

News Flash

April 2011

Menai



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Message from David Shaw

Greetings to all our WSC Menai clients.

There are some exciting developments happening in the firm and additional staff have joined WSC in order for us to increase our volume of work. The new staff are as follows:

Pariss Armstrong

Parriss is my new PA and she is replacing Lana Mitchell, who is moving on after almost 2 years with WSC. If you need to arrange an appointment or require any assistance please contact Pariss at pariss.armstrong@wscgroup.com.au

David Lim

David has joined WSC Menai as an Accountant. David is experienced in all aspects of business compliance and property investor tax returns.

Jade Vujevic

Jade has joined WSC Menai as a Trainee Accountant and Administration Assistant. Jade is also assisting with our property investor tax returns.

Tax Variations

We have attached our tax variation checklist for the 2011/2012 financial year. I encourage clients, especially those who are paid monthly, to complete this checklist and return to us as soon as possible so that we can begin to process variations in readiness for lodging from 1st May 2011.

2010 Returns

There are a number of clients who still have not completed their 2010 tax returns. If you fall into this category we have attached Checklists for you to complete and return to us with your information as soon as possible.

It is extremely important, particularly if you have not completed your Superfund return, to get this information to us within the next two weeks.

Best regards,

Extra time to lodge for those affected by natural disasters

The Commissioner of Taxation has announced additional time for tax-related lodgements and associated payments for individuals and businesses affected by the recent natural disasters in Queensland, New South Wales, Victoria and Western Australia.

Those in the affected postcodes will automatically have the following lodgement and payment dates deferred:

- lodgement and payment of the December monthly activity statement from the original due date of 21 January 2011 to 21 March 2011;
- lodgement and payment of the January monthly activity statement from the original due date of 21 February 2011 to 21 March 2011;
- lodgement and payment of December quarterly activity statements from the original due date of 28 February 2011 to 28 March 2011;
- lodgement and payment obligations of income tax due in February 2011 for a period of one month; and
- lodgement of superannuation guarantee charge (SGC) statements for the quarter ending 31 December 2010 from 28 February 2011 to 28 March 2011.

Declaration of Disasters

The Treasurer has declared that the following are disasters for the purposes of establishing Australian disaster relief funds that can receive tax deductible donations:

- the Victorian floods, effective from 15 January 2011; and
- the New South Wales floods, effective from 10 January 2011

A similar declaration has been made by the Queensland Government in relation to floods in that State.

Editor: New assistance measures will also be provided to help communities and businesses devastated by Cyclone Yasi in Far North Queensland, including concessional loans, grants, and wage assistance for employers.

Flood Levy proposed

The Government intends to introduce a temporary flood levy in the 2011/12 financial year, to assist with part of the costs of rebuilding infrastructure following the recent floods.

It is proposed that the levy will not be paid by those affected by the floods or by lower income earners, and will apply only in the 2011/12 financial year.

The rate of the levy will depend on a taxpayer's taxable income (TI) as follows:

- anyone with a TI under \$50,000 will not pay the levy;
- those with a TI between \$50,000 and \$100,000 will pay 0.5 per cent of TI in excess of \$50,000; and
- those with a TI over \$100,000 will pay 0.5 per cent of TI in excess of \$50,000 and 1% of TI in excess of \$100,000.

Examples

An individual taxpayer on average annual adult full-time total earnings and TI of \$68,125 will pay an extra \$90.63 in tax (i.e., $(\$68,125 - \$50,000) \times 0.5\%$).

An individual taxpayer with TI of \$120,000 in 2011/12 will pay an extra \$450 in tax (i.e., $(\$120,000 - \$100,000) \times 1.0\% + (\$100,000 - \$50,000) \times 0.5\%$).

50% Tax Break deduction under new Green Buildings scheme

The Assistant Treasurer has released a public consultation paper regarding tax breaks for redevelopments that will substantially improve the energy efficiency of existing buildings.

From 1 July 2011, the Tax Breaks for Green Buildings scheme will offer businesses that invest in eligible assets or capital works to improve the energy efficiency of their existing buildings – from 2 stars or lower to 4 stars or higher – the ability to apply for a one-off bonus tax deduction of 50% of the cost of these improvements.

ATO targeting GST compliance

The ATO received specific funding in the 2010 Budget to look closely at GST compliance, and will be implementing a dedicated program over the next four years to deal with some specific compliance issues.

They will focus on:

- the timely lodgement of activity statements;
- verifying GST refund claims;
- identifying and dealing with those that deliberately avoid GST; and
- addressing aging GST debts and those who deliberately use debt as a way of avoiding their tax obligations.

They say that they are continuing to expand their ability to identify non-lodgers and detect businesses that over claim entitlements, deliberately under-report or omit income and use cash transactions to hide income.

They will do this in part by:

- comparing businesses to small business benchmarks for their industry to select businesses for audit – businesses that do not report within their range may not be recording or paying tax on all their transactions, especially cash transactions;
- using benchmarks to calculate default assessments where a business provides insufficient or unreliable information or has not met their lodgement requirements; and
- using new risk filters and risk models to detect incorrect or fraudulent refund claims on activity statement credits.

ATO looks at limited by guarantee loan arrangement

The Tax Office has issued a taxpayer alert warning people of arrangements involving loans to members of a company limited by guarantee.

Under these arrangements, a company limited by guarantee is established to receive income distributions from a trust and then lend that money to directors, members or associates of that company or related parties.

"The use of a company limited by guarantee makes no commercial sense, aside from the tax advantage sought from these arrangements. These types of companies cannot distribute profits to members or utilise any franking credits obtained," Michael D'Ascenzo, the Tax Commissioner, said.

He said the ATO believes that people are utilising these arrangements to get income from their trusts without having to pay the required amount of tax and is warning anyone who has participated in these arrangements to come forward prior to 30 April 2011 and before they are contacted by the ATO.

If they do, they will be entitled to a reduction in any tax penalties.

An Important Message

While every effort has been made to provide valuable, useful information in this publication, this firm and any related suppliers or associated companies accept no responsibility or any form of liability from reliance upon or use of its contents. Any suggestions should be considered carefully within your own particular circumstances, as they are intended as general information only. Please contact your WSC account manager for more information.