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## 2010 Federal Budget Overview

The Labour Government's third budget is not a big spending budget and is expecting a return to surplus at the end of another 3 years. Of concern however is that in order to return to surplus, the Government is relying on areas such as the Resources Super Profit Tax, as well as additional revenue from improving compliance in the cash economy, and in GST.

### Personal Tax Rates—No Changes to Previously Legislated Rates

The Government did not make any changes to the currently legislated tax rates for 2010-11.

From 1 July 2010, the resident tax rates, compared to the current year rates (excluding the 1.5% Medicare levy) will be as follows, with changes highlighted in bold:



Current 2009-10 Income Year		From 1 July 2010	
Taxable Income (\$)	Rate (%)	Taxable Income (\$)	Rate (%)
0—6,000	0	0—6,000	0
6,001— <b>35,000</b>	15	6,001— <b>37,000</b>	15
<b>35,001</b> —80,000	30	<b>37,001</b> —80,000	30
80,001—180,000	<b>38</b>	80,001—180,000	<b>37</b>
180,001 +	45	180,001 +	45

### Low Income Tax Offset

The Low Income Tax Offset shall increase to \$1,500 from 1 July 2010, effectively increasing the tax free threshold \$16,000 in 2010-11. The effective tax free threshold for senior Australians (eligible for the Senior Australians Tax Offset) will increase to \$30,685 for singles and \$26,680 for each member of a couple in the 2010-11 income year.

### Increase to Net Medical Expense Tax Offset Threshold

The threshold above which taxpayers may claim a 20% rebate on net medical expense will be raised from \$1,500 to \$2,000 effective from 1 July 2010. In addition, commencing from 1 July 2011, the threshold will be indexed annually.

### Increase to the Medicare Levy Income Thresholds

From 1 July 2009, the Medicare levy income thresholds will be increased for singles to \$18,488 and to \$31,196 for those who are members of a family, with the additional amount of threshold for each dependent child or student increasing to \$2,865. The Medicare levy low-income threshold for pensioners below Age Pension age will also be increased from 1 July 2009 to \$27,697 (from \$25,299).

### Standard Deduction for Work Related Expenses and Cost of Managing Tax Affairs

Individual taxpayers will be given a standard deduction of \$500 for work related expenses and the cost of managing their tax affairs from 1 July 2012. This will increase to \$1,000 from 1 July 10.

Taxpayers with deductible expenses greater than the standard deduction will still be able to claim the higher level of expenses in lieu of claiming the standard deduction amount.

### 50% Tax Discount on Interest Income

A 50% tax discount on up to \$1,000 of interest earned by individuals will commence from 1 July 2011. This will apply to interest earned on investments such as deposits held with any bank, building society or credit union, as well as bonds, debentures or annuity products.

The discount will be available for interest income earned directly as well as indirectly, such as via a trust or managed investment scheme.

This measure aims to help close the gap between the current taxation treatment of interest income when compared to other non-interest earning investments. These changes will reduce the income calculations for Family Tax Benefit purposes.

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## ATO Rental Property Travel Expense Factsheet

The ATO has recently released a factsheet which provides guidance to the types of travel expenses that can be claimed as a deductible travel expenses. Examples of deductible travel expenses include travelling to:

- Prepare the rental property for new tenants (except for the first tenants);
- Inspect the rental property during or at the conclusion of a tenancy;
- Undertake repairs, where those repairs are a consequence of the damage or wear and tear incurred while the property was rented;
- Maintain the rental property such as cleaning, gardening etc;
- Collect rent;
- Visit the real estate agent to discuss your rental property.



The factsheet also include some common incorrectly claimed travel expenses which are not deductible. These are travelling to your rental property:

- For private purposes only;
- To carry out general maintenance of the property while it is not available for rent;
- To undertake initial repairs before the property is rented out for the first time.

Note where travel expenses are incurred partly for a private purpose, only that portion relating to the non-private purpose is deductible.

For more information or to view the full article visit the ATO website or following this link:

[www.ato.gov.au/content/00205421.htm](http://www.ato.gov.au/content/00205421.htm)

## Entertainment—what is it and when are you caught for FBT?

*Entertainment is always a problem for FBT purposes because it relates to the provision of food and drink which sometimes is not liable to FBT—travel—and sometimes is—staff parties.*



The following are some examples of what is entertainment:

- Restaurants where family and clients are entertained;
- Food and drinks provided at a staff social function;
- Entertainment and drinks provided to employees on Friday nights;
- The cost of taking staff and their partners out to lunch; and

- Cost of taxis and limousines to and from entertainment venues.

An employer who has provided meal entertainment fringe benefits may work out the taxable value of their meal entertainment under one of these three methods:

- 50/50 split method;
- 12 week register method; or
- Actual expenditure incurred on meal entertainment method.

*If you think that you may have provided 'entertainment benefits', the method we can help you choose to determine the FBT taxable value can substantially reduce the FBT payable.*

# Changes to the Notice of Assessment



Changes to the Notice of Assessment (NOA) for income tax transactions have now been applied from the introduction of the Australian Tax Office Income Tax processing system in February 2010.

The new look NOA is designed to be easier to understand and to provide more detailed information about your income tax assessment.

The statement of account provides a summary of payments and transactions made during the statement period and shows any amounts you need to pay or refunds due to you.

If you receive both a notice of assessment and statement of account, they may have different amounts payable or refundable. This is because the statement covers more than just your income tax assessment.

Your notice of assessment will not always come together in the same envelope or at the same time as your statement of account.

The notice of assessment represents information related to a single event, for example the income tax return for a single year, while the statement of account represents information related to the account as a whole, for example a running balance account of all income tax related transactions.

For more information on the changes and to view a sample of the new assessment formats, visit to ATO website or click of the following links provided:

[More information on new changes](#)

[Sample Tax Assessment Payable](#)

[Sample Tax Assessment Refundable](#)

## Change Program creates crisis in many tax agents' practices

What a MESS!!

The Tax Office's new Change Program—the upgrade to its old, outdated computer system—has been plagued with problems. Problems that are directly affecting the lives and livelihoods of many tax agents and their clients.



### A short history to date:

- January 2010 - Tax Office advises we might experience 'temporary service delays'
- February - There is a backlog of 300,000 returns yet to be processed
- March - Without any prior consultation, the Tax Office announces there is a new four page notice of assessment rather than the simpler one page version
  - Tax Office stops a 'significant number'

of refund cheques

- When these refund cheques are sent out they are dated 2 to 3 weeks earlier
- April - Notices of assessment are sent out with incorrect dates
- Notices of assessment are sent out without refund cheques
- Partial Notices of assessment are sent out

### Where are we now?

The true story is that we will probably never know the depths of the problems that have plagued this new computer system.



What we do know is that hundreds of thousands of income tax refunds have been affected and that hundreds of thousands are still locked in the system

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