



R U N D L E S

C H A R T E R E D A C C O U N T A N T S

The Report

tax news | views | clues

June 2014

Exciting News!

New Partners Appointed

Peter & Mark are delighted to announce that Brad Roach and Joshua Laing will be appointed as new partners of the firm with effect from 1 July 2014. With more than 30 years experience at Rundles between them, Brad & Joshua have a deep familiarity with a vast cross section of our clients and are well qualified to continue delivering the level of quality and personalised service first established by Noel Rundle almost 50 years ago.

We hope that you will join the Rundles team in congratulating Brad & Joshua, and welcome them into their new role.

Tax data net to be widened

The government has proposed to improve taxpayer compliance through new third-party reporting regimes and has undertaken public consultation to seek feedback on possible policy issues. The proposal aims to improve taxpayer compliance by enhancing the information reported to the ATO by a range of third parties. The proposal is currently scheduled to commence from 1 July 2014 (although first reports would not be due to the ATO until after 1 July 2015).

The government notes that some of the elements of the proposal can be implemented by the ATO, whereas other elements will require tax law changes. This would involve the creation of new third-party reporting regimes in relation to:

- sales of real property;
- sales of shares and units in unit trusts;
- sales through merchant debit and credit services; and
- taxable government grants and other payments.

In respect of these transactions, the government suggests that the ATO would initially seek to receive annual reports and then seek to move to quarterly, monthly or real-time reporting.

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ATO compliance approach can be improved

The government has released several reports prepared by the Inspector-General of Taxation, Mr Ali Noroozi, into the ATO's compliance approach to individual taxpayers.

The Tax Inspector found that data-matching was generally positively received where the ATO uses it to assist individuals. However, he found that stakeholders were concerned that the data used by the ATO could be inaccurate and not sufficiently vetted before comparisons were made with taxpayer-reported information.

In relation to the ATO delaying tax returns to check refund claims, the Tax Inspector recommended that the ATO improve its processes as well as communication with taxpayers. Among other things, Mr Noroozi thought the ATO could better differentiate potentially fraudulent claims from mere mistakes. The ATO could also improve the time taken to review cases, and provide clearer reasons for any adjustments made.

ATO complaints-handling report highlights issues

The Australian National Audit Office (ANAO) has recently reviewed the ATO's complaints-handling processes. Although the ANAO found that the ATO's complaints-handling framework is well designed, it found that there are opportunities for the ATO to improve its practices, by obtaining a better understanding of the issues that are the subject of complaints and the needs of the complainants themselves.

It said there is scope for the ATO to:

- improve reporting against complaints-handling timeliness measures;
- implement a more coherent agency-wide quality assurance framework for complaints and other feedback;
- restrict sensitive information about named ATO officer complaints from being included in records on the ATO's client relationship management computer system; and
- implement measures to periodically check that ATO officers have not accessed client relationship records inappropriately.

The ANAO made three recommendations, all agreed to by the ATO, which are aimed at improving the ATO's handling of complaints and its monitoring and reporting of performance in managing complaints.

No deduction for preparatory activities

Successful entrepreneurs are a creative and motivated bunch, but it generally takes several attempts to develop a successful business venture. Costs are quickly incurred in determining the viability of, and in pursuing, a business idea. However, careful consideration of the deductibility of such costs needs to be taken. If the idea is a winner and a new business venture is born, a deduction may be available. However, in other cases, the deduction may not be available.

In one recent case, an individual was unsuccessful before the Federal Court in relation to his claims for deductions incurred in pursuing 14 business ventures on a 500-acre property. The Administrative Appeals Tribunal (AAT) had earlier found that although the man's operations met a number of criteria relevant in determining whether a business was being carried on, none of the activities had advanced much beyond the planning stage.

The AAT held that the individual was not "carrying on a business" and that the claimed deductions were therefore not available. The Federal Court affirmed the AAT's decision.

TIP: Given the breadth of examples covered in this decision, the decision is a useful reference point for taxpayers dealing with the issue of deductibility of costs incurred in preparatory activities associated with a business idea that is later abandoned or a business venture not yet generating income. Please contact our office for further details.

Penalty for late superannuation contribution

The Federal Court has affirmed an excess superannuation contributions tax assessment issued to an individual after finding there were no "special circumstances" to warrant reallocating excess concessional contributions that had been received late via BPAY.

The Court heard that the bookkeeper of the individual's employer had made two payments on 30 June 2009 via BPAY to the individual's superannuation fund, and that those payments were received by the fund on 1 July 2009. The Court also heard that the bookkeeper had mistakenly made an early payment to the individual's superannuation fund on 27 May 2010, which was meant for the following financial year.

As a result of these payments, the total amount of funds received by the superannuation fund in the 2009–2010 financial year exceeded the individual's \$50,000 concessional contributions cap for the year.

The individual argued that there were "special circumstances" and that the Commissioner should reallocate the two late payments to the 2008–2009 financial year, and the 27 May 2010 payment to the 2010–2011 financial year.

However, the Court said late BPAY payments did not amount to "special circumstances". Further, simple errors such as making a contribution too early also did not amount to "special circumstances". The Court was also of the view that the individual had been in a position to ensure that the contributions were made in the correct year.

TIP: A taxpayer who has contributed above his or her concessional or non-concessional contributions caps can apply to the Commissioner to exercise his discretion to disregard or reallocate excess contributions for a financial year. However, it should be noted that the discretion is not easy to obtain.

Individuals should consider keeping track of contributions and avoid making last-minute contributions that could be allocated to the next financial year. Individuals with salary-sacrifice arrangements should carefully identify the timing of superannuation payments relating to wages accrued for the June quarter (or June month). Please contact us for further information.

ATO eye on dividend stripping

The ATO has released details of "dividend access share" arrangements that it considers to be dividend stripping schemes under the tax law anti-avoidance provisions. These arrangements aim to allow ordinary shareholders of a private company and/or their associates to derive the economic benefit of significant profits accumulating in the private company in a substantially (if not entirely) tax-free form.

