

THE BOTTOM LINE

JULY 2009

CHANGING LANDSCAPE

It's that time of the year again – Time to prepare your records for lodgement of your tax return!

Once again the government has been busy making changes to the tax system over the past twelve months, although many of the changes only have a limited impact or are in specialised areas. Some of the changes that have a broad impact on individuals and small business in the 2008/09 tax year include:

- The phased introduction of personal income tax cuts;
- Increases in the Medicare Levy surcharge thresholds;
- Introduction of the new education expenses tax offset;
- The introduction of an Investment Allowance for the purchase of new assets.

The recent Federal Budget also produced a mixed bag of changes to the tax and welfare systems. While these changes can, in general, be seen as “tinkering at the edges” of both systems, there are some quite important changes that many people need to address sooner rather than later.

Some of the good news is that the small business tax break has been extended. It has been increased to 50% of the cost of new assets, and the deadline for asset acquisition has been extended by six months to December 2009. These changes, however, only apply to businesses with less than \$2 million turnover.

Budget changes that may have a negative impact on some people include:

- The halving of the maximum concessional amount an individual can contribute to superannuation;
- The inclusion of salary sacrificed superannuation and other benefits in income used to assess a person's eligibility for a number of government



- benefits (including Family Tax Benefit);
- Changes to the way Foreign Employment income is taxed;
- Substantial limitations to Employee Share Schemes;
- Changes to the Medicare Levy Surcharge and thresholds.

The government is also still in the process of a major review of the tax system, known as the Henry Review. This review is attempting to look at all aspects of taxation within Australia excluding GST, and interactions with the welfare transfer system. While this review has been in place for over 12 months, it is only now starting to report on its findings.

We have added some more informed articles relevant to this editorial in this Newsletter. This is to assist you benefit if you are eligible for any of the tax breaks and provide any relevant documentation. We look forward to assisting with your tax and accounting and welcome you to contact us.

Regards, Joe Brick

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EDUCATION TAX REFUND - WHAT YOU NEED TO KNOW



The Education Tax Refund (ETR) helps eligible families and independent students meet the cost of primary and secondary school education.

You can claim the ETR for education expenses you incur while your child attends primary or secondary school.

Families and approved care organisations can claim 50% of their eligible educational expenses if:

- they received family tax benefit (FTB) Part A for the child, or
- a payment was made for the child that stopped them from receiving FTB Part A for that child.

Independent students may also be eligible to claim the ETR. The maximum you can claim is 50% of eligible expenses up to:

- \$750 for each eligible child in primary school - that is, a refund of up to \$375
- \$1,500 for each eligible child in secondary school - that is, a refund of up to \$750.

If your expenses exceed your refund limit for the year, any excess can go towards your following year's refund claim, as long as you are still eligible.

The first year you can claim the ETR is for the 2008-09 year (1 July 2008 to 30 June 2009).

Items which qualify as eligible education expenses

Eligible education expenses are items that support a child's or independent student's primary or secondary school education. They include the purchase, lease, hire or hire-purchase costs, repairs and running costs of:

- laptops, home computers and associated costs
- computer-related equipment such as printers, USB flash drives, as well as disability aids to assist in the use of computer equipment for students with special needs
- home internet connections, including the costs of establishing and maintaining them
- computer software for educational use
- word processing, spreadsheet, database and presentation software, internet filters and antivirus software
- school textbooks and other paper-based school learning material, including prescribed textbooks, associated learning materials, study guides and stationery, and
- prescribed trade tools - for example, tools required to complete a school-based apprenticeship.

Remember, eligible expenses should be listed separately and receipts kept for the purposes of calculating your claim. Receipts may be necessary to prove the information you provided on your claim.

Expenses that are not eligible

Education expenses that are not eligible include:

- school fees
- school uniform expenses
- student attendance at school-based extra curricular activities such as excursions and camps
- tutoring costs
- sporting equipment
- musical instruments
- school subject levies - for example, payment for consumables for particular subjects such as woodwork, art or home science
- building levies
- library book fees
- school photos
- donations
- tuck shop expenses
- waiting list fees
- transport
- membership fees, and
- computer games and consoles.

How do I claim the Education Tax Refund (ETR)?

The ETR is claimed in your annual income tax return (or direct from the ATO if you do not need to lodge an income tax return).

OVERVIEW - SMALL BUSINESS AND GENERAL BUSINESS TAX BREAK

The Small Business and General Business Tax Break legislation has received Royal Assent and is now law.

The business tax break, in the form of an investment allowance, provides:

Small business entities (turnover of less than \$2 million a year):

An additional tax deduction of 50 per cent of the cost of eligible new tangible depreciating assets where the business commits to investing in the asset between 13 December 2008 and 31 December 2009 and first uses the asset, or installs it ready for use. Or (in the case of new investment in an existing asset) brings the asset to its modified or improved state on or before 31 December 2010.

