



# EAGAR EXTRA

## June Newsletter 2009

Hello and welcome to your June newsletter. This newsletter is sent to keep you updated with news in the industry and within FWA Eagar&Co. Please forward this newsletter to your staff, colleagues and friends.

### IN THE NEWS

#### GOOD NEWS - INVESTMENT ALLOWANCE - ACT NOW

There is a 50%, 30% or 10% tax deduction available for investment in new tangible depreciating assets for:

- Small business (turnover less than \$2 million) for assets over \$1,000
- Other business for assets over \$10,000

But, you must act quickly. Consider acquiring an asset before 30 June 2009 or, entering into a contract to acquire an asset before 30 June 2009 and the asset is "installed ready for use" before 31 December 2009.

Eligible assets which are worth considering:

- A Car (up to \$57,180 only)
- Work vehicles (utes, truck etc)
- Equipment (photocopiers, phone systems etc.)

	New Investment Purchased by	
	30 June 2009	31 December 2009
Installed by		
30 June 2009	30% in 2008-2009	-
30 June 2010	30% in 2009-2010	10% in 2009-2010
31 December 2010	10% in 2010-2011	10% in 2010-2011

Tricky areas where you will need advice are if you are making new expenditure on second hand assets, fixtures or improvements, leasing of assets and working with the "installed ready for use" definition.

Assets that are not included for the allowance:

- Purchases of second hand depreciable assets
- Software
- Intellectual property
- Structure improvements
- Land
- Buildings.

The benefits of undertaking these purchases will be clear to taxable businesses and Clubs, that use the mutuality principle for tax calculation. Businesses that investigate fully and act quickly, businesses (including individuals) that use their car principally (over 50%) for business as there is no apportionment for private use.

#### Important Footnote

Please check with us before making a decision. Do not rely on this EAGAR EXTRA June edition. Please phone Phil Browne or Ian Ryall on 9977 3622.

**COMPANY ASSETS USED PRIVATELY**

Private company taxation rules will apply to the private use and/or right to use. Cars, boats, real estate and artwork are all affected.

**TFN WITHHOLDING**

From 1 July 2009 closely held trusts (including Discretionary Trusts) will be required to receive beneficiaries TFNs or deduct 46.5% tax.

**RESEARCH & DEVELOPMENT**

From 2010-11+ New incentives for SMEs will provide tax credits which will provide cash, even if the company is in tax losses. This is expected to increase the amount of R&D undertaken by SMEs. The refundable benefit will be 45%. As this will require setup and also necessitates approvals from other agencies, lead time to gear up for this measure is needed. So start to consider this now – don't wait. We will do a special feature on this topic in a newsletter soon.

**NON COMMERCIAL LOSS RULES TIGHTENED**

A further restriction on non commercial losses (e.g. farming, loss making businesses, early stage businesses) being offset against other income will commence from 1 July 2009. Tax deductions for non commercial losses of individuals with adjusted taxable income more than \$250,000 will be automatically quarantined for use only against future income from that business activity.

**FOREIGN EARNINGS EXEMPTION**

Currently, Australians working overseas for over 90 consecutive days are eligible for a general tax exemption on their foreign employment income.

From 1 July 2009 most workers overseas who remain as Australian tax residents will no longer receive a tax exemption on foreign income. This change will result in higher tax costs for employees and increased costs to employers by subjecting benefits to Fringe Benefits Tax.

PAYG obligations will commence next month. We have experience with LAFHA (Living Away from Home Allowance benefits) which might now become relevant. Employers and employees should review existing arrangements as soon as possible.

**WORD INVESTMENTS CASE**

This High Court decision is significant for Charities in that it decided commercial businesses with charitable objects that direct their profits to charities are themselves charities – and hence tax exempt.

The government will also monitor the competitive issues that the courts decision may raise and also see what recommendations arise from the Henry Review into Australia's future tax system and the Productivity Commissions inquiry into the contribution of the not-for-profit sector.

**THE TEAM at FWA EAGAR & CO**

***Our vision is to be the Company that people look to for financial, business and community success. We value accountability, leadership, quality, integrity, transparency, diversity and care for our clients.***

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