These arrangements involve a number of features, but principally include the company issuing a new class of shares to another entity (eg another company controlled by the original shareholders) for nominal consideration, and the company declaring and paying fully franked dividends on the new class of shares of an amount approximately equal to the accumulated profits in the company. The ATO says these arrangements generally result in a reduction or elimination of the taxation liabilities that would normally arise with the payment of dividends (that is, if those dividends were paid to the company's ordinary shareholders).

The Commissioner is of the view that under such circumstances, he can exercise his power to cancel all or part of the tax benefit obtained from these schemes.

Tax planning

There are many ways in which entities can defer income, maximise deductions and take advantage of other tax planning initiatives to manage their taxable incomes. Taxpayers should be aware that in order to maximise these opportunities, they need to start the year-end tax planning process early. Of course, those undertaking tax planning should be aware of the potential application of anti-avoidance provisions. However, if done correctly, tax planning can provide a number of tax savings for entities.

Deferring assessable income

- Income received in advance of services being provided is, generally, not assessable until the services are provided.
- Taxpayers who provide professional services may consider, in consultation with their clients, rendering accounts after 30 June in order to defer the income.
- A taxpayer is required to calculate the balancing adjustment amount resulting from the disposal of a depreciating asset. If the disposal of an asset will result in assessable income, a taxpayer may want to consider postponing the disposal to the following income year.

- Roll-over relief may be available for balancing adjustments arising from an involuntary disposal of assets where replacement assets are acquired.
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Maximising deductions

Business taxpayers

- Taxpayers should review all outstanding debts prior to year-end to determine whether there are any debtors who may be unable to pay their bills. Once a taxpayer has done everything in their power to seek repayment of the debt, the taxpayer could consider writing off the balance as bad debt.
- The entitlement of corporate tax entities to deductions in respect of prior year losses is subject to certain restrictions. An entity needs to satisfy the "continuity of ownership" test before deducting the prior year losses. If the continuity of ownership test is failed, the entity may still deduct the loss if it satisfies the "same business" test.
- A deduction may be available on the disposal of a depreciating asset if a taxpayer stops using it and expects never to use it again. Therefore, asset registers may need to be reviewed for any assets that fit this category.
- Small business entities are entitled to an outright deduction for the taxable purpose proportion of the adjustable value of a depreciating asset, subject to conditions.
- The Government has announced its intention to repeal the accelerated write off measures (100% for assets under \$6,500 and \$5,000 off cars) with effect from 1 January 2014. However the legislation to do so has not yet been passed. There is therefore a **possibility** that implementation of the repeal could be postponed until a later date, say 30 June 2014. If you have asset acquisition plans in mind, consider bringing them forward to 30 June 2014 or earlier. Remember that the write off is not applicable to leased assets.

Non-business taxpayers

- Non-business taxpayers are entitled to an immediate deduction for assets used predominantly to produce assessable income and that cost \$300 or less, subject to conditions.
 - The self-employed and other eligible persons are entitled to a deduction for personal superannuation contributions, subject to meeting conditions such as the 10% rule.
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Companies

- Companies should ensure that all dividends paid to shareholders during the relevant franking period (generally the income year) are franked to the same extent to avoid breaching the benchmark rule.
 - Loans, payments and debts forgiven by private companies to their shareholders and associates may give rise to unfranked dividends that are assessable to the shareholders and their associates. Shareholders and entities should consider repaying loans and payments on time or have appropriate loan agreements in place.
 - Companies should consider whether they have undertaken eligible research and development (R&D) activities that may be eligible for the R&D tax incentive.
 - Companies may want to consider consolidating for tax purposes prior to year-end to reduce compliance costs and take advantage of tax opportunities available as a result of the consolidated group being treated as a single entity for tax purposes.
 - Companies should carefully consider whether any deductions are available for any carried-forward tax losses, including by analysing the continuity of ownership and same business tests.
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Trusts

- Taxpayers should review trust deeds to determine how trust income is defined. This may have an impact on the trustee's tax planning.
- Trustees should consider whether a family trust election (FTE) is required to ensure that any losses or bad debts incurred by the trust will be deductible and to ensure that franking credits will be available to beneficiaries.
- Taxpayers should avoid retaining income in a trust because it may be taxed in the hands of the trustee at the top marginal tax rate of 46.5%.

Capital gains tax

- A taxpayer may consider crystallising any unrealised capital gains and losses to improve their overall tax position for an income year.
- Eligible small business entities can access a range of concessions for a capital gain made on a CGT asset that has been used in a business, provided certain conditions are met.

Superannuation

- For 2013–2014, a \$35,000 concessional contributions cap applies for those who were aged 59 years or over on 30 June 2013. The \$35,000 concessional cap will apply from 2014–2015 for those aged 49 years or over on 30 June of the previous income year.
- From 1 July 2013, excess concessional contributions tax has been abolished. Instead, excess concessional contributions are included in an individual's assessable income (and subject to an interest charge). Excess non-concessional contributions tax continues to apply where relevant.
- Individuals who wish to take advantage of the concessional taxed superannuation environment but wish to stay under the relevant contributions caps should consider keeping track of contributions and avoid making last minute contributions that would be allocated to the next financial year.
- Individuals with salary-sacrifice superannuation arrangements may want to have early discussions with their employers to help ensure contributions are allocated to the correct financial year.
- From 2012–2013, individuals earning above \$300,000 are subject to an additional 15% tax on concessional contributions. However, despite the extra 15% tax, there is still an effective tax concession of 15% (ie the top marginal rate less 30%) on their contributions up to the relevant cap.

Fringe benefits tax

- The four rates used in the statutory formula method for determining the taxable value of car fringe benefits are being replaced with a single statutory rate of 20% for fringe benefits.
- The first \$1,000 of the aggregate of the taxable values of "in-house" fringe benefits (ie in-house expense payment, in-house property and in-house residual fringe benefits) provided to an employee during a year is exempt from FBT. However, the \$1,000 reduction does not apply to an in-house benefit provided on or after 22 October 2012 under a salary-packaging arrangement.

