



## Christmas Newsletter 2010



Dear clients,

From all the staff at Trevor Wolff & Associates, we wish you and yours all the very best for Christmas and a healthy and prosperous New Year.

Please note that our office will be closed from 11.00 am on Friday 24 December 2010 until 9.00 am Monday 10 January 2011.

### ❖ Education Offset

- A timely reminder to keep all your receipts for your students (primary and secondary school) for whom you are able to claim Family Tax Benefits Part A from Centrelink. The offset is available for computers, electronic equipment, educational software, stationery, and text books, internet usage, antivirus software, and Tools of Trade - such as tools required to complete a school-based apprenticeship.
- To be able to gauge how much internet that can be claimed, the Tax Office has suggested, in the past, to keep a note book/diary for at least one month each year showing the total internet usage and the internet usage for each student. We can then put that portion of the internet cost towards the education offset.
- The offset is also available where you may pay directly to the school for text books and/or stationery.
- Maximum claims for 2009-2010 year are 50% of your cost for the above expenses.

Primary: 50% of \$780 = Max. Refund \$390

Secondary: 50% of \$1558 = Max. Refund \$779

These amounts are indexed upwards each year.

- If your eligible Education Expenses exceed the above amounts, the balance of the expense is carried forward to next year's claims.

### ❖ Medical Expense Offset

For the year ending 30 June 2011, the Medical Expense Offset has changed. For the 2010 year, if your out-of-pocket of eligible Medical Expenses exceed \$1500.00, the claim is 20% of the excess of \$1500.00.

From 1 July 2011, the claim has been reduced. To make a claim for the 2011 year and beyond, your out-of-pocket Medical Expenses must exceed \$2000.00 before you can claim 20% of the excess above \$2,000.00.

### ❖ Personal Protection

Have you thought about what would happen if you were not able to conduct your personal affairs? What if you were to have an accident and not be able to communicate your wishes? Do you have an arrangement in place so that your personal and/or business affairs can continue in the way you wish?

Newsagencies sell an "Enduring Power of Attorney" kit. Your Attorney should be a competent person who you trust to administer your affairs when you are not able to do so. Approach them as to whether they would accept the responsibility of this position. It is a vital position so relate your wishes. It may be prudent to have more than one Attorney for safety. If your affairs are complex, you should consider a solicitor to help you draw up the forms.

### ❖ Business Continuation Protection

Should something happen to you - the key person of your business - have you an arrangement in place for the continuance of the business?

If you would like some guidance in these matters, please call. There are insurances that can help your family and business should there be problems.

I have attended a seminar about risk. I know it was heavily centered around insurance and protection but it made me think - are you protected? In the New Year, if you wish, I will contact you and discuss your situation.

Specialising in:

Personal, Business, Partnership, Company, Trust & Super Returns

## ❖ Wills

Is your will up to date - have your circumstances changed? Don't use an off the shelf will kit if your affairs are complex.

While on insurance - is your income low? Have you thought about the Government Co-contribution Superannuation? They will contribute up to \$1,000 to your superannuation where a low income earner contributes \$1,000 to super from after tax income.

## ❖ Tax Office Letters re Low Incomes

The Tax Office is active in sending out letters to clients whose income does not seem to be a livable one.

They are looking at taxpayers whose business income largely comes from cash payments (Cash Economy). If your income is low you may receive a letter from the ATO asking you to review your income. They are giving you the opportunity to review your situation to see if some income has been overlooked or provide an explanation why income is low.

Please keep records to help you as the Tax Office is about 2 years behind and sometimes it is a little difficult to remember what has happened - show how you survived - a diary would be a good help.

The Tax Office is also looking at your business and comparing it with other businesses trading/working in the same area. If your figures are under the "Benchmark" rate you may receive a letter from the Tax Office. It is important that we correctly describe your industry on the Tax Return.

## ❖ Office Report

We had our annual visit from the Tax Office just recently and our report card was good. We are consistently above the average in our lodgments with the Tax Office.

## ❖ Reminder

If you are behind in lodging your Tax Return, the Tax Office has said that if your past year Tax Returns are lodged by mid-February that they will not prosecute or take any further action. They have stated that they may make a Default Assessment on outstanding Returns which you must pay or lodge an objection. Normally the Default Assessment would be higher than what it should be.

## ❖ Substantiation

You must keep receipts and invoices for your tax deductible claims and income for five years and for assets used to produce income, i.e. cars, computers - for five years after you no longer use them for producing income.

## ❖ Motor Vehicle Log Books

A new log book is required each 5 years if there has not been any change in the business usage. This log book must be kept for 5 years after the 5 year period has expired. Remember to keep all receipts and invoices for your motor vehicle expenses and also record the odometer reading at each 30 June.

## ❖ Internet & Computer Usage

The Tax Office has recommended that a diary be kept for one month each year showing total usage and the usage pertaining to your earning your income. They also recommend for home office use that you keep a diary of the hours worked at home for a minimum of one month.

## ❖ Adjustable Taxable Income

This is a new term used by the Tax Office this year. It is used, in some instances, to reduce your refunds. You may have noticed on your PAYG Payment Summaries, two items - Reportable Fringe Benefits and Reportable Superannuation. As this is early days, many employers have made mistakes in what they report at the item Reportable Superannuation. This amount represents Salary Sacrifice and additional employee contributions - it does not include the 9% Superannuation Guarantee paid by the employer.

Getting Adjustable Taxable Income right is important as it could affect Tax Offsets, Medicare Levy Surcharge, HECS Payments, Centrelink benefits, tax refunds.

## ❖ Trivia

The Tax Office has stated that as of this month, they have processed 3.2 million Tax Returns and issued refunds in excess of \$7 billion.

They have stated that it is not unusual to receive more than 200,000 tax returns in any one day.

### Website

Have you visited our website? See it at [www.wolffaccountants.com.au](http://www.wolffaccountants.com.au).

With the advent of technology, we are able to complete your Tax Return from your emails and scanned documents saving you the time spent at an appointment. While we like to see you each year, we understand that sometimes your time can be better used elsewhere. We can email or phone you with any questions.