

MEADS focus

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

Small Business and General Business Tax Break

It's not law yet, but the government's "National Building and Jobs Plan" rolls on with the proposed Small Business and General Business Tax Break announced on the 3 February 2009. Passed by the Upper and Lower House it now appears destined to become law very soon.

Aimed to assist individuals and businesses during the current economic situation, it is estimated to provide a \$2.7 billion one off tax break for businesses in Australia. This tax break is in the form of a 10% or 30% deduction of the cost of an asset purchased between 13th December 2008 and 31st December 2009. For example: for an asset costing \$100,000, a one off deduction of up to \$30,000 may be allowed in addition to any depreciation that may be claimed.

The tax break is available to any taxpayer in Australia (including individuals) that carries on a business. The deduction is claimed in the taxpayer's income tax return in the year that the asset is held and ready for use. The calculation of the tax break is straight forward; multiply the asset's cost (GST exclusive) by the relevant percentage. The relevant percentage of either 10% or 30% is entirely dependant on when the asset was purchased and ready for installation.

Date Asset Acquired	13/12/2008 to 30/06/2009	to 01/07/2009 to 31/12/2009
Installed & Ready For Use By	30/06/2010	31/12/2010
Small Business	> \$1,000 x 30%	> \$1,000 x 10%
Other Business	> \$10,000 x 30%	> \$10,000 x 10%

An asset will be deemed to have been purchased if the taxpayer has entered into an acquisition contract or the asset has commenced construction.

It should also be noted that the tax break is a bonus deduction and will not reduce the amount of any depreciation entitlements in future years or affect any profits (or losses) made on the sale of the asset.

While the tax break will apply to a large number of assets purchased, there are some assets that are excluded from being eligible for the additional

deduction. The tax break can only be claimed on any asset that meets the following criteria:

- The asset is a new asset including demo's (not second hand)
- The cost is greater than the relevant cost threshold (see further)
- The asset can normally be depreciated under Division 40-B of ITAA 1997 except: land; trading stock; a right to mine, quarry or prospect; information gathered regarding mining, quarrying or prospecting.
- It is a tangible asset

There are also a few items that are excluded or need specific clarification:

- An asset is deemed to be new if it has not been used by anyone, anywhere. However, in saying that, if an asset has been used by someone else for trialling or testing, it is still considered new. This would therefore appear to include demonstrator vehicles as a new asset.
- The tax break for the purchase of a car is capped by the luxury car limit – currently \$57,180
- Primary production assets depreciated under Subdivision 40-F of ITAA 1997 are not eligible.

As mentioned above, cost is one of the eligibility criteria. This is where the asset's relevant cost threshold comes into play. The relevant cost threshold is a certain dollar figure, below which the tax break cannot be claimed on assets. The relevant threshold for small businesses is \$1,000 (see example 1) and the relevant cost threshold for all other businesses is \$10,000 (see example 2). A small business in this case has the meaning of Division 328, ITAA 1997. That is, you will be a small business if your turnover last year was less than \$2M OR it is likely to be less than \$2M this year.

- **Example 1:** A small business (i.e., turnover of less than \$2M) purchases 2 assets, the first for \$4,000 and the second for \$900. The \$4,000 asset is above the relevant threshold and the tax break is available in addition to any depreciation that would normally be claimed. The \$900 asset is not eligible and as such no tax break is allowed.
- **Example 2:** A business that is not a small business (i.e., turnover of more than \$2M) buys two assets during the year, one for \$8,000 and one for \$12,000. The \$8,000 asset is not above the relevant threshold and therefore the tax break is not allowed, however it can be depreciated as normal. The \$12,000 asset is greater than the relevant threshold and therefore it is entitled to the tax break in addition to any depreciation.



Important Dates

Take Note:

March 2009

21st: February Monthly BAS lodgment and payment due

31st March: Odometer readings required for motor vehicles subject to FBT.

