

Welcome to the April edition of our newsletter. Last month, we discussed the global financial crisis and the governments' response to date. It is important to recognise that it should not only be the political leaders of the world who are called upon to create change; leaders of businesses and institutions, in fact, even individuals, should also be compelled to think deeply about making change. We hope that you, our valued clients have not been impacted significantly by the downturn in the economy. As always, we are here to discuss strategies which may assist your personal situation.

As mentioned last month, the economic stimulus package introduced by the Australian government included a once off payment to individuals who pay tax and lodge an income tax return for the year ended 30th June 2008, subject to certain criteria being met. Of these, we note that 2008 income tax returns must be lodged by 30th June 2009 in order to receive the payment. For those taxpayers receiving the payment by way of cheque, we advise that we have just started to receive the payments from the ATO and will be forwarding these to you immediately.

April 2009 Client Newsletter Points:

DEVELOPMENTS:

Temporary Relief from Minimum Pension Drawdown Requirement

On the 18th February 2009, the Government announced that it will temporarily suspend the minimum drawdown requirements for account-based annuities and pensions for the second half of the 2008/09 financial year (i.e. 1 January 2009 to 30 June 2009). This means that pensioners are only required to drawdown half of the minimum pension payment for this income year.

The temporary suspension of the minimum payment requirement will apply to:

- Account-based annuities and pensions
- Allocated annuities and pensions
- Account-based and allocated pensions payable from retirement savings accounts
- Market-linked (term allocated) annuities and pensions
- Transition to retirement pensions, provided they are paid through one of the pension products stated above.

Pensioners who have already taken half of their minimum payment for 2008/09 will not be required to make a further drawdown until the 2009/10 income year.

This temporary measure addresses concerns that the minimum payment amounts for the 2008/09 financial year were set on the basis of account balances at 1st July 2008, when equity values were significantly higher.

The minimum annual drawdown percentage is determined with reference to a pensioner's age and account balance as at 1st July of an income year.

Age	Original minimum % withdrawal requirement	Halved minimum % withdrawal required for 2008/09 financial year
Under 65	4%	2%
65-74	5%	2.5%
75-79	6%	3%
80-84	7%	3.5%
85-89	9%	4.5%
90-94	11%	5.5%
95 or more	14%	7%

No Fringe Benefits Tax (FBT) on Salary Sacrificed Donations

On 24th February 2009, the Assistant Treasurer, Chris Bowen MP, announced that the FBT law will be amended from 1st April 2008 (i.e. the beginning of the 2008/09 FBT year) in order to ensure that donations made under salary sacrifice arrangements do not result in the employer being liable for FBT. The announcement was made following concerns that employers who have entered into salary sacrifice arrangements with their employees to facilitate the collection of donations to those affected by the Victorian bushfires may, under current FBT law, have a potential FBT liability.

Tip for claiming donations to emergency relief funds

The ATO has advised that people donating to help victims of the Victorian bushfires and Northern Queensland floods by way of 'bucket donations' will be able to claim a tax deduction of up to \$10 in their 2009 tax return without a receipt. Furthermore, people making donations over \$10 through the internet or by phone need only keep their internet receipt or credit card statement for tax purposes.

Australian Taxation Office (ATO) Assistance for Bushfire and Flood Victims

The ATO has announced various measures to assist taxpayers affected by the recent Victorian bushfires and NSW and North Queensland floods. Those measures are summarized as follows:

- The due date for lodgment of Superannuation Guarantee Charge statements for the quarter ended 31st December 2008 has been extended from 2nd March 2009 to 28th May 2009.
- The following extensions apply for the lodgment and payment of activity statements:
 - January, February & March 2009 monthly activity statements are now due and payable on 21 May 2009;

- The December 2008 and March 2009 quarterly activity statements are now due and payable on 28 May 2009.

- The due date for lodgment of the 2008 tax return for individuals entitled to the 'Tax Bonus' has been extended to 30th June 2010. The extension applies where the taxpayer or their tax agent:
 - was directly impacted by a natural disaster; or
 - suffered an injury or illness (not connected with the natural disaster) resulting in hospitalization for more than 2 weeks.
- The ATO has also granted a general lodgment and payment deferral for all unlodged 2008 company, trust, partnership and superannuation fund returns from 15th May 2009 to 5th June 2009.

LEGISLATIVE UPDATE: CURRENT BILLS

Tax Laws Amendment (2009 Measures No.1) Bill 2009

This Bill introduces reform to the income tests applicable for a range of tax concessions and social security benefits, including the following:

- Medicare levy surcharge
- Senior Australians Tax Offset
- Government superannuation co-contribution scheme
- Mature age worker tax offset
- Deductions for personal super contributions
- Commonwealth Seniors Health Card; and
- Family Tax Benefit Part A and Part B

Income tests will now include reportable superannuation contributions (including reportable employer superannuation contributions (RESC)), adjusted fringe benefits total, and total net investment losses.

RESC will include salary sacrifice amounts and superannuation contributions above the minimum prescribed support (currently 9%). Reportable superannuation contributions

consist of two components: RESC and personal superannuation contributions for which a tax deduction is available.

This change to the income test will apply from 1st July 2009. The Bill also requires the reporting of 'reportable employer superannuation contributions' on payment summaries.

Hot Topic: Government Superannuation Co-contribution

The co-contribution initiative by the Government is aimed at assisting low income earners build up their superannuation account balances by providing entitlements to co-contributions where personal non-concessional contributions are made. The term 'non-concessional' is new and replaces the old term 'undeducted'. Non-concessional contributions are those for which a tax deduction is not claimed.

Eligibility:

To be eligible for the co-contribution the person must:

- make personal contributions to the fund
- have 10% or more of their total income attributable to either or both of employment related activities and the carrying on of a business
- have a total income less than the co-contribution upper income threshold
- lodge an income tax return in the year of contribution
- not be a temporary resident; and
- be under 71 years of age

Eligible taxpayers will receive a co-contribution of \$1.50 for each \$1 personal contribution up to a maximum co-contribution of \$1,500.

The lower income threshold for 2008/09 is \$30,342 and the higher income threshold is \$60,342 for 2008/09. Where total income is less than the lower income threshold, a maximum co-contribution payment is available. Thereafter the co-contribution reduces by 5 cents per additional dollar above that amount. The co-contribution cuts out at the higher income threshold.

Tip

Salary sacrifice super contributions are not considered personal non-concessional contributions because a deduction is claimed by the employer and they are treated as taxable employer contributions in the fund. Therefore to be eligible for the co-contribution a separate personal non-concessional contribution for which no tax deduction is claimed needs to be made.

Veale Partners has been recommending their valued clients to Winestone & Associates for over 5 years now.

Winestone & Associates are the market leaders when it comes to advice in the areas of Income Protection, Life, Disability & Trauma Insurance.

We are always trying to add more value and convenience to our clients, and have therefore arranged that Morris Winestone will be based in our Bentleigh office from 9am till 12pm on the last Wednesday of every month. He will be available to meet with you and discuss all your Insurance needs.

You may wish to review what you currently have in place, or perhaps discuss some new insurance requirements for you and your family or business.

As an existing client of Veale Partners, there will be no charge for this initial consultation.

If you would like to take advantage of this service, please call our office on 9557 9200 to make an appointment.

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