

17th June 2009

Taxation and Financial Planning Newsletter for 2008/2009

Resident Individual Tax Rates

Current (2008/2009)		From 1 July 2009		From 1 July 2010	
Taxable income	Rate	Taxable income	Rate	Taxable income	Rate
0- \$6,000	0%	0- \$6,000	0%	0- \$6,000	0%
\$6,001 - \$34,000	15%	\$6,001 - \$35,000	15%	\$6,001 - \$37,000	15%
\$34,001 - \$80,000	30%	\$35,001 - \$80,000	30%	\$37,001 - \$80,000	30%
\$80,001 - \$180,000	40%	\$80,001 - \$180,000	38%	\$80,001 - \$180,000	37%
\$180,001+	45%	\$180,001+	45%	\$180,001+	45%

- ❖ The **low income tax offset** is \$1,200 (increased from \$750) for the 2008/2009 financial year (which is again increased to \$1,350 in 2009/2010) and reduces when taxable income exceeds \$30,000. Therefore, for 2008/2009, the effective tax-free threshold is \$14,000 (for 2009/2010 it is \$15,000). Minors will not be taxed until annual income exceeds \$2,666.
- ❖ Medicare levy of 1.5% is normally payable subject to the income thresholds on top of the above tax rates. In addition, Medicare levy surcharge of 1% is payable if there is no private hospital cover and the combined taxable income of a couple is in excess of \$150,000 or for an individual the taxable income is in excess of \$75,000. (2008 budget proposal increases these thresholds)

Taxable income=Assessable Income (less) Allowable Deductions.

Tax credits and offsets (rebates) are more effective than deductions as they reduce the tax payable.

Company and Fringe Benefit Tax Rates:

- ❖ Company tax remains the same at 30% and Fringe Benefits tax rate is 46.5%.

“Cents per Km Rates” to claim car expense up to 5000kms: (increased this year)

Engine capacity (non –rotary)	Rate (cents) per km
0-1600 cc (1.6Ltr)	63 (incd from 58c)
1601 – 2600 cc (2.6Ltr)	74 (incd from 69c)
2601 cc +	75 (incd from 70c)

Superannuation Strategies:

- ❖ Salary sacrifice into super is a very effective strategy to accumulate Retirement wealth in a very tax effective manner, especially for people planning to retire in 10 to 15 years.
- ❖ Super co-contribution is a great way to get the Government benefit of up to \$1,500 (current financial year) for a contribution of \$1,000 when the income thresholds are met. This is available for both employees and self-employed. This is again reduced to maximum benefit of \$1,000 from next year.
- ❖ Super drawings, both lump sum and pension after age 60 is tax free.
- ❖ A Concessional Contribution limit of \$100,000 for the current financial year for those over 50 applies (\$50,000 for the under 50s), reducing to \$50,000 pa for over 50 years (\$25,000 for under 50 years) from the next financial year.

We as Financial Advisers strongly believe that all these rules/ benefits make superannuation the best vehicle to hold retirement wealth and NOW is the best time to top up.

PTO

- ❖ Consolidating superannuation, generally, is beneficial to keep control of your super and reduce fees/ charges.
- ❖ Work test until age 65 has been abolished for contributions and super can remain for lifetime and does not have to be withdrawn.
- ❖ Tax rate for concessional contribution and income within super remains at the lowest tax rate of 15%.
- ❖ Transition to retirement pension is beneficial for some people aged 55+.
- ❖ Spouse super offset remains at \$540, 18% of the contribution limit of \$3,000 when the spouse's assessable income is below \$10,800.

Budget 2009 (main features):

Superannuation:

- ❖ Concessional contribution limit is halved.
- ❖ Maximum Govt Co-contribution is reduced.

Tax:

- ❖ Small reduction in marginal tax rates.
- ❖ Changes to the private health insurance rebate and increase in Medicare levy surcharge.

For further details about the Budget proposals and this planning newsletter, please visit our website www.palani.com.au and go to "Newsletters" on the home page.

New Offsets & Investment allowance

- ❖ Education tax refund to help families getting Family Benefit, for education expenses of their children.
- ❖ Entrepreneurs' tax offset, to help small business
- ❖ Investment allowance for small business, when an asset worth \$1,000 is acquired up until 31 December 2009.

Business at Palani & Associates:

We are, like most businesses, looking to grow all the time in both Tax and Financial Planning. Your referrals are most welcome. Carrie, an experienced Para planner joined the firm in January 2009 and has settled in very well. Carrie assists mainly in Financial Planning. Usha joined us in February 2009 and she assists mainly with Taxation & Accounting. For more information about all our staff please refer our website.

Tax Season 2009:

We are preparing to handle the forthcoming tax work efficiently. Please contact us for an appointment.

Tax planning before the end of June 2009 can potentially save a large amount of tax – so plan your tax rather than just pay tax! You may look at postponing income and prepaying expenses.

<i>For tax planning, financial planning & advice on creating and maximizing your wealth for the future please do not hesitate to contact any one of us.</i>		
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www.palani.com.au		

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We, as Certified Practising Accountants and as a Member of Count Wealth Accountants®, Licensed Securities Dealer, specialise in helping you, our valued client, take control of your financial future.

Disclaimer

We have attempted to cover a wide range of topics in this paper. However you should not solely act on the basis of information contained herein because many issues are generalized and tax laws apply differently to different people in different circumstances.