Individuals

- The current government has proposed to cancel the carbon tax-related income tax cuts that are legislated to commence on 1 July 2015, and repeal the associated amendments to the low-income tax offset (LITO). Under these changes, the tax-free threshold would remain at \$18,200 and the maximum value of the LITO would remain at \$445.
- The 30% private health insurance offset has been means tested since 1 July 2012. For 2013–2014, the singles' income threshold for the 30% offset is \$88,000 (\$176,000 for families).
- The medical expense offset is being phased out and will not be available after 2018–2019. Transitional arrangements allow taxpayers to claim the offset from the 2012–2013 income year until the end of the 2018–2019 income year, subject to limitations.

From 2012–2013, the principal dependant offset is the dependant (invalid and carer) offset.

Tax amnesty for undeclared offshore income

The ATO has launched a voluntary disclosure initiative known as "Project DO IT: disclose offshore income today". The Tax Commissioner, Chris Jordan, has warned that the initiative is a last chance opportunity for individuals who have not declared their overseas assets and income to come back into the tax system before 19 December 2014 in order to avoid steep penalties and the risk of criminal prosecution for tax avoidance.

The Commissioner says eligible individuals who make disclosures will only be assessed for applicable periods of review (generally only the last four years). A shortfall penalty of 10% (plus interest) will apply for these disclosures, although low-level disclosures will attract minimal or no penalties.

Individuals will also be able to obtain additional certainty (where circumstances call for additional surety) and seek assurance regarding the ATO's tax treatment of repatriated offshore assets. In addition, Commissioner Jordan says individuals will not be investigated or referred for criminal investigation by the ATO on the basis of their disclosures under Project DO IT.

TIP: The ATO notes that in order to receive the benefits of Project DO IT, individuals must make a "truthful disclosure" and lodge their disclosure statement before 19 December 2014. The ATO further notes that until the individual lodges the statement, the ATO's normal compliance activities will continue – if the taxpayer is detected first, they will not be able to benefit from the initiative.

ATO targeting online sellers

The ATO has announced a data-matching program targeting eBay online sellers. Broadly, the ATO is looking at and testing correct tax reporting by taxpayers and identifying areas that require improved educational and compliance strategies in order to encourage voluntary compliance by individuals. The ATO says it will gather data from eBay Australia & New Zealand Pty Ltd relating to registrants who sold goods and services of a total value of \$10,000 or more in either or both of the financial years 2011–2012 and 2012–2013. It is expected that records relating to between 15,000 and 25,000 individuals per financial year will be matched.

TIP: The ATO says it will contact individuals and businesses that it identifies as being at risk of running part of their business "off the books" or in other ways that result in them not reporting all their income. It says individuals will be given the opportunity to respond to the information it collects before any administrative action is taken.

Review of small business tax hurdles

The government has asked the Board of Taxation to conduct a "fast-track review" to identify features in the tax system that are hindering or preventing small businesses from reaching their commercial goals. The government says it wants "small business owners to spend less time on paperwork and more precious time and resources on growing their business".

The government says the Board's report should provide business and broader community perspectives on issues in the tax system that are of most concern to small businesses, and identify the short and medium-term priorities for small business tax reform in Australia. In particular, the government says the report should focus on high priority options for simplification and deregulation.

The Board is due to deliver its report to the government by 31 August 2014.

Protection from announced but un-enacted tax changes

Treasury has released draft legislation that seeks to implement the government's announcement that it would legislate to protect taxpayers in relation to previously announced but un-enacted tax amendments. The government had previously stated on 6 November 2013 that "there will be legislated protection for any taxpayer who has self-assessed with announced changes that the government will not proceed with".

The draft proposes to amend the tax law to introduce a protection provision to ensure that tax outcomes are preserved in relation to income tax assessments in specified circumstances. This protection operates primarily by placing a statutory bar on the Commissioner amending an income tax assessment to the extent that it reflects a taxpayer's anticipation of the impact of a prior announcement that was then later scrapped (and that meets other conditions set out in the legislation).

Small Business Superannuation Clearing House

The government has announced that the ATO has taken over responsibility for the Small Business Superannuation Clearing House. This clearing house is a free online superannuation payments service that helps small businesses with 19 or fewer employees to meet their superannuation guarantee obligations.

The Small Business Superannuation Clearing House was previously managed by Medicare. The government says there are now 58,000 employers registered with the clearing house. It says it is also encouraging the other 700,000 businesses that are potentially eligible to use the clearing house to sign up.

Superannuation guarantee obligations attracting ATO scrutiny

This year, the ATO is targeting the management advice and consulting, hairdressing and beauty, and clothing retail industries to ensure they meet their superannuation guarantee obligations. According to ATO Assistant Commissioner Emma Haines, these industries have been identified as being at risk of not meeting their obligations.

She says extra effort is being made to help businesses get their superannuation guarantee payments correct before audit activity focusing on these industries starts in July 2014. Assistant Commissioner Haines notes that contractors may also be eligible for superannuation contributions, even if they have an ABN.

TIP: Employers are entitled to a tax deduction for contributions made to a complying superannuation fund or a retirement savings account (RSA) for the purpose of providing superannuation benefits for their employees. The contributions are only deductible for the year in which they are made.

To maximise the deductions available, employers should ensure that the contributions are paid to their employees' superannuation funds or RSAs before 30 June.

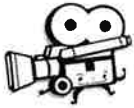
Value of goods taken from private stock

The ATO has updated the amounts that the Tax Commissioner will accept for 2013–2014 as estimates of the value of goods taken from trading stock for private use by taxpayers in certain specified industries. For example, for a restaurant/café (licensed), the Commissioner will accept \$4,400 (excluding GST) for each adult or child over 16 years of age. The ATO intends to adjust the values annually.

TIP: If you take an item of trading stock for your private use, you must account for it as if you had sold it and include the value of the item in your assessable income. If you want to, you can keep records of the actual value of goods you take from your trading stock for your own private use and report that amount.

