rdl.overview

ISSUE FOUR DECEMBER 2011

- *2012 Federal 'Mini Budget'* • *Investing for Children (Part 2)* • *Focus on the not-for-profit sector*
- *Better Depreciation Rules for Small Businesses* • *The High Price of paying Employee Super late*

2012 FEDERAL 'MINI BUDGET'

In late November 2011 the Treasurer announced a number of significant tax and superannuation changes as part of the Mid-Year Economic and Fiscal Outlook. We have highlighted the main items below:

- Living Away From Home Allowance – from 1/7/2012 employees living away from home will need to include the allowance as taxable income and claim expenses against this (subject to some exceptions). Currently such allowances are not taxable income and largely exempt under the FBT rules.
- Claims for a dependant spouse – will be restricted to taxpayers with a spouse born before 1 July 1952 (was 1st July 1971 in the May 2011 budget).
- Deferral of previous measures – the standard $500 deduction for work related expenses and the 50% tax discount on interest income earned will both be deferred 12 months to 1st July 2013.
- Superannuation co-contribution – the rates will be reduced from 1 July 2012 and eventually phased out.
- Super pension payments – the current minimum payment drawdown relief of 25% is to be extended to the 2012-13 financial year.

by Joel Hernandez
Joel is a Director primarily consulting in the area of Tax and Business Services.

Investing for Children (PART 2)

In this issue we continue looking at suitable investments for children. If you missed out on Part 1 you can view it on our web site.

Scholarship funds – most are based around a regular savings-plan structure. If the funds are used for genuine educational expenses for the child, the investment earnings are tax-free and the provider may be able to recover the 30% tax paid and pass this tax benefit to the nominated student. The problem is that this is

assessable income to that child or adult and will be taxed at their *relevant marginal rate*; and if the earnings are used for children under the age of 18, the income will be considered unearned and the 45% tax may apply. If the child does not proceed onto higher education, the contributions to the plan may be forfeited.

Direct Shares or Managed Funds. Returns generally consist of income and capital growth. Franking credits received will generally be refunded by the ATO where income is below $416. Capital growth is tax free until the investment is sold, with lower tax if the child has reached 18 years of age. A fund manager may sell portfolio investments at any stage, which could result in a generous capital gain but a shocking tax bill for the child. Direct shares give greater control on when gains are realised.

by Roslyn Schnerring
Roslyn is a Financial Planning Adviser.

Christmas Greetings

We wish all our clients a Happy Christmas and New Year.
Our office will be closed over Christmas from 1.00pm Friday, 23 December 2011 and will re-open on Tuesday, 3 January 2012.

Focus on the not-for-profit sector

After multiple enquires over the last decade, the government has recently committed to a number of developments in the not-for-profit sector.

Australian Charities and Not-for-profits Commission (ACNC)

The ACNC is to commence operation from 1 July 2011. While its mandate is yet to be fully defined, it will be the body responsible for determining charitable status as well as establishing a one-stop reporting framework. It is generally expected that it will reduce red-tape for charities, although this will probably take some time.

While it will be easier for national endorsements (e.g. companies limited by guarantee) to be integrated, it is likely to be more complex for state-based registrations such as incorporated associations, which will be reliant on co-operation between the states and territories. Unfortunately this indicates that there is no immediate end in sight for those juggling multiple fundraising registrations.

The ATO is currently charged with setting up the ACNC and will be providing back-end support. Although the ACNC will be an independent organisation reporting directly to Parliament, the ATO will still be responsible for administering the tax legislation, including issuing an ABN and assessing eligibility for various tax concessions.

Statutory Definition of Charity

The government intends to establish a statutory definition of 'charity' that will apply to all Commonwealth agencies effective from 1 July 2013.

The term 'charity' is currently defined by over 400 years of common law. Over time society has changed and so has this definition, and as a result inconsistent definitions have been codified in various jurisdictions. Establishing a statutory definition is intended to remove some of this irregularity and take into account the results of recent court decisions and government enquiries.

Treasury have released a consultation paper on this subject and sought submissions by 9 December 2011. Amongst the proposed changes open for discussion:

- Expanding on the current four heads of charitable purpose.
- Replacing the "dominant" charitable purpose with an "exclusively" charitable requirement.
- Removing the presumption of public benefit for charities established for the advancement of religion or education, requiring these charities to prove the benefit to a sufficient section of the general community.

by Claire Harris
Claire is Senior Manager and a Not For Profit specialist.

Better Depreciation Rules for Small Businesses

In response to the Clean Energy Future package (commonly known as the Carbon Tax), the government announced changes to the depreciation rules to help small businesses (generally businesses <$2 million turnover). This measure is to be effective from 1st July 2012, and at the time of printing, is in the form of draft legislation. The essential elements are as follows:

1. Small businesses are eligible for an immediate write-off of the first $5,000 of the cost of any motor vehicle (new or old). If your business is GST registered, this is the GST exclusive cost of the vehicle.

   Example: XYZ business purchases a $25,000 car. The business will be eligible for an immediate deduction of $5,000. It must then allocate the balance of $20,000 to the general pool, whereby the depreciation rates are15% for the first year and 30% thereafter.

2. Businesses that have elected to use the small business depreciation pools are eligible for instant asset write-off of $6,500. Under the current rules, the instant write-off threshold is $1,000. If your business is GST registered, this is the GST exclusive cost of the asset. Any assets greater than $6,500 must be allocated to the general depreciation pool.

   Example: XYZ business purchases an asset for $6,000. XYZ has elected to use the small business depreciation pool. XYZ will be eligible for an immediate deduction of $6,000.

If you run a small business, you may wish to consider delaying purchasing assets and motor vehicles until 1st July 2012 to take advantage of these rules.

by David Tong
David is Senior Manager and specialises in Tax.

The High Price of paying Employee Super late

Many will be aware that under the superannuation guarantee (SG) scheme employers are required to pay 9% of Ordinary Times Earnings as a contribution to an employee's superannuation fund. Contributions are required to be made every quarter and no later than 28 days after the end of the quarter. Therefore the cut off dates are as follows:

SG Quarter	Due date for SG Payment
1 July – 30 September	28 October
1 October – 31 December	28 January – *not 28 February as with the BAS*
1 January – 31 March	28 April
1 April – 30 June	28 July

Unlike other employee on-costs, if you pay employee super after the above due dates the payment is not tax deductible. So, could things get any worse? Well actually… yes. As a result of failing to meet the due date for payment, the employer is required to complete and submit a Super Guarantee Charge Statement and pay the Superannuation Guarantee Charge (basically the unpaid SG, an administration fee, and interest – currently 10% pa).

So the message is simple – pull out all stops and pay employee super on time. It will save you time and money.

Tip: Super is only tax deductible when paid, so make payment of your June SG before 30 June to ensure you can take advantage of this deduction in the current tax year.

by Matthew Hung
Matthew is Senior Manager specialising in Tax and Audit.

CONTACT DETAILS

60-64 Railway Road, Blackburn 3130
PO Box 189, Blackburn 3130

t: (03) 9878 1477 f: (03) 9894 1798

contact@rdlaccountants.com.au
rdlaccountants.com.au