

## INTRODUCTION:

Welcome to the first edition of our new look Client Newsletter. We hope you find the information in this newsletter informative, and we welcome any feedback or suggestions.

## IN THIS ISSUE:

- **Budget News**  
The Federal Government recently announced their budget for the 2008-09 financial year. We highlight and explain the key changes impacting on taxpayers.
- **Government Superannuation co-contribution**  
Time is running out to take advantage of the Government Superannuation co-contribution of up to \$1,500.
- **Tax Time is approaching – Are you ready?**  
We'll assist you in preparing for the upcoming end of financial year.
- **Tax Planning**  
The financial year is almost over – **now** is the time to act!
- **Key Dates**  
All the key ATO & Superannuation submission dates for the end of financial year and beyond.
- **Need a financial health check?**  
Announcing an exciting new service we are offering to assess your overall financial situation.
- **Financial Planning**  
We announce an exciting new Partnership.
- **Small and Medium size business owners – are you at Risk?**
- **Practice News**  
All the latest news from BCV.

## FEDERAL BUDGET NEWS:

The Federal Government recently handed down their first annual budget since being elected late last year. One of the main talking points of the budget was the Government's decision to means-test several key benefits currently available to families, such as the Maternity Payment and Family Tax Benefit Part B. This will impact families with a combined income over \$150,000pa, which the Government has now deemed to be a 'high-income' family. On a more positive note, lower income individuals and families will benefit from tax cuts and an increase in the Medicare Levy surcharge thresholds.

The key highlights of the budget impacting on taxpayers included:

### Tax Cuts:

As promised in the election campaign, the Government delivered the personal tax cuts promised by the previous Howard Government. The tax cuts mean that a worker earning \$48,000 a year will receive a \$20 a week tax cut, while a worker on \$80,000 per year will have a reduced tax bill of around \$21 per week. Further tax cuts have also been promised for the 2009-10 year.

The existing and new tax rates are as follows:

Current tax thresholds income range	% tax rate	New tax threshold income range from 1 July, 2008	% tax rate	New tax threshold income range from 1 July, 2009	% tax rate
\$0 - \$6,000	0	\$0 - \$6,000	0	\$0 - \$6,000	0
\$6,001 - \$30,000	15	\$6,001 - \$34,000	15	\$6,001 - \$35,000	15
\$30,001 - \$75,000	30	\$34,001 - \$80,000	30	\$35,001 - \$80,000	30
\$75,001 - \$150,000	40	\$80,001 - \$180,000	40	\$80,001 - \$180,000	38
\$150,001 +	45	\$180,001 +	45	\$180,001 +	45

Projected weekly savings from tax cuts 2008-2010:

Annual taxable income	From 1 July, 2008 (per week)	From 1 July, 2009 (per week)	From 1 July, 2010 (per week)
\$30,000	\$ 8.65	\$ 11.54	\$ 14.42
\$40,000	\$ 20.19	\$ 25.96	\$ 34.62
\$50,000	\$ 19.23	\$ 25.00	\$ 33.65
\$60,000	\$ 11.54	\$ 17.31	\$ 25.96
\$70,000	\$ 11.54	\$ 14.42	\$ 20.19
\$80,000	\$ 21.15	\$ 24.04	\$ 29.81
\$90,000	\$ 21.15	\$ 27.88	\$ 35.58
\$100,000	\$ 21.15	\$ 31.73	\$ 41.35

### Increased Medicare Levy Thresholds:

Presently, the Government imposes a 1.5% Medicare Levy on individuals earning in excess of \$17,605. In addition, individuals earning more than \$50,000 and families earning a combined income in excess of \$100,000, pay an additional surcharge of 1.5% of their taxable income if they do not have Private Health insurance.

Effective 1 July 2008, the thresholds will increase to \$100,000 for individuals and \$150,000 for families.

### Baby Bonus:

The Government will continue to pay a Maternity Payment or 'Baby Bonus' to all new parents, with the amount increased to \$5,000 from 1 July 2008. However, effective 1 January 2009, the payment will be means-tested, with only families earning a combined income under \$150,000 being eligible. This will be calculated based on earnings in the six months following the birth of a child or an adopted child entering a parent's care. It will be applied pro rata on an annual basis, so that the amount is equivalent to \$75,000 in the six months after birth. Additionally, the lump sum payment of \$5,000 will be replaced by fortnightly instalments paid over 6 months.

### Family Tax Benefit Part B:

Family Tax Benefit (FTB) Part B will be limited to families where the primary earner has an adjusted taxable income of \$150,000 or less.

Couple families where the primary earner has an adjusted taxable income of more than \$150,000 per year will no longer be eligible for FTB Part B, regardless of the income of the lower earner.

### Child Care Rebate:

The Government will increase child care assistance, lifting the Child Care Tax Rebate from 30 per cent to 50 per cent of out of pocket costs, and increase the annual cap from \$4,354 to \$7,500 per child. The rebate will also be paid quarterly to give parents assistance closer to when they incur out of pocket expenses. This assistance is in addition to any Child Care Benefit payable.