The ATO says it recognises that greater or lower values may be appropriate in particular cases. The ATO says that where taxpayers are able to justify a lower value for goods taken from stock than that determined by the Commissioner, the lower amount should be used. The ATO says that where the value of goods ex-stock would be significantly greater, the actual amount should be used.

Noel's News



Film Review – by Maria Marson

“Chef”

Starring: Jon Favreau, John Leguizamo, Emjay Anthony & Sofia Vergara

If you are looking for an easy to watch, uplifting, feel good movie this is a winner in my book.

The movie is about Chef Carl Casper who quits his Los Angeles prominent restaurant job to start up a food truck in Miami. Together with his young son Percy and former assistant Tony, the three drive back to Los Angeles travelling through New Orleans and Texas finding happy customers to serve their cooking to. The food looks delicious and the Cuban music will have you dancing in your seat.

The new venture has Chef Carl going back to his roots to reignite his passion for the kitchen, form a special bond with his young son and master the workings of social media.



Restaurant Review – by Mark Lisle

Rosetta – Crown Complex, Southbank

The first thing that strikes you about Rosetta is the grandeur. It is a huge restaurant that just reeks opulence – marble, chandeliers, over-sized furniture, thick carpet, huge vases full of perfect flowers, etc. This is apparently Neil Perry's first Italian venture and he is definitely pitching at the upper end of the market.

I would have to say that the grandeur is backed up by the quality. The food cannot be faulted. The exquisite seafood and authentic pasta dishes stood out for me but there is also a simplicity to the lengthy menu that reminds me of Neil Perry's other Crown restaurant, Rockpool. The wine list is impressive and extensive, as you would expect, with prices ranging from as low as the high \$30's up to the ridiculous. The service was also of the highest quality.

Like most restaurants at Crown, Rosetta is not cheap - definitely a special occasion restaurant for most. One observation we made about this restaurant, and have noticed with other restaurants at Crown, is that it is not uncommon to see people dressed in (designer) jeans and tee-shirts. We put it down to the tourist element at Crown. You certainly wouldn't see the same dress code at other comparable restaurants in the CBD such as *Grossi Fiorentino* or *The Italian*.

Malvern Hotel – Cnr Malvern & Glenferrie Rd's, Toorak

The Malvern Hotel is perfect if you are looking for a pub meal that is just a little bit better than the average. I think it has a great atmosphere (no pokies) and great food, without going over the top. It is a great place to meet friends for a drink and a feed, or take the family for dinner. It is slightly more up-market than your average suburban pub, the menu is more appealing and the prices are also slightly higher (but not over-priced). I like it because there are not a lot of suburban hotels around that are pitched at that level.



Book Review – Mark Lisle

Bitter Wash Road – Garry Disher

This is the first Garry Disher book I have read but it won't be the last.

The main character, Paul Hirschhausen, is a constable recently posted to the remote South Australian bush town of Tiverton, 3 hours out of Adelaide. "Hirsch" was a detective in Adelaide but had been demoted because he allegedly "blew the whistle" on his corrupt colleagues. Because of this history, he now finds himself despised by the equally corrupt local police in and around Tiverton.

With this backdrop, Hirsch finds himself embroiled in a murder investigation in which the plot thickens by the day. Apart from murder, the storyline takes in rape, racism, misogyny, cronyism and even a love interest. Hirsch is a likeable, if at times flawed, character and the plot is totally absorbing. However, what I liked most about this book was its unique Australian flavour. From Hirsch's Toyota Hilux to the local footy Grand Final, there are many aspects of the book that will resonate strongly with readers.

Give it a go and, if you like it, there are apparently another 40 odd Garry Disher books to work your way through.



Sporting Predictions – as seen by Brad Roach

SOCCER

The 2014 Soccer World Cup has begun, needless to say, the Socceroos are in a difficult group, and must overcome Spain, Chile and the Netherlands to progress to the second round. Unfortunately I can't see the Socceroos progressing past round 1 of the tournament. Argentina will be the eventual winners of the World Cup defeating Brazil and my tip for the leading goal scorer of the tournament is Lionel Messi.

COMMONWEALTH GAMES

Australia has dominated the medal tally count at recent Commonwealth Games. I expect England to narrow the gap in Glasgow however, Australia will be the leading medal winning country. I predict Australia to win 62 Gold, 60 Silver and 53 Bronze medals.

TENNIS

The next major tennis championship is Wimbledon. Novak Djokovic will win the men's title from Andy Murray while Serena Williams will win the women's title over Maria Sharapova. Sadly, no Australian player, to progress past the third round.

PERSONAL TAXATION

2% deficit levy for three years from 1 July 2014 on incomes over \$180,000

The Treasurer announced the introduction of a Budget deficit levy (ie tax), which will apply for three years from 1 July 2014. This temporary levy will apply at 2% for incomes over \$180,000 (ie 2% on taxable income in excess of \$180,000).

EXAMPLE: An individual with a taxable income of \$200,000 will pay 2% of \$20,000, ie a levy of \$400.

The new levy is expected to affect a relatively small number of people (around 400,000 taxpayers). When taking into account this new levy and the Medicare levy (which is already legislated to increase from 1.5% to 2% from 1 July 2014), the top marginal tax rate will be 49% from 1 July 2014 to 30 June 2017.

As a result of the new deficit levy, the government will also increase the FBT rate (see Business Taxation).

Medicare levy thresholds for families increased for 2013–2014

From 2013–2014, the Medicare levy low-income threshold for families will be increased to \$34,367 (up from \$33,693 for 2012–2013). The additional amount of threshold for each dependent child or student will also be increased to \$3,156 for 2013–2014 (up from \$3,094).

The low-income threshold for individuals will remain at \$20,542 for 2013–2014 (unchanged from 2012–2013). Likewise, the low-income threshold for senior Australians will remain at \$32,279 for 2013–2014 (unchanged from 2012–2013). This threshold applies to those entitled to the seniors and pensioners tax offset (SAPTO).

