

# MEADS *focus*

ADDRESSING THE NEEDS OF BUSINESS PROFESSIONALS  
AND PLANNING FOR A SECURE FUTURE.

*Well done everyone you have fought through another financial year. With 2006/2007 behind us, It's time to take a breath and start getting your information in order to bring it in to us. Whilst doing this we thought it was an ideal opportunity to bring up couple of issues that you may need to consider.*

## Pay As You Go Reporting

If you are an employer you have two main reporting obligations:

- Provide to each employee a payment summary by the 14th July 2007
- To lodge a payment summary annual report by the 14th August 2007

## Income tax Rates

If you currently use accounting software for payroll don't forget to update your tax tables to ensure that the tax rates have been updated for the 2006 budget changes.

## ATO to provide TFN to Superannuation Funds

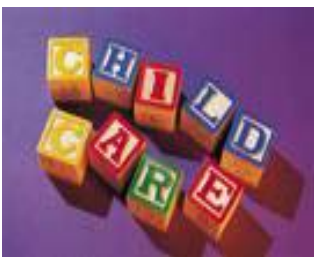
The Assistant Treasurer announced via a press release on the 16th May 2007 that the ATO is writing to 1.85 million people whose super fund does not have their TFN. The letter advises people that the ATO will provide their TFN to their superannuation fund. From the 1st July 2007, superannuation funds without members' TFNs will not be able to accept additional personal contributions, and contributions will be taxed at 46.5%. No action is required by the recipients unless such recipients would prefer that the ATO not do this, in which case you need to contact the ATO with in 28 days.



## HOT TOPIC!

### CHILD CARE REBATE

The Treasurer announced in the budget changes to the way the 30% child care rebate will be delivered. The 2007 income year will be the final time that the rebate can be claimed in your income tax return. From 1st July 2007, the rebate will be delivered by the Family Assistance Office. All you need to inform us when preparing your 2007 Income tax return is if you had approved child care during the period of 1st July 2005 to 30th June 2006. The ATO will then determine your claim amount using child care data supplied by the Family Assistance Office.





## TAX DEDUCTIONS HOT TOPICS

### What to look out for in 2007

#### RENTAL PROPERTY EXPENSES

On 7th June 2007 the tax office released a document "Rental Property Deductions for 2007", in which the tax office advised that there are two categories of rental property expenses that a taxpayer can claim:

- Expenses incurred in the year the taxpayer paid them, such as council rates, repairs, insurance and loan interest
- Expenses that are deductible over a number of years, such as borrowing costs, creating structural improvements and costs of depreciating assets.

Taxpayers cannot claim costs associated with acquiring or disposing of a property, but these costs may form part of the cost base of the property. Also renovations costs and costs to repair damage, defects or deterioration existing on purchase cannot be claimed as an immediate deduction. These costs are a capital expenditure and will be depreciated accordingly. The Tax Office detailed some common mistakes made by both first-time and other rental owners including:

- Incorrectly claiming the cost of structural improvements as repairs when they are capital works deductions
- Overstating deduction claims for interest on loans taken out to purchase, renovate or maintain the rental property, where the loan is mixed for both income producing and private purposes.
- Incorrectly claiming deductions for properties only available for rent part of the year.

- Incorrectly claiming land as a capital works deduction, land forms part of the cost base.

#### WORK RELATED EXPENSES

The Tax Office has advised that last year over 7 million people claimed more than \$12 billion in deductions for work related expenses. In light of that the Tax office will review a range of deduction claims including expenses for motor vehicles, self education, home office and travel. They will also be focusing in on a number of specific occupations, they include:

- Tourism, Travel consultants and guides
- Fitness and sporting industry
- Construction trades people who are employees
- Guards and security employees
- Mining site employees

#### TIPS:

1. Expenses must be claimed in the year paid
2. Expenses that have been reimbursed by your employer cannot be claimed as a deduction
3. Receiving an allowance from an employer does not automatically entitle the taxpayer to a deduction
4. If you claim more than \$300 as work related expenses you will need written evidence.

### Important Dates

#### Take Note:

##### July 2007:

21st: June Monthly BAS

28th: June Quarter BAS

##### August 2007:

14th: PAYG Withholding Payment Summary Annual Report

21st: July Monthly BAS

25th: June Quarter BAS if lodged by Tax agent

##### September 2007:

21st: August Monthly BAS

**Note:** If extensions are required please contact Jenny Tekin of our office for further information.

### MEAD UPDATE

Mead Partners would like to formally welcome Lydia Hardy to the Team in the position of Graduate Accountant.



#### Key Information, Rates and Thresholds from the 1st July 2007

1. **Tax Benefit:** All benefits paid from a taxed source either as a lump sum or an income stream such as a pension, will be tax free for people aged 60 and above

2. **Super Contribution Rules:** there will be no more aged based deduction limits. Instead limits will be imposed on before-tax and after tax contributions.

##### Before-Tax Contributions

- Capped at \$50,000 per annum
- If you exceed the \$50,000 limit then the excess will be taxed at 31.5% on top of the 15% standard tax paid by the fund.
- You are able to make before-tax contributions up to the age of 75, subject to work tests.
- Transitional limits for people over 50 years of age at the 30th June 2007. Before-Tax contributions are capped to \$100,000 per year until 30th June 2012

##### After-Tax Contribution

- People can contribute up to \$150,000 after-tax in one year, and a bring forward provision allows people under 65 to contribute up to \$450,000 in one year, provided total after tax contributions in that year and the following two years does not exceed \$450,000. After-tax contributions that exceed this limit will be taxed at 46.5%.



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**Disclaimer:** The information in this newsletter is not intended to be a complete statement of law relating to issues raised. Accordingly, no person should rely on this information without first obtaining specific advice from our office.