

# PINNACULAR DEAVIN

## BUSINESS & INVESTMENT ADVISORS

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### INTEREST RATES ON HOLD

At its meeting this morning the Reserve Bank decided to leave interest rates on hold at the historically low figure of 3.0%. It seems that with the economy showing early signs of stabilisation and with the full effects of the last round of cuts yet to show in the official numbers, the RBA is erring, as it usually does, on the side of conservatism.

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### YEAR-END TAX TIPS FOR TOUGH TIMES

With our economy being dragged into the worst recession in decades it is timely that we consider some year end tax planning options that can put dollars in your pocket now rather than in 12 months time.

- Defer income and accelerate deductions. This strategy has been applied by our clients year after year and never fails to produce a result. Personal tax rates are about to drop for 2009/10 so there are real savings to be made in addition to the usual timing advantages
- Claim all work-related deductions. Collating all your work expenses for the year may seem daunting but there is tax to be saved so it is certainly a worthwhile exercise. It may help next year if you arrange your affairs such that you use one dedicated credit card for all work-related expenses. Summarising that card at year-end is then all that is required.
- Deduct all eligible depreciation and investment allowance claims. Depreciation is a claim that can sometimes be understated. The ATO specifies a standard depreciation rate for a multitude of items which, by its nature, assumes a normal pattern of usage. Where the item is to be used in other than the normal fashion, you are entitled to nominate your own (higher) rate, which you will need to be able to justify, and claim the additional amount. You should also ensure that you claim the investment allowance at the appropriate rate which is determined by the size of your business.

This is an additional tax deduction on top of the normal depreciation deduction. You will need to be quick to purchase capital items if you want to claim the deduction this year as items bought/installed after 30 June 2009 will be of no benefit to you until 2010.

- Utilise capital losses. In the current climate many of our clients have incurred capital losses. To get the tax benefit that would otherwise be tied up in these losses, you will need to realise offsetting capital gains before 30 June 2009. If not, the losses are useless to you this year.

These are just some of the general issues that you need to be considering in the run up to 30 June. For a complete discussion of these and other strategies as they apply to your own situation, if you haven't already done so, **please contact your Pinn Deavin advisor.**

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### **INPUT TAX CREDITS DENIED DUE TO INVALID TAX INVOICES**

GST has been part of our business lives for nearly 9 years now and it's fair to say that most businesses have developed systems to cope with any situation. This is not always the case though, with the AAT recently holding that a company was not entitled to claim input tax credits (ITC's) because it did not hold valid tax invoices. There is most likely more to this case than has been reported however it serves as a reminder that we need to be ever vigilant for the legitimacy of tax invoices which form the basis of our entitlement to ITC's.

In the case in question the taxpayer carried on a labour hire business specialising in primary industry. During an audit, the ATO found that a number of tax invoices from the company's suppliers either did not quote an ABN or quoted a false ABN or did not show the GST payable, and that none of the suppliers was in fact registered for GST. The taxpayer argued that it was not its fault and asked that the Commissioner exercise his discretion to treat the invoices as being valid tax invoices. The AAT concluded that the taxpayer had not exercised reasonable care in claiming the ITC's and was "recklessly indifferent" to the requirements of the legislation and accordingly it declined to exercise its discretion. It considered that the GST shortfall was the result of the taxpayer's recklessness.

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### **NEW REQUIREMENTS FOR DEDUCTING SUPERANNUATION CONTRIBUTIONS**

The ATO's recent audit activity has identified a high rate of incorrect claims for deductions for personal superannuation contributions in 2008 tax returns. Many of these errors are attributable to a failure to consider the new legislative provisions that came into effect on 1 July 2007. The basic rules are now that **to make a claim you must have:**

- Made personal contributions from "after-tax" money to a complying super fund. Salary sacrifice contributions do not qualify
- Satisfied the 10% test. This means that less than 10% of assessable income plus reportable fringe benefits can be from employment-related activities
- Provided your fund with a notice of intent to claim a tax deduction in the approved form, advising them of the amount that you intend to claim
- Given the notice on or before the date your tax return is lodged or by 30 June of the following

year, whichever is earlier; and

- Received a formal acknowledgement of the notice from the fund before claiming the deduction – this shows the amount that can be claimed.

Deductions may be disallowed if these conditions are not met.

The **new superannuation contribution caps that are to apply from 1 July 2009** should also be borne in mind. For 2009/10 the concessional cap is \$25,000 (down from \$50,000) for those aged under 50, and \$50,000 (down from \$100,000) for those aged over 50.

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