Several tax offsets to be abolished

The Treasurer announced that the following tax offsets will be abolished from 1 July 2014:

- nearly all of the dependant tax offsets, including the dependent spouse tax offset, for all taxpayers; and
- the mature age worker tax offset, which will effectively be replaced by new incentives to employ older workers (see Other Changes).

WELFARE/PENSION MEASURES

Age Pension age to increase to 70 by 2035

The Treasurer confirmed his earlier announcement that the government will raise the eligibility age for the Age Pension to 70 years by 2035.

From 1 July 2025, the qualifying age will continue to rise by six months every two years from the qualifying age of 67 years (which will apply by that time) to gradually reach a qualifying age of 70 years by 1 July 2035. Individuals born before 1 July 1958 will not be affected by this measure.

Family Tax Benefit changes: two-year freeze on rates and other changes

The government will freeze the current Family Tax Benefit (FTB) payment rates for two years from 1 July 2014. Under this measure, indexation of the maximum and base rates of FTB Part A and the rate of FTB Part B will be paused until 1 July 2016.

The Treasurer also announced other changes to FTB, including a reduction in the FTB Part B primary earner income limit from \$150,000 per annum to \$100,000 per annum, with effect from 1 July 2015.

Freeze on eligibility thresholds for Australian Government payments

The government will freeze the eligibility thresholds for Australian Government payments for three years. This will apply to:

- non-pension payments (Family Tax Benefit, Child Care Benefit, Child Care Rebate, Newstart Allowance, Parenting Payments and Youth Allowance) for three years from 1 July 2014; and
- pension and related payments (Age Pension, Carer Payment, Disability Support Pension and the Veterans' Service Pension) from 1 July 2017.

BUSINESS TAXATION

FBT tax rate impacted by deficit levy

The Treasurer said that in order to prevent high income earners from utilising fringe benefits to avoid the levy, the FBT rate will be increased from 47% to 49% from 1 April 2015 until 31 March 2017. The cash value of benefits received by employees of public benevolent institutions and health promotion charities, public and not-for-profit hospitals, public ambulance services and certain other tax-exempt entities will be protected by increasing the annual FBT caps. In addition, the fringe benefits rebate rate will be aligned with the FBT rate from 1 April 2015.

(Note that the opportunity to avoid the levy using Fringe Benefits will therefore exist from 1 July 2014 to 31 March 2015)

Reduction in R&D offset rates

The rates of the refundable and non-refundable research and development (R&D) tax offsets will be reduced by 1.5 percentage points with effect from 1 July 2014. This means that the refundable offset will be reduced to 43.5% and the non-refundable offset will be reduced to 38.5%.

SUPERANNUATION

Option to withdraw excess non-concessional contributions

The government will give individuals the option of withdrawing excess non-concessional contributions made from 1 July 2013 and any associated earnings, with those earnings to be taxed at the individual's marginal tax rate. (Non-concessional contributions notably include non-deductible personal contributions made from a member's after-tax income.)

Currently, superannuation contributions that exceed the non-concessional contributions cap are taxed punitively at 46.5%. The proposed new measure will bring the tax treatment of excess non-concessional contributions in line with that for excess *concessional* contributions, for which taxpayers already have a withdrawal option.

Superannuation guarantee rate will rise to 9.5% on 1 July 2014

Instead of pausing the superannuation guarantee rate at 9.25% (as previously announced), the government will now allow the rate to rise to 9.5% on 1 July 2014 and will leave it at this level until 30 June 2018. As such, employers are required to increase their superannuation contributions on behalf of employees to 9.5% of ordinary time earnings from 1 July 2014.

The percentage will then increase by 0.5% each year until it reaches 12% from 2022–2023, a year later than previously proposed.

OTHER CHANGES

New incentive for employers to hire Australians aged 50 years or over

The Treasurer has announced that employers will be able to receive up to \$10,000 in government assistance if they hire a job-seeker aged 50 years or over. This program will replace the Seniors Employment Incentive Payment.

Under the program, eligible employers will receive an initial \$3,000 if they hire a full-time mature-age job seeker who was previously unemployed for six months and they employ that person for at least six months. The employer will then be eligible to receive further payments as the employee meets certain further service periods.

Fuel excise to rise (except for aviation fuels) – indexation to be re-established

The government will secure funding for additional road infrastructure projects by re-introducing biannual indexation by the CPI of excise and excise-equivalent customs duty for all fuels except aviation fuels. This will commence from 1 August 2014.

The diesel fuel rebate is unchanged, meaning it will continue to apply to excise, including the excise increase.

New assistance for small businesses

The government will establish:

- the "Small Business and Family Enterprise Ombudsman" to act as a one-stop shop and a single entry point as a means for small businesses to find out about government services and programs; and
- a unit in the Department of Finance to provide specialist advice on contracts and to ensure small businesses are not disadvantaged as part of Commonwealth departments' tendering and procurement processes.

