

## Proposed Amendments to Tax Laws

The Government has introduced the Tax Laws Amendment (2009 Measures No 1) Bill into Parliament. The amendments include:

- providing reductions in PAYG instalment amounts;
- changing the reporting requirement for employees' PAYG summaries; and
- changing the income tests for tax and social security programs.

### PAYG instalment reduction

In addition to the 20% PAYG instalment reduction for small businesses for the December 2008 quarter, the Bill proposes to allow the tax regulations to reduce PAYG instalment amounts in certain circumstances.

**m.a.s accountants would like to wish you and your family a very Happy Easter.**

**If you are travelling please take care and have a safe long weekend.**

**Please note that all documents pertaining to quarter 3 are due in our office no later than Tuesday 21st April.**

### PAYG summary reporting requirement

The Bill will ensure that reportable employer superannuation contributions (RESC) are reported on employees' PAYG summaries.

### Amendment of income tests

The Bill will amend the income tests used to determine an individual's eligibility for tax programs and/or social security programs.

Reportable superannuation contributions, RESC, adjusted fringe benefits total and total net investment losses will be included in income tests, where appropriate.

The tax programs and social security programs that will be affected include:

- Medicare levy surcharge;
- senior Australians tax offset;
- Government superannuation co-contribution scheme;
- mature age worker tax offset;
- deductions for personal superannuation contributions;
- Commonwealth Seniors Health Card; and
- Family Tax Benefit Part A and Part B.

In broad terms, RESC include salary sacrifice amounts and superannuation contributions

above the minimum prescribed support (currently 9%).

Broadly, reportable superannuation contributions consist of two components: personal superannuation contributions for which a tax deduction is available and RESC.

**TIP:** Total net investment losses will capture losses which arise from investment losses, margin loan arrangements and rental properties.

**TIP:** Individuals who currently sacrifice an amount of their salary into superannuation should re-evaluate their eligibility for the government co-contribution payment.

### GST and Uncommercial Property Arrangements

The Tax Office has released two Alerts warning taxpayers that it is currently scrutinising GST and uncommercial property arrangements.

The two arrangements are:

- arrangements allowing a land owner to delay GST registration to minimise the GST payable under the

# small talk

## your monthly small business accounting news

margin scheme, but still claim a full input tax credit (ITC) on the acquisition of construction services from an associate; and

- arrangements in which an entity uses an associate to secure ITCs on the construction of residential premises for lease and defer the corresponding GST liability.

The results test requires the taxpayer to satisfy three conditions:

- the income derived is paid to achieve a specific result or outcome;
- the taxpayer provides any necessary tools or equipment to do the work; and
- the taxpayer is liable to rectify any defects in the work.

Commissioner, the company's liquidator can apply to a court to have the payments refunded.

However, if the payments are prescribed tax payments contained in the Corporations Act (eg, PAYG withholding amounts), the directors of a company may be required to indemnify the Commissioner against any losses.

### 'Blackhole' Expenses

The Tax Office says that these arrangements could give rise to taxation issues, including an entity's entitlement to ITCs and whether the anti-avoidance GST provisions would apply.

**TIP:** In determining whether a taxpayer meets the conditions of the results test, it is the economic substance and not the legal substance that is important.

In an Interpretative Decision, the Tax Office states that an entity cannot deduct the balance of any 'blackhole' expenses in the income years after the entity stops carrying on a business to which the expenditure relates.

### Personal Services Income Case

The Administrative Appeals Tribunal has found that a company was not conducting a personal services business (PSB) as it did not satisfy the results test.

### Directors Beware

A recent decision handed down by the Federal Court ordered the Commissioner to refund payments made by a company when it was insolvent.

The Court also held that the directors of the company at the time of the payments were required to indemnify the Commissioner a percentage of the refund in respect of any loss resulting from the order.

The Tax Office says that this is because the entity will not exist for those income years. Broadly, 'blackhole' expenses are expenditures incurred by a taxpayer when establishing, expanding or ceasing its business. For an expense to qualify as a 'blackhole' expense, it must not form part of the cost base of an asset, deductible under another provision of the tax laws and expressly made non-deductible.

Accordingly, the Tribunal held that the income of the company should be attributed to a taxpayer as personal services income (PSI).

If a taxpayer satisfies the results test, the taxpayer will be deemed a PSB and therefore excluded from the PSI regime.

Company directors should be aware of their obligations under the Corporations Act 2001. Where a company is insolvent and makes payments to the

The deductions for the expenses are spread over five years in equal proportions.