However, the childcare rebate will now be means tested, with families earning a combined income in excess of \$150,000 per year no longer eligible for the rebate.



## SUPERANNUATION CO-CONTRIBUTION:

To encourage Australians to be better prepared for retirement, the Federal Government has a co-contribution initiative. If you're eligible, you could receive up to \$1,500 each year directly into your super fund, with the Government contributing \$1.50 for every \$1.00 of personal contributions you make to your super fund.

To be eligible for the Government co-contribution in the 2007/08 financial year, you need to:

- earn less than \$58,980;
- earn at least 10% of your income as an employee or business owner;
- be a permanent Australian resident for the full tax year;
- be under age 71 as at 30 June 2008;
- lodge an income tax return for 2007/08.

Finally, you need to make or have made a personal contribution into your super fund by 30 June, 2008.

### Education:

Parents entitled to Family Tax Benefit Part A, or whose school children receive Youth Allowance or similar payment, will be able to claim:

- a 50 per cent tax refund of up to \$750 in educational expenses for each child undertaking primary school studies (that is, a refund of up to **\$375** per child, per year);
- a 50 per cent tax refund of up to \$1,500 in education expenses for each student undertaking secondary school studies (that is, a refund of up to **\$750** per child, per year).

Parents can simply claim the refund against eligible expenses incurred from 1 July 2008, when they complete their 2008-09 income tax return.

### First Home Saver Accounts:

The Government will introduce enhanced First Home Saver Accounts to help families boost their savings for a first home. Account holders will now receive a 17 per cent Government contribution on the first \$5,000 of contributions made to their account each year. Earnings on the accounts will be taxed at 15%.

Withdrawals from the accounts will be tax free when used to buy or build a first home. Account holders will be able to deposit up to \$75,000 over 5 years.

This means that a couple earning average salaries who put aside 10% of their income will be able to save an \$88,000 home deposit over the five-year life of the account.

### Seniors:

To assist older Australians with the cost of household bills, the Government has:

- increased the Utilities Allowance from \$107.20 to \$500 per year;
- increased the Seniors Concession Allowance from \$218 to \$500 per year;
- increased the Telephone Allowance from \$88 to \$132 per year for those with an Internet connection;
- committed to paying the \$500 Seniors Bonus again this year.

### Joke

*A man made a Freedom of Information request to the Australian Taxation Office, asking whether there was an audit file on him.*

*A week later he received the reply. It said: "There is now."*



## NEW TAX YEAR APPROACHING – ARE YOU READY?

With the end of the tax year fast approaching, now is the time to be organising your documentation and accounts in preparation for your appointment with BCV.

The sooner that all required documentation is provided to us, the sooner we can finalise your returns and have them lodged with the ATO. The following is a list of the type of information you may need to provide us with:

### Individuals:

- PAYG Payment Summaries (Group Certificates) from all employers in the current tax year;
- Details of any shares purchased or sold during the year;
- Details of any dividends received during the year;
- Details of all interest received during the year. Bank statements issued in July usually contain a summary for the previous financial year;
- A list of all expenses incurred that you think might be deductible, along with receipts or tax invoices. If in doubt, add them to the list, we will assess the deductibility;
- Tax statements received in regard to any Managed Funds or other similar investments.

### Sole Traders, Partnerships, Companies & Trusts:

- CD or floppy disk containing a backup file for the tax year from your accounting software;
- All bank statements for the year if you do not run your own accounting software;
- Final bank statements to allow reconciliation of accounts;
- Details of all interest received during the year. Bank statements issued in July usually contain a summary for the previous financial year;
- Details of any personal expenses paid through the business and reflected in the accounts, private-use portion of company vehicles, utility bills, etc;
- Contracts for any Hire Purchase, Chattel Mortgage or other lending arrangements entered into during the year.

Additionally, business owners should retain the following records:

- Sales records, invoices, credit card statements, bank deposit books and statements;
- Purchase invoices and receipts, cheque butts and bank and credit card statements;
- Stocktake sheets;
- Capital Gains tax records;
- PAYG Withholding records, including details of Employment Termination Payments, PAYG Payment Summaries, Tax File Number declarations, Superannuation records and Withholding variation notices;
- Fuel Tax Credits information, including fuel invoices, and calculations of credits claimed.

### Self-Managed Super Funds:

- Bank statements for the full financial year for all accounts held by the Fund, along with a summary explaining what each payment or deposit related to;
- Details of any investments purchased or sold during the year;
- Details of any investment distributions received during the year;
- Details of all contributions, ETP's and other payments received by the Fund.

## TAX PLANNING:

With the end of the 2007-08 financial year almost upon us, now is the time to speak to your BCV representative regarding year-end Tax Planning strategies.

Tax Planning needs to occur before the tax year ends – after 1st July is too late! Tax Planning can benefit many taxpayers, but particularly business owners and those with a Self-Managed Super Fund.