2014 Company, Trust or Partnership Tax Return Checklist

Name of taxpayer: _____

Address: _____

Preferred contact no.: _____

Information Required	Information Provided	Not Applicable
Income		
Accounting information, including trial balance, profit and loss (P&L) and balance sheet	<input type="checkbox"/>	<input type="checkbox"/>
Asset register detailing depreciable assets bought and sold or scrapped during the year	<input type="checkbox"/>	<input type="checkbox"/>
Cashbook (if maintained)	<input type="checkbox"/>	<input type="checkbox"/>
Copies of sell notes and settlement statements for shares sold (and original contract notes and settlement statements not previously supplied)	<input type="checkbox"/>	<input type="checkbox"/>
Copies of sell notes for units in managed funds sold (and original purchase notes not previously supplied)	<input type="checkbox"/>	<input type="checkbox"/>
Details of any other income such as rental income	<input type="checkbox"/>	<input type="checkbox"/>
Details of any other investment income	<input type="checkbox"/>	<input type="checkbox"/>
Details of any subsidies, grants and payments received	<input type="checkbox"/>	<input type="checkbox"/>
Details of interest and repayments received from shareholders	<input type="checkbox"/>	<input type="checkbox"/>
Details of proceeds from disposal of capital assets	<input type="checkbox"/>	<input type="checkbox"/>
Managed funds distribution statements, annual tax statements and capital gains statements	<input type="checkbox"/>	<input type="checkbox"/>
Dividend statements	<input type="checkbox"/>	<input type="checkbox"/>
Deductions		
Details of advertising and marketing expenses	<input type="checkbox"/>	<input type="checkbox"/>
Details of bad debts actually written off during the year	<input type="checkbox"/>	<input type="checkbox"/>
Details of bonuses and commissions paid to employees	<input type="checkbox"/>	<input type="checkbox"/>
Details of bonuses and commissions paid to external parties	<input type="checkbox"/>	<input type="checkbox"/>
Details of bonuses paid to directors	<input type="checkbox"/>	<input type="checkbox"/>
Details of borrowing costs for new loans entered into during the year	<input type="checkbox"/>	<input type="checkbox"/>
Details of directors' fees	<input type="checkbox"/>	<input type="checkbox"/>
Details of donations of \$2 and over to registered charities	<input type="checkbox"/>	<input type="checkbox"/>
Details of entertainment expenses	<input type="checkbox"/>	<input type="checkbox"/>
Details of expenses incurred during the year that were associated with establishing, expanding, merging or liquidating the entity	<input type="checkbox"/>	<input type="checkbox"/>

Information Required	Information Provided	Not Applicable
Details of fringe benefits tax (FBT) paid (and a copy of the FBT return lodged)	<input type="checkbox"/>	<input type="checkbox"/>
Details of interest on loans	<input type="checkbox"/>	<input type="checkbox"/>
Details of lease expenses for motor vehicles, premises and equipment	<input type="checkbox"/>	<input type="checkbox"/>
Details of legal expenses	<input type="checkbox"/>	<input type="checkbox"/>
Details of lump sum payments (including for retirement and redundancy)	<input type="checkbox"/>	<input type="checkbox"/>
Details of motor vehicle expenses	<input type="checkbox"/>	<input type="checkbox"/>
Details of prepayments	<input type="checkbox"/>	<input type="checkbox"/>
Details of professional subscriptions and journals	<input type="checkbox"/>	<input type="checkbox"/>
Details of rates, land taxes and insurance premiums	<input type="checkbox"/>	<input type="checkbox"/>
Details of repairs and maintenance	<input type="checkbox"/>	<input type="checkbox"/>
Details of research and development activities and expenses	<input type="checkbox"/>	<input type="checkbox"/>
Details of royalties paid	<input type="checkbox"/>	<input type="checkbox"/>
Details of salaries paid, including fringe benefits (provide PAYG summaries)	<input type="checkbox"/>	<input type="checkbox"/>
Details of superannuation contributions for directors	<input type="checkbox"/>	<input type="checkbox"/>
Details of superannuation contributions for employees	<input type="checkbox"/>	<input type="checkbox"/>
Details of tax and accounting and audit fees paid	<input type="checkbox"/>	<input type="checkbox"/>
Details of any assets purchased, including date of purchase and amount	<input type="checkbox"/>	<input type="checkbox"/>
Details of travel expenses (provide travel diaries)	<input type="checkbox"/>	<input type="checkbox"/>
Balance Sheet – Assets		
Asset register detailing depreciable assets bought and sold or scrapped during the year	<input type="checkbox"/>	<input type="checkbox"/>
Bank statements	<input type="checkbox"/>	<input type="checkbox"/>
Cheque book butts and deposit books/Explanation of EFT debits and credits	<input type="checkbox"/>	<input type="checkbox"/>
Copies of confirmation of any units in managed funds purchased	<input type="checkbox"/>	<input type="checkbox"/>
Copies of contract notes and settlement statements for any shares purchased	<input type="checkbox"/>	<input type="checkbox"/>
Details of any other investments purchased	<input type="checkbox"/>	<input type="checkbox"/>
Details of capital assets purchased during the year	<input type="checkbox"/>	<input type="checkbox"/>
Details of leases entered into and terminated during the year	<input type="checkbox"/>	<input type="checkbox"/>
Details of loans, payments, forgiveness of debts, or provision for use of assets to shareholders or their associates	<input type="checkbox"/>	<input type="checkbox"/>
Details of work-in-progress	<input type="checkbox"/>	<input type="checkbox"/>
Listing of trade debtors with amounts outstanding	<input type="checkbox"/>	<input type="checkbox"/>
Value of stock as at 30 June 2014 (and basis of valuation)	<input type="checkbox"/>	<input type="checkbox"/>
Balance Sheet – Liabilities		
Accrued expenses (eg audit fees and bonuses) and unearned revenue	<input type="checkbox"/>	<input type="checkbox"/>
Details of all loans	<input type="checkbox"/>	<input type="checkbox"/>