### Pension Drawdown Relief

The Government has announced that it will temporarily suspend the minimum drawdown requirements for account-based annuities and pensions for the second half of the 2008/09 income year (ie 1 January 2009 to 30 June 2009). That is, pensioners are only required to drawdown half of the minimum pension payment for this income year. Pensioners who already have taken half of their minimum payment for 2008/09 means that a further drawdown will not be required until the 2009/10 income year. Broadly, the minimum annual pension drawdown percentage is determined with reference to a pensioner's age and the asset values supporting the pension as at 1 July of an income year.

### FBT and Victorian Bushfires Appeal

The Government has announced that it will amend the FBT legislation from the beginning of the 2008/09 FBT year (ie from 1 April 2008) to ensure that donations to the Victorian bushfires appeal made under salary sacrifice arrangements do not result in an employer incurring an FBT

liability.

Potentially, an FBT liability arises because of the definition of an associate contained in the FBT legislation, which can deem unrelated third parties as an associate of an employee.

Donations collected through an employer's Workplace Giving arrangements do not give rise to FBT liabilities because the donations are from employees' post tax dollars.

## **NEW**

### **mas accountants packages now online**

Given the vast array of services that mas accountants provides to new and existing businesses, our website now delivers an easy step by step process for clients to choose what they require.

Below is an example of some of our packages that we are providing to clients. Clients can choose from various packages to suit their small business accounting needs.

#### **Accounting Packages**

Call us on (02) 9211 5000

ACCOUNTING PACKAGES	Bronze	Silver	Gold	Platinum
Select the package that best suits you and your business				
Quarterly Electronically Lodged BAS	✓	✓	✓	✓
Quarterly Sets of Accounts	✓	✓	✓	✓
Annual Sets of Accounts	✓	✓	✓	✓
Income Tax Returns	✓	✓	✓	✓
Bank Reconciliation by MAS	✗	✓	✓	✓
Monthly Electronically Lodged BAS	✗	✓	✓	✓
Bookkeeping by MAS	✗	✓	✓	✓
Attendance on site monthly	✗	✗	✓	✓
Attendance on site weekly	✗	✗	✗	✓
Customised Business Reports	✗	✗	✗	✓
Calculation and Lodgement of State Taxes	✗	✗	✗	✓

#### **Accounts Payable Packages**

Call us on (02) 9211 5000

ACCOUNTS PAYABLE PACKAGES	Gold	Platinum
Select the package that best suits you and your business		
Record purchases on MYOB	✓	✓
Reconciliation of purchase statements	✓	✓
Drawing of cheques or organisation of electronic payments	✓	✓
Attendance on site monthly	✓	✓
Attendance on site quarterly	✓	✓
Attendance on site fortnightly	✗	✓
Attendance on site weekly	✗	✓
Use with suppliers on accounts payable queries, invoices and settlements	✗	✓

#### **Payroll Packages**

Call us on (02) 9211 5000

PAYROLL PACKAGES	Silver	Gold	Platinum
Select the package that best suits you and your business			
Wages recorded on MYOB	✓	✓	✓
Annual Group Certificates	✓	✓	✓
Workers compensation preparation and lodgement	✓	✓	✓
Quarterly superannuation calculations	✓	✓	✓
Monthly superannuation calculations	✗	✓	✓
Payroll preparation	✗	✓	✓
Calculation of assets	✗	✓	✓
Payment of Payroll	✗	✗	✓
Payroll distribution	✗	✗	✓
ATO Group certificate reconciliation	✗	✗	✓
Calculation of payroll tax and annual reconciliation	✗	✗	✓
Payment of superannuation	✗	✗	✓

**Do not require a payroll package - proceed to accounts payable**



## Australia's only facade creators for the world's best builders

Austech Facades takes the guesswork out of commercial building by providing a completely project managed service. We design, manufacture, manage and install customised facade and curtain wall systems that suit all project and budgetary requirements.

Austech Facades has established key foundations in the Asian region allowing them to flourish and succeed. With the completion of recent high profile projects in Australia and overseas, the global thirst for Australian facade technology has led them further to venture beyond the borders of Australia.

Their Directors, Alex Imvriotis and CY Lim have over 55 years combined experience in the facade, curtain wall and construction industry and are personally involved in all projects. They are the driving force behind their talented team, making it possible to service their clients to the level required in making a successful project.



In the last 6 months, Austech Facades has celebrated many milestones. They opened a new office in Melbourne, a new factory in Shanghai and have upgraded and moved their Sydney office to a more efficient and modern space. At present, they are undertaking jobs in Sydney, Canberra and Melbourne and are looking forward to greater things to come with their thriving expansion.

For further information on their services, please visit their website

[www.austechfacades.com.au](http://www.austechfacades.com.au)

or contact their Head Office on (02) 9316 7888.