sue with back pay in September 2005 for the period January 1, 2005 to June 30, 2005. The company needs to make a superannuation contribution on that back pay,

payable in the quarter that corresponds to the payment.



Changes to Medicare Levy Surcharge

The Medicare Levy Surcharge is an additional 1% levy on taxable income imposed on "high income" taxpayers who do not have adequate private patient hospital cover for themselves and dependants.

Currently, the Medicare levy surcharge threshold applicable to both individuals and families are as follows:

- a. \$70,000 for individuals; and
- b. \$140,000 for families [adjusted for the number of dependant children].

From July 1, 2009, the method of calculation of income for Medicare Levy Surcharge purposes has changed.

Income for Medicare Levy Surcharge purposes will now be calculated by adding the following items to a taxpayers modified taxable income:

- Reportable fringe benefits [as disclosed on the taxpayers PAYG payment summary];
- Total net investment losses from rental properties and financial assets; and
- Reportable superannuation contributions.

Low income earners with income above the Medicare Levy thresholds as well as high income earners who have adequate private health insurance cover will continue to only pay the 1.5% Medicare levy.

Government Tax Reforms Take Effect



As the new financial year begins, several Federal Government reforms have now come into effect.

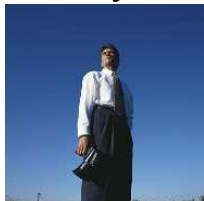
The key taxation changes that have taken effect from July 1,

2009 include:

- a. The 30 per cent income tax threshold has increased to \$35,001 up from \$34,001.
- b. The 40 per cent tax rate has been reduced to 38 per cent.
- c. The maximum low-income offset is now \$1,350 up from \$1,200.
- d. The Tax exemption threshold on employment share schemes has increased to \$180,000.
- e. The Commonwealth superannuation co-contributions have decreased to a dollar for each dollar contributed up to a maximum of \$1,000.

f. The concessional superannuation caps have been halved to \$25,000 for people under 50 and to \$50,000 for people over 50 years of age.

Contributions to Super Funds under Scrutiny



The transfer of assets into a superannuation fund by a member is an in-specie contribution. The amount of the contribution is generally the market value of the assets reduced by any consideration given for the transfer of the asset.

Where a member transfers assets other than cash into their superannuation fund, trustees need to make sure that the fund accurately reports the market value of the assets and considers any relevant regulatory issues.

The Tax Office is warning trustees and members of self managed superannuation funds about making transactions where the market value of the assets being transferred is not properly accounted for in an attempt to avoid paying excess contributions tax.

The Tax Office is also concerned that some members may be trying to avoid excess contributions tax by paying expenses on behalf of their fund or making improvements to a fund asset without reimbursement for the expenditure.

Trustees and members are reminded that superannuation funds that breach the contributions caps are liable to pay excess contributions tax.

In addition, taxpayers should consider any income, capital gains and fringe benefits tax implications when transferring assets.

Changes to fuel tax credits



Fuel tax credits provide a credit for any fuel tax (excise or customs duty) included in the price of fuel used in business activities, machinery, plant and equipment or heavy vehicles.

The new fuel tax credit rate for heavy vehicles travelling on public roads has changed to 16.443 cents per litre.

This rate applies for fuel purchased from July 1, 2009 onwards.

This rate change is due to an increase in the road user charge which in turn decreases the fuel tax credit rate.

Reasonable Travel and Meal Allowances for 2010!

Each year, the Tax Office revises the amounts they consider reasonable in relation to claims for:

- Overtime meal allowances
- Domestic travel allowances
- Travel allowance expenses for employee truck drivers
- Overseas travel allowance expenses



Expense claims made in relation to such allowances receive concessional substantiation treatment.

Where the claim for such expenses is less than the reasonable amount prescribed, substantiation of the claim is generally not required.

Overtime meal allowance claims up to an amount of \$24.95 per meal are considered reasonable for the 2010 financial year where the meal allowance is paid under an industrial agreement.

The reasonable amount of a domestic or overseas travel allowance expense claim is dependent on the destination and employees annual salary.

Employee truck drivers who receive a travel allowance and sleep away from home can claim \$82.05 or \$89.50 per day depending on their annual salary.

Government's Review into Australia's Superannuation

In a recent media release, Minister for Superannuation and Corporate Law, Senator Nick Sherry, provided more details in relation to the upcoming review into the superannuation system in Australia.



Senator Sherry announced the terms of reference as well as the expert panel for the review of the superannuation system.

The Terms of reference for the review include examining and analysing Australia's superannuation system in light of the following four threshold areas:

- Governance;
- Efficiency;
- Structure; and
- Operation

The review will commence early in the 2009/10 financial year and will report to the Government by June 30, 2010.