Information Required	Information Provided	Not Applicable
Listing of trade creditors with amounts owing	<input type="checkbox"/>	<input type="checkbox"/>
Provisions for long service leave and annual leave	<input type="checkbox"/>	<input type="checkbox"/>
Statements from lending authorities detailing the opening and closing balances of existing loans during the financial year	<input type="checkbox"/>	<input type="checkbox"/>
Balance Sheet – Equity		
Details of any changes to shareholding	<input type="checkbox"/>	<input type="checkbox"/>
Details of loans from shareholders or partners	<input type="checkbox"/>	<input type="checkbox"/>
Details of any increase or decrease in reserves	<input type="checkbox"/>	<input type="checkbox"/>
Additional Information – Company		
Auditor's report (if applicable)	<input type="checkbox"/>	<input type="checkbox"/>
Copies of Instalment Activity Statements and/or Business Activity Statements lodged for the income year	<input type="checkbox"/>	<input type="checkbox"/>
Copies of minutes of company meetings	<input type="checkbox"/>	<input type="checkbox"/>
Details of any share buy-backs or share cancellations	<input type="checkbox"/>	<input type="checkbox"/>
Additional Information – Trust		
Copies of Instalment Activity Statements and/or Business Activity Statements lodged for the income year	<input type="checkbox"/>	<input type="checkbox"/>
Copies of minutes of trustee meetings, in particular distribution resolutions	<input type="checkbox"/>	<input type="checkbox"/>
Copy of trust deed or any amendments during year, if not already supplied	<input type="checkbox"/>	<input type="checkbox"/>
Details of any units redeemed or issued during the year (for a unit trust)	<input type="checkbox"/>	<input type="checkbox"/>
Details of any unpaid present entitlements to beneficiaries or associate private companies	<input type="checkbox"/>	<input type="checkbox"/>
Details of any elections, eg family trust election, interposed entity election	<input type="checkbox"/>	<input type="checkbox"/>
If a closely held trust, any relevant notices, eg TFN report, trustee beneficiary (TB) statement	<input type="checkbox"/>	<input type="checkbox"/>
Additional Information – Partnership		
Copies of Instalment Activity Statements and/or Business Activity Statements lodged for the income year	<input type="checkbox"/>	<input type="checkbox"/>
Copies of minutes of partnership meetings	<input type="checkbox"/>	<input type="checkbox"/>
Copy of partnership agreement	<input type="checkbox"/>	<input type="checkbox"/>
If the partnership was restructured during the year, please provide details	<input type="checkbox"/>	<input type="checkbox"/>
Additional Information – All Entities		
If you have any doubts about any income or expenses that the entity has received or incurred, bring the documents in with you	<input type="checkbox"/>	<input type="checkbox"/>
Any other information that you think is relevant	<input type="checkbox"/>	<input type="checkbox"/>

2014 Superannuation Fund Tax Return Checklist

Name of taxpayer: _____

Address: _____

Preferred contact no.: _____

Information	Information Provided	Not Applicable
Bank Statements		
Bank statements for the period 1 July 2013 to 30 June 2014	<input type="checkbox"/>	<input type="checkbox"/>
Details of all deposits and withdrawals	<input type="checkbox"/>	<input type="checkbox"/>
Cheque book butts and deposit books	<input type="checkbox"/>	<input type="checkbox"/>
Investments		
Details of rent, leasing or hiring income	<input type="checkbox"/>	<input type="checkbox"/>
Maturity notices for term deposits	<input type="checkbox"/>	<input type="checkbox"/>
Distribution statements from trusts	<input type="checkbox"/>	<input type="checkbox"/>
Dividend statements	<input type="checkbox"/>	<input type="checkbox"/>
Statements of returns of capital (from shares)	<input type="checkbox"/>	<input type="checkbox"/>
Contract notes and settlement statements for any shares purchased	<input type="checkbox"/>	<input type="checkbox"/>
Sell notes and settlement statements for shares sold (and original contract notes not previously supplied)	<input type="checkbox"/>	<input type="checkbox"/>
Confirmation of units purchased in managed funds	<input type="checkbox"/>	<input type="checkbox"/>
Sell notes for units in managed funds sold (and original purchase notes not previously supplied)	<input type="checkbox"/>	<input type="checkbox"/>
Managed funds distribution statements, annual tax statements and capital gains statements	<input type="checkbox"/>	<input type="checkbox"/>
Off-market transfer forms for any in specie contributions	<input type="checkbox"/>	<input type="checkbox"/>
Confirmation of purchase in forestry managed investment schemes	<input type="checkbox"/>	<input type="checkbox"/>
Annual tax statements for investments in forestry managed investment schemes	<input type="checkbox"/>	<input type="checkbox"/>
Details of any investments acquired from members or their associates during the income year	<input type="checkbox"/>	<input type="checkbox"/>
Details of any investments in related parties, including any outstanding distributions to be received	<input type="checkbox"/>	<input type="checkbox"/>
Details of any other investment assets purchased and sold	<input type="checkbox"/>	<input type="checkbox"/>
Contributions Received		
Records of all employer contributions (including salary-sacrifice contributions)	<input type="checkbox"/>	<input type="checkbox"/>
Records of any after-tax contributions (eg personal contributions)	<input type="checkbox"/>	<input type="checkbox"/>

Information	Information Provided	Not Applicable
Records of any contributions where no TFN was quoted	<input type="checkbox"/>	<input type="checkbox"/>
Written notices from members stating intention to claim deductions for their personal contributions	<input type="checkbox"/>	<input type="checkbox"/>
Acknowledgement notices by trustee to members confirming receipt of notices for personal contributions	<input type="checkbox"/>	<input type="checkbox"/>
Roll-overs		
Details of inward roll-overs	<input type="checkbox"/>	<input type="checkbox"/>
Details of outward roll-overs	<input type="checkbox"/>	<input type="checkbox"/>
Insurance Policies		
Copies of annual life insurance policy provided for members	<input type="checkbox"/>	<input type="checkbox"/>
Copies of death or disability policy provided for members	<input type="checkbox"/>	<input type="checkbox"/>
Benefits Paid		
Details of any lump sum benefits paid to members	<input type="checkbox"/>	<input type="checkbox"/>
Details of any pensions paid to members, including copies of PAYG summaries if applicable	<input type="checkbox"/>	<input type="checkbox"/>
Common Deductions		
Death or disability premiums	<input type="checkbox"/>	<input type="checkbox"/>
Actuarial costs, accountancy fees and audit fees	<input type="checkbox"/>	<input type="checkbox"/>
Investment expenses, including nature of the expenses	<input type="checkbox"/>	<input type="checkbox"/>
Management and administrative expenses, including nature of the expenses	<input type="checkbox"/>	<input type="checkbox"/>
Other Information		
Details of any derivatives and instalment warrants entered into	<input type="checkbox"/>	<input type="checkbox"/>
Auditor's report for the previous financial year	<input type="checkbox"/>	<input type="checkbox"/>
Copies of Instalment Activity Statements and/or Business Activity Statements lodged for the income year	<input type="checkbox"/>	<input type="checkbox"/>
Copies of minutes of meetings	<input type="checkbox"/>	<input type="checkbox"/>
Copies of trustee declarations for any new trustees or directors of corporate trustees	<input type="checkbox"/>	<input type="checkbox"/>
Copy of investment strategy	<input type="checkbox"/>	<input type="checkbox"/>
Record of all members as at 30 June 2014	<input type="checkbox"/>	<input type="checkbox"/>
Details of any mergers with other superannuation funds	<input type="checkbox"/>	<input type="checkbox"/>
If you have any doubts about any income or expenses you have received or incurred, bring the documents in with you	<input type="checkbox"/>	<input type="checkbox"/>
Any other information that you think is relevant	<input type="checkbox"/>	<input type="checkbox"/>

