

Practice Update

Please read this update and contact this office if you have any queries

APRIL 2009

New Investment Allowance – FAQs

Editor: The new Investment Allowance that provides for a one-off deduction of 30% on eligible, new assets, is a great opportunity for clients to tax effectively acquire new assets in their businesses.

The following is a sample of frequently asked questions on the new Investment Allowance. If you need any detailed advice, please contact our office.

What if I don't meet the June 2010 installation deadline?

If you acquire or start to hold an eligible asset between 13 December 2008 and the end of June 2009 and miss the end of June 2010 installation deadline you will miss out on the 30% bonus deduction.

However, provided the asset is installed by the end of December 2010 you will still qualify for the 10% bonus deduction.

What does 'new' mean?

The Investment Allowance will be available for new, tangible depreciating assets or new expenditure on existing assets. 'New' refers to assets that have not been used before by anyone, anywhere, except where an asset has only been used for reasonable testing and trialling.

Do cars qualify?

New motor vehicles used principally for business purposes are an example of the kind of assets that could qualify for the Tax Break.

Are demonstrator vehicles new?

Demonstrator vehicles can qualify as 'new' assets, provided they have only been used for reasonable testing and trialling.

Do buildings qualify?

No. The Tax Break will be available for new tangible depreciating assets for which a deduction is available under the core provisions of Div.40 and new expenditure on existing assets.

Capital works covered by Div.43 will not qualify for the Tax Break.

Will the Tax Break be reduced for non-business use?

Unlike depreciation deductions, the Tax Break will not be apportioned for any non-business use of the asset.

However, a taxpayer must be able to demonstrate that the asset was to be used in Australia and for the principal purpose of carrying on a business.

Will it bring forward the depreciation claims or is it on top of these deductions?

The Tax Break will provide a bonus deduction rather than bringing forward normal deductions for depreciation. This means that, over time a taxpayer could effectively claim deductions of up to 130% of the asset's value.

Will the car limit apply to the Tax Break?

Yes, the car limit will apply to eligible luxury cars.

The car limit for 2008/09 is \$57,180. This means that, at the 30% rate, the maximum bonus deduction available for a car in 2008/09 is \$17,154.

Another 12 charged under Project Wickenby

Twelve people have faced Court in Sydney as a result of an investigation into a \$10 million offshore tax evasion and money laundering scheme.

A total of 153 charges have been laid against a Sydney accountant, her husband and 10 of her clients.

It will be alleged in court that a 62-year-old Warriewood woman devised, promoted, facilitated and implemented tax evasion schemes which involved incorporating companies in Vanuatu on behalf of Australian-based clients.

Fees were paid to these companies by Australian-based companies, which then claimed these false expenses as deductions in tax returns.

No actual services were provided by the offshore companies and the funds held offshore were then laundered to individuals in Australia, but were not disclosed as income in tax returns.

The total amount allegedly laundered by these 12 people is approximately \$5.2 million.

The 62-year-old woman has been charged with a total of 34 counts of conspiracy for defrauding the Commonwealth, obtaining a financial advantage by deception and money laundering.

These offences carry maximum penalties of 10 years and 20 years imprisonment.

The other 11 persons have been charged with a variety of similar offences.

Superfund audits on the rise – 11,000 audits planned in 2009/10

In a recent speech in Sydney, Neil Oleson, Deputy Commissioner of Taxation, indicated that the Tax Office was targeting SMSFs and their auditors.

Compliance issues

Mr Oleson indicated that to date, the Tax Office has concentrated on putting its efforts into educating and assisting those involved in the system to meet their roles and obligations.

"We now have some 200 compliance staff focussed on self-managed fund issues."

We have gone from completing around 3,600 compliance cases in 2006/07 to around 10,400 cases in 2007/08. In 2008/09 we are well on track to completing over 11,000 cases."

Timber floor installation benchmarks

In addition to other benchmarks that the Tax Office has issued in relation to the following industries:

- Concreting;
- Floor sanding and polishing;
- Metal roofing;
- Painting;
- Roof guttering;
- Roof tiling; and
- Taxis,

it has now issued benchmarks for the timber floor installation industry.

These benchmarks indicate an expected range of income for timber floor installers based on the labour and materials used. They apply to timber floor installers who work directly with household customers.

The benchmarks set out average:

- coverage rates;
- job sizes;
- prices charged; and
- annual sales turnovers.

Editor: If clients involved in any of the above industries are concerned about these benchmarks, they should contact our office.

Example

Tony has a timber flooring business with one employee. His work is all installation only.

Tony normally charges \$32 per square metre and installs around 19 square metres per day to earn \$608 which is close to the benchmark.

Checking his business records, he finds he has recorded income of \$98,500 for the year.

Using his benchmark earnings of \$608 per day, Tony estimates he would have worked 162 days to earn \$98,500. However, he has had a busy year and is sure he worked more than that.

He reviews his quote books and finds 14 jobs where he was paid cash and he charged \$34,500 for these jobs.

With these additional jobs, he calculates that he worked for 218 days and he recalculates his income for the year at \$133,000 which is consistent with the benchmarks.

<p>Please Note: Many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the information's applicability to their particular circumstances.</p>
