

The global financial crisis, brewing for a while, really started to show its effects in the middle of 2007 and into 2008. One could say that following a period of economic boom, a financial bubble – global in scope – has now burst. Around the world stock markets have fallen, large financial institutions have collapsed or been bought out and governments in even the wealthiest nations have had to come up with rescue packages to bail out their financial systems.

In these difficult times, we are reminded of the story attributed to King Solomon who asked his wise men to come up with a phrase that would be true and appropriate in all times and situations. They presented him with the following words: ***“This too shall pass”***. It serves to remind us that even the best of times will not continue. On the other hand, the worst of times will also not last forever. All depressions and crises come to an end. In ten years time we will probably look back at this time as another “blip” in the trend of economic progress. So let’s look at the future with great hope and realize that we are only going to get out of it as much as what we put in!

This month we start our newsletter by covering the Government’s stimulus response to our floundering economy.

One-off Bonuses:

TAX BONUS

Tax Bonus for Working Australians Bill (No 2) 2009

This Bill ensures that eligible taxpayers who paid tax in 2007/08 after taking into account tax offsets and imputation credits will receive a one-off bonus.

The amount of bonus will depend on a taxpayer’s taxable income for that financial year:

- \$900 if taxable income was up to \$80,000
- \$600 if taxable income was between \$80,001 and \$90,000
- \$250 if taxable income was between \$90,001 and \$100,000
- \$0 if taxable income was more than \$100,000.

You are eligible to receive the payment if:

- Your 2007-08 taxable income does not exceed \$100,000
- Your adjusted tax liability for 2007-08 is greater than zero (that is, you paid tax)
- You lodge your 2007-08 tax return by 30th June 2009 or by the deferred date granted to you by the Tax Office, and
- You were an Australian resident for tax purposes during the 2007-08 financial year.

This government initiative will support up to 8.7 million individuals and is tax free. If you have already lodged your 2007-08 tax return the Tax Office will automatically calculate your eligibility and entitlements and send your payment to you.

The bonus will be paid to eligible taxpayers from April 2009. Your payment will be deposited into either your personal bank account you nominated in your 2007-08 tax return or sent as a cheque to the postal address on that return, unless the Tax Office has been instructed otherwise.

If Veale Partners receive a tax bonus cheque from the Australian Taxation Office for a client, we will forward it directly to them.

OTHER BONUSES

Household Stimulus Package Bill (No 2) 2009

This Bill ensures that eligible families or individuals will receive the following bonuses:

- \$900 Single Income Family Bonus to families who, on 3 February 2009, were eligible for Family Tax Benefit Part B.
- \$950 per child Back to School Bonus to families who, on 3 February 2009, were eligible for Family Tax Benefit Part A.
- \$950 Training and Learning Bonus to students and people outside of the workforce returning to study.
- \$950 Farmers Hardship Bonus to farmers and rural-dependent small businesses who, on 3 February 2009, received exceptional circumstances-related income support.

Tax Concessions for Businesses

Changes to Temporary Investment Allowance

The Government has made changes to the temporary investment allowance, which was announced in December 2008. Broadly, the amendments will:

- increase the rate to 30% (from 10%) for eligible assets acquired

between 13 December 2008 and 30 June 2009, and install ready for use by June 2010

- extend the allowance to assets acquired between 1 July 2009 and 31 December 2009, and installed by 31 December 2010, but at a rate of 10%; and
- decrease the cost of the eligible assets threshold for small businesses to \$1,000.

General businesses will also be eligible for the allowance, provided the cost of eligible assets is more than \$10,000.

Assets eligible for the allowance are new tangible depreciating assets and new expenditure on existing assets used in carrying on a business for which a deduction is available under the core provisions of Division 40 (Capital Allowances) in the Income Tax Assessment Act 1997.

Early Access to Super Benefits

The Tax Office has released an Alert warning people of arrangements offering early release of their superannuation benefits.

Broadly, the arrangements involve the rollover of superannuation benefits into a self-managed superannuation fund (SMSF). The benefits are then released from the SMSF by the organisers of an arrangement without a condition of release as prescribed by the superannuation law being satisfied. The Tax Office says that these arrangements may involve a breach of taxation and superannuation laws.

Generally, superannuation benefits must be preserved in a member's superannuation fund until a condition of release, such as the member reaching his or her preservation age (which depends on the member's date of birth) and permanently retiring, or attaining the age of 65.

An early access of benefits is only permitted in certain restricted circumstances. For example, severe financial hardship and compassionate grounds.

However, you are still permitted after reaching preservation age to take a transition to retirement income stream or non-commutable pension or annuity, even if you have not yet retired.

Education Tax Refund

Keep Your Receipts

In two separate but related media releases, the Government and the Tax Office reminded parents to keep receipts relating to expenses incurred on their children's education if they wish to claim the education tax refund.

From 1 July 2008, eligible families can receive a maximum refund of \$375 for each child undertaking primary studies and \$750 for each child undertaking secondary studies.

The Tax Office states that only expenses which are paid for by parents will qualify for the refund. It also states that if an item is used for different purposes, only the amount that relates to a child's education is eligible for the refund.

Email Scam Warning

The Australian Taxation Office (ATO) is again advising taxpayers to immediately delete a fraudulent email claiming to be from the ATO offering tax refunds.

The email is similar to previous scams and fraudulently uses the ATO logo, and the words 'Get Refunds on your Visa or Mastercard' in the subject line.

It requests taxpayers to click on a link which redirects them to a website that looks similar to the ATO website, and then asks taxpayers for their credit card and

personal details for the purpose of receiving their refunds.

The ATO warns that this website is not affiliated with it in any way and says that it would never send emails to taxpayers requesting them to provide personal information, including credit card details.

As a precautionary measure, the ATO recommends that taxpayers type internet addresses directly into their internet browser rather than clicking on hyperlinks embedded in emails. *(Source: ATO media release No 06 of 2009, 2 February 2009)*

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