2014 Individual Tax Return Checklist

Name of taxpayer: _____

Address: _____

Preferred contact no.: _____

Information	Information Provided	Not Applicable
Income		
PAYG payment summaries (eg from employers)	<input type="checkbox"/>	<input type="checkbox"/>
Lump sum payments (eg employment termination payment)	<input type="checkbox"/>	<input type="checkbox"/>
Partnership distribution statement, and a copy of partnership's tax return	<input type="checkbox"/>	<input type="checkbox"/>
Trust distribution statement, and a copy of trust's tax return	<input type="checkbox"/>	<input type="checkbox"/>
Documentation regarding foreign source income, foreign assets or property	<input type="checkbox"/>	<input type="checkbox"/>
Bank statements stating interest earned, including for term deposits	<input type="checkbox"/>	<input type="checkbox"/>
Dividend statements	<input type="checkbox"/>	<input type="checkbox"/>
Employee share scheme statements	<input type="checkbox"/>	<input type="checkbox"/>
Managed fund annual tax statement and capital gains tax statement	<input type="checkbox"/>	<input type="checkbox"/>
Buy/sell contract notes for shares whether or not any shares were sold	<input type="checkbox"/>	<input type="checkbox"/>
Work-related Deductions		
Details of depreciable assets bought during the year (eg laptops)	<input type="checkbox"/>	<input type="checkbox"/>
Details and receipts for home office expenses	<input type="checkbox"/>	<input type="checkbox"/>
Professional journals/trade magazines	<input type="checkbox"/>	<input type="checkbox"/>
Professional memberships/subscriptions	<input type="checkbox"/>	<input type="checkbox"/>
Receipts for continuing professional development courses and seminars	<input type="checkbox"/>	<input type="checkbox"/>
Receipts for self-education expenses	<input type="checkbox"/>	<input type="checkbox"/>
Receipts for other work-related deductions such as protective clothing, uniform expenses, tools and equipment, and travel	<input type="checkbox"/>	<input type="checkbox"/>
Vehicle logbook for motor vehicle expenses (if using the logbook method)	<input type="checkbox"/>	<input type="checkbox"/>
Other Deductions		
Receipts for donations of \$2 and over to registered charities	<input type="checkbox"/>	<input type="checkbox"/>
Expenditure incurred in managing tax affairs (eg tax agent's fees)	<input type="checkbox"/>	<input type="checkbox"/>
Expenditure incurred in earning interest, dividend and other investment income (eg investment advice fees)	<input type="checkbox"/>	<input type="checkbox"/>
Income protection insurance premiums	<input type="checkbox"/>	<input type="checkbox"/>

Information	Information Provided	Not Applicable
Rental Properties		
Date when property was purchased, including details of co-ownership if applicable	<input type="checkbox"/>	<input type="checkbox"/>
Period property was rented out during the income year	<input type="checkbox"/>	<input type="checkbox"/>
Records detailing rental income (annual statement from property agent, if engaging services of an agent)	<input type="checkbox"/>	<input type="checkbox"/>
Loan statements for property showing interest paid for the income year	<input type="checkbox"/>	<input type="checkbox"/>
Expenses incurred such as water charges, land tax and insurance premiums	<input type="checkbox"/>	<input type="checkbox"/>
Details of depreciable assets bought or disposed of during the year	<input type="checkbox"/>	<input type="checkbox"/>
Details of any capital works on the property	<input type="checkbox"/>	<input type="checkbox"/>
If the property was disposed of during the income year, information relating to dates and costs associated with the disposal of the property	<input type="checkbox"/>	<input type="checkbox"/>
Offsets/Rebates		
Details of any superannuation contributions for spouse	<input type="checkbox"/>	<input type="checkbox"/>
Details of medical expenses where the total exceeds \$2,162 (after Medicare and private health fund rebates)	<input type="checkbox"/>	<input type="checkbox"/>
Details of dependants, including their age, occupation and income	<input type="checkbox"/>	<input type="checkbox"/>
Private health insurance statement (and details of prepaid premiums)	<input type="checkbox"/>	<input type="checkbox"/>
If Operating As a Sole Trader		
Cashbook, which includes records of drawings taken before the business takings were banked	<input type="checkbox"/>	<input type="checkbox"/>
Copies of Business Activity Statements lodged	<input type="checkbox"/>	<input type="checkbox"/>
Copies of PAYG summaries for employees	<input type="checkbox"/>	<input type="checkbox"/>
Details of any government grants, rebates or payments received	<input type="checkbox"/>	<input type="checkbox"/>
Details of superannuation contributions for employees	<input type="checkbox"/>	<input type="checkbox"/>
Details of any assets purchased, including date of purchase and amount	<input type="checkbox"/>	<input type="checkbox"/>
Payments of salaries and superannuation to associates	<input type="checkbox"/>	<input type="checkbox"/>
Records from accounting software (eg trial balance, profit and loss (P&L) and balance sheet)	<input type="checkbox"/>	<input type="checkbox"/>
Statements of all liabilities of the business	<input type="checkbox"/>	<input type="checkbox"/>
Notice of superannuation contributions for self-employed persons	<input type="checkbox"/>	<input type="checkbox"/>
Other Information		
Copies of Instalment Activity Statements lodged	<input type="checkbox"/>	<input type="checkbox"/>
Any other information that you think is relevant	<input type="checkbox"/>	<input type="checkbox"/>