

NEWSLETTER - July 2010

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Welcome to our July Newsletter!

The 2010 financial year has been a year of great change for the tax industry.

2010 has seen the introduction of the new Tax Agent Services Regime and the implementation of the first entirely new income tax processing system at the Australian Taxation Office for 20 years.

In addition the 2010 income tax return itself contains a comparatively high number of changes compared to previous years due to changes in legislation.

With all these changes, is it any wonder that the vast majority of taxpayers choose to have a registered tax agent like Austax help them prepare their tax returns?

Our expertise takes the hassle out of preparing your tax return and helps you, our client, achieve the best outcome possible.

We have tried to highlight some of the key changes in our newsletter. We hope you enjoy the read and look forward to seeing you soon.

A handwritten signature in black ink that reads "Anthony Jelich". The signature is written in a cursive, flowing style.

Anthony Jelich MTMA JP
Accountant

Tax Time 2010

Be Prepared & Save Time

There have been a lot of changes this year to the information requirements for compiling a tax return.

To assist our clients we have an Individual Tax Return Checklist available from our website, www.austaxaccountants.com.au.

The checklist lists the types of information that need to go into your tax return and what documentation you will need to satisfy the ATO should you be subject to an audit or review.

Having all of your tax information together and your receipts categorised and totalled will ensure that we are able to finalise your tax return while you are at our office and speed up the time it takes to compile your return, letting you get back to your life sooner.

In response to client feedback, we have also made our Client information Questionnaire available from our website. For clients with appointments during their lunch break, having this form printed out and completed when you arrive for your appointment will speed up the processing of your return and may make the difference between a museli bar at your desk or a steak at the pub.

Can't make it to our office?

Many of our clients are unable to make it to our office to have their tax returns completed face to face.

Fortunately, with the technology available these days this presents no problem. You can post, fax or e-mail your job to our office from anywhere in the world and still receive the same great Austax service.

Clients who wish to take advantage of this service can simply download and complete our Client information Questionnaire and forward it to us along with your tax records.

For clients mailing their job in, please ensure you address your letter to our post office box and don't forget to use registered mail if you are posting us original documents.

For elderly or disabled clients who are unable to make it up our stairway we also offer a home visit service to the local area. Please contact our office to arrange an appointment.

Are you are a target?

New computer systems installed at the ATO in the past few years have significantly increased their information matching capabilities. Last year they matched over 500 million transactions with information received from third parties.

This year the ATO is expanding their data matching capabilities to include offshore salary and wages, employee share schemes, capital gains tax on the disposal of property and shares and people with significant cash transactions and other indicators of wealth, such as asset ownership (luxury cars, boats, racehorses, etc).

The ATO has also announced that this year it will be focussing on claims for work related expenses of people employed as;

- Engineers
- Mechanics
- Teachers

Tax Agent Services Regime

The new Tax Agent Services Regime commenced from the 1st of March 2010.

This regime was introduced to increase the standard of service clients of registered tax agents can expect to receive and to impose harsher criminal penalties on unregistered people charging fees to prepare tax returns.

As a client of Austax Accountants & Financial Planners Pty Ltd you have peace of mind knowing that you are dealing with a reputable company that is a registered tax agent with the Tax Practitioners Board.

Ensuring that you lodge your return with a registered tax agent also means that you won't end up as one of the growing number of people whose personal information is being used to lodge fraudulent returns or become victim of identity theft.

As a result of this new legislation you will notice substantial changes to some of our forms and processes when filing this year's tax return.

Notice of assessment changes

As part of the ATO change program you will notice that your Notice of Assessment will look very different this year. You may also receive a further letter called a Statement of Account.

These forms have been redesigned to increase the level of detail provided on these documents and to assist taxpayers to

ascertain why their refund may differ from the estimate provided by their tax agent.

Our experience is that 99% of cases where a refund paid differs from our estimate, it is due to debts owed by a taxpayer to a government department being repaid from the refund.

The new look forms will specify which department has taken your refund so that it can be followed up by the taxpayer.

