

Gorrell LongRobertson

Chartered Accountants
Tax & Business Advisors

'Efkon House'
18-24 Trenerry Street
Weston ACT 2611

Phone (02) 6287 2655
Fax (02) 6287 2411
Email – admin@gorrellong.com.au

AUTUMN 2011

Hi Everyone,

This year's Tax deadline of 16 May 2011 is fast approaching. To try to avoid the last minute rush, please provide us your tax information ASAP. We hope you enjoy the read! As usual, don't hesitate to call us to discuss anything. Best wishes to you from all the team at GLR.

Family Tax Benefit Claims

The only way to claim is directly from the Family Assistance Office (FAO) or Centrelink. If you are already receiving fortnightly payments FAO will automatically determine your entitlements. **If you wait to receive as a lump sum, this is no longer automatic via your tax return.** You will need to lodge a lump sum claim form after we lodge your tax return each year. This can be done via FAO's online services on their website www.familyassist.gov.au. NB: If you get 2 years behind they will cancel your benefits.

Rental Property Refinancing

A common question we get from clients is, "Can we increase the claimable loan on a current rental property to raise funds to buy, say a new private house?"

Unfortunately, this is **not allowed** by the ATO.

The test is "the purpose to which the funds are used".

If you use the funds to buy shares or another rental property, this is OK as it is for investment purposes. But if the funds are used for any private purpose, then the interest on the extra borrowings is not claimable. The best you can do is make the rental property loan, interest only, while you pay off the private loan as quick as possible. Sometimes this may mean separating out the loans, but the benefits can be worth it. We have seen a number of cases where the loan structure has not enabled the best tax deductions to be made. So if in doubt, please call us for advice.

RECEIVING NEWSLETTER BY EMAIL

If you wish to receive this newsletter via email, please email: reception@gorrellong.com.au

The Education Tax Refund

Will apply for your **2010** tax return **only if you receive FTB Part A**. Different levels apply for Primary (\$375) & Secondary students (\$750) and you are entitled to 50% of eligible expenses

which include computers, internet connection, education software & textbooks. **Note that School Fees, excursions and uniforms do not apply.**



Capital Gains Tax (CGT)

What tax rate is CGT?

This is a common question.

Answer: Depends. Capital gains are added on top of your other income. The good news is, only 50% of the capital gain is taxable if the asset was held for 12 months or more. With large capital gains on rental properties now common, beware of the tax slug if you decide to sell. It may be worth a call to discuss first. One option can be, to sell in a year that you have a lower income. e.g. on retirement. For CGT, the date of sale is the date of exchange not settlement.

Beware of Email Scams

There are a number going around, and at present there is one posing as the ATO requesting information to provide you a tax refund. Never provide credit card or bank details in a reply to a request online. A lot do look very official. If in doubt, call the institution.

BHP Buy Back

We have had a lot of enquiries on this issue recently. One issue not often thought of in this case, was the effect on the Age pension as the purchase was all income not just net capital gains. Unfortunately, by the time you read this it will be closed, but please keep in mind for future that if in doubt, please ask.

AUTUMN 2011 NEWSLETTER

New Super Contribution Rules! 2010/11

Again for 2010/11 year, the maximum contribution caps are:

- Under 50 yrs - \$25,000 p.a
- Over 50 yrs - \$50,000 p.a

It may be a good idea to review your current Salary Sacrifice amounts, because if you are over the cap, an Excess Tax of 31.5% will apply, on top of the 15% already applied. **That's 46.5% tax.**

Also, keep in mind that your 9% employer contribution is included, and for Public Servants, the Productivity component is included in the cap.

NB. That total contributions are on a cash basis. So if your June quarter 2010 contributions are paid into your superfund in July 2010, they will be accounted as 2010/11 contributions.

There are also special rules that apply for the self employed

Centrelink Pensions

You **may** be entitled to some age pension if:

Your income is less than \$41,028pa for a single or \$62,790pa for a couple **and** your non home assets are less than \$659,250 as a single or \$978,000 as a couple.(effective 20 September 2010)

Also, you may be entitled to the **Seniors Health Care Card** if your adjusted taxable income is less than \$50,000 as a single or \$80,000 as a couple.

This is the simplistic version of details, but if you think you may be entitled, it is worth contacting Centrelink to find out more. www.centrelink.gov.au

Medicare Levy Surcharge

For the 2010/11 year if you **DO NOT** have Private Health Insurance with appropriate Hospital cover and your adjusted taxable income (ATI) is above **\$77,000** as a single or **\$154,000** as a family, then the extra 1% Medicare Surcharge will apply. NB. This is on top of the ordinary Medicare levy of 1.5% that all taxpayers pay, on their taxable incomes, except for low income earners.

ATI is taxable income + fringe benefits + salary sacrifice super + net investment losses and rental property losses.

LODGING TAX RETURNS

*Please bring in your information **ASAP** if you have not lodged your 2010 and prior tax returns.*

Due 16 May.

Medicare Levy Surcharge continued

Be careful with shared care child arrangements. The child must be covered under the policy by either (not both) parent for exemption to apply.

Defence personnel need cover for children and non defence spouses also.

If unsure, consult your Private Health Fund, as the ATO are doing a lot of data matching on this issue at present

DIY Superfund's from \$990 p.a But save \$000's!!

More and more people are finding that setting up your own Super Fund is a good idea. Close to 33% of all Retirement Savings are now held in SMSF's. Usually, this is the case when leaving the Public Service but can be beneficial in other circumstances also.

The Benefits:

1. Control of your own money.
2. No management fees.
3. More flexible investment strategies.
4. Lower cost structure.
5. Fun of investing.

If you are interested in setting up your own fund, please call us to discuss it in more detail.

Salary Packaging Cars

Still a great way to save tax and get that new car. However, it can now be even better. With the increase in the tax bracket for the top tax rate to \$180,000, the irony is that the benefit of salary packaging is reduced. **But**, if you can also do the Employee Contribution Method (ECM), the benefits are restored. For more details, please contact us.

ACT Land Tax Reminder

In the ACT only **rented** properties attract Land Tax. So if the property is vacant, no land tax applies. (differs to NSW) The rate is on a marginal scale from 0.6% to 1.4%, based on land value. Registration is self assessment with ACT revenue. The liability starts from the end of the quarter from when the property was rented. Rural land is exempt. See the website at www.revenue.act.gov.au/land_tax for more details.

LODGING TAX RETURNS

*Please bring in your information **ASAP** if you have not lodged your 2010 and prior tax returns.*

Due 16 May.