Other business entities (turnover of \$2 million or more a year):

- an additional tax deduction of 30 per cent of the cost of eligible new tangible depreciating assets where the business commits to investing in the asset between 13 December 2008 and 30 June 2009 and first uses the asset, or installs it ready for use, or brings the asset to its modified or improved state on or before 30 June 2010.
- an additional tax deduction of 10 per cent of the cost of eligible new tangible depreciating assets where the business commits to investing in the asset between 13 December 2008 and 30 June 2009 and first uses the asset, or installs it ready for use, or brings the asset to its modified or improved state between 1 July 2010 and 31 December 2010.
- an additional tax deduction of 10 per cent of the cost of eligible

new tangible depreciating assets where the business commits to investing in the asset between 1 July 2009 and 31 December 2009 and first uses the asset, or installs it ready for use, or brings the asset to its modified or improved state on or before 31 December 2010.

Generally, a business 'commits' to investing when: it enters into a contract under which the asset will be held or improved; it starts to construct the asset or improvement; or starts to hold the asset in some other way.

Small businesses entities can claim the 50% deduction for investments in eligible assets of \$1,000 or more. For other businesses, a minimum expenditure threshold of \$10,000 applies to be eligible to claim the 30% or 10% deduction.

The cost of items forming part of a set and the cost of identical or substantially identical assets may be added together for the purposes of meeting the thresholds.

All assets must be used principally in Australia for the principal purpose of carrying on a business and meet certain eligibility criteria.

Provided all of the eligibility criteria are satisfied for the income year, the business tax break can be claimed as a tax deduction in the income tax return for the income year in which the asset is first used or installed ready for use.

The following table summarises the key dates relating to the different rates:

Business entity	Investment commitment time (inclusive)	Date of first use or installed ready for use (inclusive)	Rate
Small business	13 December 2008 to 31 December 2009	By 31 December 2010	50%
Other business	13 December 2008 to 30 June 2009	By 30 June 2010	30%
Other business	1 July 2009 to 31 December 2009	By 31 December 2010	10%
Other business	13 December 2008 to 30 June 2009	1 July 2010 to 31 December 2010	10%

INTRODUCTION TO DIMENSIONAL

This article is intended as an introduction to Dimensional. Over the coming months we will be contacting many of you to recommend switching out of existing funds and into Dimensional funds within the Macquarie and Asgard platforms.

Dimensional is a global firm managing about AUD\$142 billion worldwide with about \$7.5 billion for clients in Australia and New Zealand. The firm serves more than 450 institutional clients around the world. Individual investors can generally only access Dimensional's funds via accredited financial advisors who have transparent fee for service arrangements with their clients .

By virtue of dismissing stock picking and market timing, Dimensional is not an active investment manager; yet at the same time it is not an index manager. Dimensional developed its own definition of asset classes and is not restricted by tracking an index. This flexibility has added substantial value for investors. Dimensional's innovative Core equity trusts offer a tax efficient, tailored whole of market portfolio designed to deliver returns above those of cap-weighted indices.

Dimensional is widely acknowledged for its practical application of financial research. Grounded in the ideas of renowned financial academics, Dimensional constructs strategies to capture the higher expected return premiums from small cap and value stocks. It is believed that these premiums are compensation for the greater risk inherent in these types of securities.

Dimensional sees fixed interest as a defensive asset class, of which two primary aims are to provide liquidity and lower the volatility of a diversified portfolio. They believe that the best way to meet these particular goals is to restrict fixed interest investments to short-term high quality instruments.

In summary, Dimensional:

- Provides distinct investment strategies that do not actively pick stocks, attempt to time the market or passively track commercial indices;
- Employs an investment philosophy that is grounded in robust research;
- Focuses on investing, not forecasting; and
- Is able to offer low cost managed funds because it:
 - o Does not advertise or provide sponsorships; and
 - o Only provides access to its funds via financial advisers who have agreed a fee for service remuneration structure with their clients that does not involve payment of commissions by Dimensional.

We are pleased to be able to access the Dimensional funds via the Macquarie and Asgard platforms. We look forward to discussing the merit of switching your existing investments to the Dimensional approach.

Ted Robson

BUSINESS PROFILE - MICHELLE RISPIN DESIGNS

Michelle Rispin Designs (MRD) has been helping clients sharpen their image since 2002. Plus MRD has had seven years experience in the Marketing, Advertising and Design fields. We develop graphic design solutions that are eye catching and relevant to your audience. (logos, stationery, brochures, annual reports and the like)

We are 100% passionate about your business, the design process and getting it right for you. There are no hidden costs associated with your design work. MRD provides a detailed quotation of your work up-front and asks that you authorise the quotation prior to any design work commencing.

If you are looking to sharpen your company image, phone Michelle Rispin Designs today on 03 9557 0159 or 0417 372 159 or visit www.michellerispindesigns.com



INTRODUCING THE TEAM AT RISPIN FINANCIAL



Ted Robson, Joe Brick, Shelley French, Thuy Ha, Ngoc Dinh, Michael Kambouridis, Jenny Sneesby, Neil Rispin, Christine Hanson and Kirsty Rispin.

Please watch this space where we will be featuring an article in the next edition on Haylee Lavelle our new receptionist. (Not included in the picture)