

PINN DEAVIN

BUSINESS & INVESTMENT ADVISORS

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IN THIS ISSUE

- **Interest Rates Unchanged**
 - **Tax Bonus Payments**
 - **30% Tax Break**
 - **Pharmacy Seminar**
 - **Super and Bankruptcy**
-

INTEREST RATES UNCHANGED

At its meeting this morning the RBA decided to keep **interest rates on hold**. This marks the first break in the current reduction cycle, which began last October and means that the cash rate stays at 3.25%.

Like the share market, economists are divided about where the floor may be for interest rates. Late last year it was commonly thought that rates would not fall below 2.0% however as economic news continues to worsen those predictions may turn out to be a little on the high side. Glenn Stevens told a House of Representatives Economics Committee hearing in Canberra a little over a week ago that the RBA was prepared to reduce rates as far as is necessary but added that he did not expect them to reach zero. It is clear that Australia will fall into recession, if it's not already there with the possibility of September quarter's 0.1% growth at risk of being revised downwards and tomorrow's December quarter figure expected to be negative, it's just the length and depth that that remain to be seen.

TAX BONUS PAYMENTS

The Tax Office has announced that it plans to start making tax bonus payments to eligible taxpayers from early April. These payments form part of the household stimulus package of measures which was passed by parliament on 13 February 2009 and are currently awaiting assent. Provided that your 2008 income tax return has been lodged and you are eligible, you do not need to do anything to receive your payment. If your return has not been lodged then please contact your Pinn Deavin advisor as lodgement time limits apply.

30% TAX BREAK

The "new 10% temporary investment allowance" that we discussed in last month's newsletter is no more. In its place is a 30% "Small Business and General Business Tax Break". Small businesses will be able to access the tax break for assets, **including motor vehicles**, costing \$1,000 or more. Note that where a motor vehicle is used for the principal purpose of carrying on a business, then there is **no apportionment of the tax break to take account of any private use!** For all other businesses, the asset threshold is \$10,000. The package provides an additional tax deduction for assets acquired from 13 December 2008 to 30 June 2009, where the asset is also installed before 30 June 2010. The deduction will be equal to 30 per cent of the asset's cost. For assets acquired between 1 July 2009 and 31 December 2009 and where they are installed ready for use before 31 December 2010, the deduction will be 10% of the asset's cost.

The tax break will take the form of a **bonus tax deduction on top of the usual capital allowance deduction**. The type of assets to which the break applies has not changed from those outlined last month. For further information please contact your Pinn Deavin advisor.

PHARMACY SEMINAR

Wednesday 27 May 2.00pm Sydney

Pinn Deavin has had a team specialising in the retail pharmacy profession for many years. In May, this knowledge will be utilised in a seminar designed to keep all pharmacists up to date about what is occurring in the marketplace. In particular, those thinking about buying or selling a pharmacy, or possibly considering a succession plan via negotiating a partnership deal. Our pharmacy director Neil Featherstone will be a guest presenter, and he will be joined by Michele Roache from the Pharmacy Guild Brokers, Craig Moore from NAB Health and David Tilbury from Cropper Parkhill Lawyers. For further details please email neil@pinndeavin.com.au

SUPER AND BANKRUPTCY

Superannuation represents the largest asset for many clients. However, with tough economic times, bankruptcy and other insolvency activities are on the rise. An important question, therefore, becomes: how is superannuation treated upon bankruptcy? The answer to this question today is very different to what it was prior to the recent superannuation changes.

The main change that resulted from the simpler super reforms was the deletion of the provision in the bankruptcy legislation that effectively provided that the excess over a bankrupt's pension RBL was available to creditors. This means that, subject to various conditions such as contributions being for "consideration" and not being "out of character", **the protection of super upon bankruptcy is now absolute**. It must be said, however, that a contribution can be clawed back if its purpose can be shown to be for the purpose of either:

- Preventing the contributed property being available to creditors, or
- Hindering or delaying the process of making property available for division among creditors

SMSF's cease to be appropriate for bankrupts since they are disqualified from acting as trustee. A person who has an SMSF must resign as trustee before becoming bankrupt which means that the fund will most likely fail to meet the basic condition that all members are trustees. Provided benefits are structured properly, bankrupts can draw an unlimited amount from super funds and those amounts are not available to creditors. Please contact your Pinn Deavin advisor for advice specifically tailored to your circumstances.

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