April 2009

21st: March Monthly BAS lodgment and payment due

28th: March Quarter BAS lodgment and payment due

May 2009

15th: Companies and Superannuation Fund income tax returns for 2008 lodgment and payment due

21st: April Monthly BAS lodgment and payment due

28th: March Quarter BAS lodgment and payment due if return lodged electronically by tax agent

28th: Fringe benefits tax for the year ended 31 March 2008 lodgment and payment due



Tax Bonus for Working Australians

A once off tax bonus is available for individual taxpayers who had a net tax liability for the 2008 year. Despite the title of the bonus, it is not limited to salary and wage earners.

To be eligible to receive a bonus payment, you need to be an Australian resident, have taxable income of \$100,000 or less for the year ended 30 June 2008, **have lodged your 2008 income tax return by 30 June 2009** and have an adjusted net tax liability greater than zero.

A taxpayer's net adjusted tax liability is equal to their tax on taxable income, plus Medicare less any tax offsets for the year. The term "tax offsets" does not include PAYG credits, therefore if a taxpayer received a refund due to excess PAYG credits, they still may be eligible for the bonus.

To be eligible for the full tax bonus of \$900, taxpayers need to have a taxable income of \$80,000 or less for the 2008 year.

For taxpayers with 2008 taxable income between \$80,001 to \$90,000, a \$600 bonus is available.

For taxpayers with 2008 taxable income between \$90,001 to \$100,000, a \$250 bonus is available.

The bonus does not form part of assessable income for the taxpayer and is not included in the Income Test for welfare purposes.

Taxpayers are not required to apply for the bonus. The ATO will determine a taxpayer's eligibility using the information provided in their 2008 income tax return. Lump sum payments for the full tax bonus of \$900 will commence in April 2009.

Single Income Family Bonus

The Single Income Family Bonus is a payment of up to \$900 per family to provide additional assistance to families with one main income earner.

OTHER HOT TOPICS

GOVERNMENT STIMULUS PACKAGE



A family is eligible for the bonus if they were eligible for Family Tax Benefit (FTB) Part B on 3 February 2009.

The amount of payment for shared care percentages will be as follows:

- If the family received FTB Part B payments for one child and there was a shared care percentage, then the bonus will be that percentage of \$900.

- If the individual received FTB Part B payments for more than one child, and there was a shared care percentage for each child, then the amount of bonus will be the higher of the shared percentages.

Payments will commence in March 2009 and a claim is not required to receive the payment.

Extensions to lodgement programs for unexpected misfortune

The ATO has granted an extension to 30 June 2010 for the lodgement of 2007-08 returns for people who would be entitled to a tax bonus but for the fact that they or their agent are unable to lodge their return by 30 June 2009 because you were either affected by the bushfires or they have suffered an injury or illness (not connected with the natural disaster) resulting in hospitalisation for a period exceeding two weeks.

Training and Learning Bonus

A once-off \$950 lump sum Training and Learning Bonus will be provided to those in receipt of any of the following welfare benefits at 3 February 2009:

- Youth allowance (if person was undertaking full-time study or as a new apprentice on 3 Feb 2009)

- Austudy
- Special benefit sickness allowance (if the individual was not of pension age on 14 Oct 2008.
- A payment under the ABSTUDY scheme that included a living allowance
- An education allowance for primary, secondary, tertiary, homeless students and double orphan students under VCES or MRCAETS

An individual cannot receive the Training and Learning Bonus if they are receiving a Back to School Bonus in their own right or on behalf of a child which is eligible for the back to school bonus.

An individual's eligibility for the bonus will automatically be considered. No applications are necessary.

Back to School Bonus

A Back to School Bonus of \$950 will be available as a lump sum for each Family Tax Benefit (FTB) child in a family aged 4 to 18 who attracts FTB Part A for 3 February 2009 (unless they are only entitled to the rent assistance component of the FTB).

If the individual's rate of FTB takes into account a shared care percentage, then the amount applicable to the individual for the eligible child is that percentage of \$950.

Payments will commence in March 2009 and a claim is not required to receive the payment

FAMILY TAX BENEFIT

From 1 July 2009, claims for family tax benefit, including previous year claims, can no longer be accepted by the Tax Office.

To claim family tax benefit, you need to apply to the Family Assistance Office by either lodging online at www.familyassist.gov.au, or a paper claim form in person at a Centrelink customer service centre or Medicare office.



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