Some Tax Planning strategies that might minimise your tax bill include:

1. Realise your Capital Losses – sell poor performing assets to offset Capital Gains. Bear in mind that you need to weigh up the quality of the asset and future growth expectations before acting.
2. Salary Sacrifice your end of year bonus – if you salary sacrifice your bonus into superannuation, it will be taxed in your fund at 15%, rather than at your marginal tax rate plus Medicare levy if paid as normal earnings. As well as reducing your tax bill, this strategy also boosts your retirement income, and the funds can be withdrawn tax-free from your fund when you reach the age of 60.
3. Prepay Interest on Investment income – this strategy accelerates a deduction from a subsequent year to the current year, and is particularly useful when the current year's income is higher than usual.

The above are only examples of Tax Planning strategies, and may not suit the circumstances of all taxpayers. Before acting, call your BCV representative to discuss further.

## KEY DATES:

- June 21st Monthly BAS and IAS statements due for May.
- July 14th PAYG Payment Summaries (Group Certificates) to be provided to all employees.
- July 28th Superannuation Guarantee contributions for June quarter due.
- July 28th June Business Activity Statements (BAS) due.
- August 14th PAYG Payment annual summary report due to ATO.
- August 21st Monthly BAS and IAS statements due for July.

*Note: Lodgement of BAS or IAS statements through BCV Accounting will result in an extension to the above deadlines.*

## NEW FINANCIAL PLANNING PARTNER:

While we at BCV work hard at minimizing your tax obligations, we are not licensed Financial Advisers, so not qualified or legally allowed to provide clients with overall financial or investment advice. With many clients seeking more specific financial advice, we have recently formed a relationship with **Precise Advice Financial Services**.

Precise Advice are located in Keysborough, just 5 mins from the end of the Frankston Freeway. They specialise in all aspects of Financial Planning, including:

- Retirement Planning
- Superannuation
- Debt Consolidation
- Investment Advice

## IS IT TIME FOR A FINANCIAL HEALTH CHECK?

Not getting ahead? Working hard but not reaping the rewards? Not sure that you're maximizing your income or wealth? It may be time for a financial health check. Precise Advice are now offering BCV clients a FREE review of their financial affairs.

To make an appointment with Precise Advice, just complete the enclosed form and return it to us here at BCV, or you can call Elizabeth or Patrick at Precise Advice on 03 9798 9900.

## BUSINESS OWNERS – ARE YOU AT RISK?

- Do you know what risks you face?
- Do you understand the potential impact of risks on your business, family and future?
- Do you know whether you are adequately prepared should a more serious risk strike?
- Do you know if you would survive a serious downturn in revenue following an adverse or tragic risk striking?
- Do you know what important issues might have been overlooked by you and your various advisers in your planning?

Our Financial Planning partner, Precise Advice Financial Services, now has exclusive access to an exciting new Risk Management Programme that identifies risks facing business owners, identifies risks and issues before they lead to financial loss, and develops effective structures and strategies to minimize, avoid and transfer exposure to these risks. To assess the overall risk of your situation, please contact Elizabeth or Patrick at Precise Advice on 03 9798 9900.

## FREE HOME LOAN HEALTH CHECK:

With the continuing upward pressure on interest rates, the fantastic loan you had 12 months ago may no longer be that competitive! From our research we can advise that the cheapest variable rates at present are 8.55%. Fixing your loan may be an option, and these rates vary from 8.69% to 9% depending on the term.

If you don't think your loan is as competitive as it should be, or you just want some advice, please call our Mortgage Professional **Doug Van Raay** on **0412 355 678**, for a free, no obligation appraisal of your existing mortgage.

## PRACTICE NEWS

### BCV – Now a MYOB Certified Practice

BCV Accounting recently became MYOB Certified – this means we have staff who have undertaken additional training directly with MYOB, who can help you with the installation & set up of MYOB Accounting software, onsite training, troubleshooting, bookkeeping and more.

### Professional Referral Network

Need a Home Loan? Financial Planner? Equipment or Vehicle finance? Life Insurance? Legal advice? Conveyancing services? BCV have an extensive network of Professionals that we can refer you to, people that you can trust, because we trust them. BCV have formed long-standing relationships with experts in the above fields, which really means that BCV Accounting is your one-stop shop for expert Professional advice, whatever your need. Give us a call and we'll happily put you in touch with an expert you can trust.

### BCV – More than just a Tax Agent

BCV Accounting offer more than just Tax services. As well as being able to fulfill all your general Tax return and GST requirements, we can also assist with the following:

- Self Managed Superannuation Funds;
- Business Advice & Consulting;
- Business Plans & Budgeting;
- Bookkeeping;
- Company Secretarial matters.

### Referrals

If they are not clients of ours, your friends, relatives and work colleagues will benefit from having a talk to us about our services. We welcome all referrals.

## CONTACT DETAILS:

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