Please be aware that many banks and finance companies also require copies of your notice of assessment before they will lend you money. Storing your assessment in a safe place will save you the hassle of waiting for a replacement to be issued by the ATO.

Same Sex Couples

The 2010 financial year marks the first year that all couples and families are treated the same way for tax purposes, regardless of gender. This means that from this date:

1. same-sex couples may now be able to access the same tax concessions available to married and opposite-sex de facto couples, and
2. the amount of tax people are liable to pay may depend on whether they are (or were) in a relationship, or whether they have dependent children or relatives.

The ATO definition of your spouse includes another person (whether of the same sex or opposite sex) who:

- you were in a relationship with that was registered under a prescribed state or territory law,
- although not legally married to you, lived with you on a genuine domestic basis, in a relationship, as a couple.

New Income Tests

In the 2010 income tax return changes to tax law have resulted in changes to the way your income is calculated for assessing your eligibility for;

- Your tax offset entitlements
- Your eligibility to certain deductions and tax concessions
- Medicare Levy Surcharge exemption
- HELP or SFSS repayment amounts

The new income tests do not alter the income tax thresholds or the way your assessable income is calculated. However, the income tests may affect the amount of tax you are liable to pay, as some taxpayers may find they are no longer be eligible for certain tax benefits and offsets due to the changes.

To work with these new tests we will need additional information. In particular we will require the details of any child support paid and any tax-free government pensions received.

If you have a spouse/partner then we will also need to know their income details to complete your return accurately. For this reason, we are suggesting that for 2010 and future years that couples have both of their tax returns completed at the same time.

Where your spouse uses the services of another agent we would ask that you provide us with a copy of their 2010 tax return to assist us.

Medical Expenses Rebate

The Medical Expenses Rebate was changed in the May budget. For the 2010 financial year the non-claimable threshold remains at \$1500. For the 2011 financial year the non-claimable threshold has been increased to

\$2000 and in future will be indexed each year.

If you have medical, dental and chemist out of pocket expenses exceeding \$1500 please ensure that you bring in your receipts to ascertain what is allowable and to obtain your maximum rebate.

Expanded HECS-HELP Benefit For Eligible Graduates

The HECS-HELP benefit has been expanded to include eligible teachers' and nurses' compulsory HELP repayment.

This is an extension of the benefit introduced last year for maths or science graduates, and early childhood education teachers.

The maximum annual benefit for the 2009-10 income year is \$1558.50. The benefit amount received is dependent on the number of weeks employed in an eligible occupation.

If you are eligible for this benefit you need to complete and lodge the HECS-HELP Benefit Application. To obtain the form or for more information, go to www.ato.gov.au, select Individuals. Then search for 'Higher Education Benefits'.

Foreign Source Income

In most cases you will now include your foreign earnings or foreign employment income in your assessable income, and you may be entitled to a tax offset for the foreign tax you paid on your foreign employment income.

Your foreign employment income is exempt only if you earned the income as an aid worker, as a charitable worker, under certain types of government employment or on projects that are in the national interest.

Foreign earnings include, but are not limited to:

- Income from international transactions
- Salary and wages
- Commissions, bonuses and allowances
- Employee share scheme interests received at a discount that relate to foreign employment
- Dividend, interest and royalty payments

Note that you receive income even if it is held overseas for you.

Education Tax Refund

2010 is the second tax return in which you can claim the Education Tax Refund (ETR).

Eligible families can claim a 50% ETR for eligible education expenses incurred while your child attends primary or secondary school up to the threshold amount.

We noted last year that many families were missing out the ETR simply due to poor record keeping of their expenses.

To find out if the ETR applies to you, please visit www.educationtaxrefund.gov.au.

Do I need to Lodge?

Not all Australians are required to lodge a tax return. In particular retirees and those earning very low incomes may be exempt.

Even though you may not be required to lodge a return you are still required to lodge a non lodgement advice with the ATO.

If you are uncertain as to whether or not you are required to lodge a 2010 tax return, please call our office to speak with our accountants who can advise you.