CARBONI & CO
CHARTERED ACCOUNTANTS

1. TAX PLANNING TIPS

As we approach the end of the financial year, it is always a good time to take a look at tax planning strategies to reduce the final year end tax bill. Common strategies to reduce tax include:

Deferring Income	Most taxpayers will not be assessed on income until received, consider delaying the receipt of income until the next financial year.
Defer Capital Gains Tax	• Capital Gains are taxed in the year when contracts are exchanged (not settled); • If expecting a large capital gain from sale of property or shares, consider delay of exchange of contracts until the next financial year to defer any tax payable; • If expecting a large capital gain, you may consider deferring the sale of asset to period you expect to have large capital losses to offset against the capital gain; • Ensure Property or shares held for at least 12 months to access the 50% discount (if eligible for discount); • Consider the availability of roll-over relief under tax laws.
Superannuation Contributions	• One way of increasing tax deductions is to pay more superannuation contributions for the quarter ended 30 June 2008; • However to be tax deductible, superannuation **must be paid before 30 June 2008;** • If self employed, consider payment of additional superannuation contributions. No age based limits apply; • For taxpayers with employer superannuation support, consider Government Co-Contributions.
Super Co-Contributions	• For those taxpayers with taxable income <$28,000 per year, the Government will match contributions at the rate of $1.50 for every $1.00 you contribute to super up to a $1,500 maximum; • **Super co-contributions now extends to the self employed.** • Co-contributions reduces if income > $28K and phases out at $58K.
Bad Debts	Write off bad debts before 30 June to obtain a deduction.

467 Condamine St North Manly 2100 Phone: (02) 99072985 Fax: (02)9907 2786

Accelerated Deductions	You can claim a deduction for payments in advance where • Less than $1,000; • Under contract for service (eg. salary and wages); • Services received within 13 months. Employee/Directors bonuses are deductible if incurred by the year end 30 June 2008 if evidence of intention to pay – ie passing of resolution/ minute.

2. What's New for 2008/2009

The new tax rates commencing 1 July 2008 are:

Taxable income	Tax on this income
0 – $6,000	Nil
$6,001 – $34,000	15c for each $1 over $6,000
$34,001 – $80,000	$4,200 plus 30c for each $1 over $34,000
$80,001 – $180,000	$18,000 plus 40c for each $1 over $80,000
Over $180,000	$58,000 plus 45c for each $1 over $180,000

**** Please note the above rates do not include Medicare Levy of 1.5% on taxable income.**

Education Tax Refund - New	Eligible families will be able to claim a 50 % refund every year for key education expenses up to: • $750 for each child undertaking primary studies (maximum refundable tax offset of $375 per child, per year) • $1500 for each child undertaking secondary studies (maximum refundable tax offset of $750 per child, per year). • **Please ensure you keep your receipts to claim**. The refundable tax offset will apply to expenses incurred from **1 July 2008** and will be claimed upon lodgement of the tax return for year end 30 June 2009.

Baby Bonus Changes	**From 1 July 2008**, the baby bonus will increase from $4,258 to $5,000 with future payments indexed to CPI. **From 1 January 2009,** eligibility of the Baby Bonus to families with an equivalent annual income of $150,000 and paid in fortnightly instalments.
Fuel Tax Credits Expanded	Fuel tax credits were introduced on 1 July 2006 to allow certain taxpayers to claim back excise and customs tax on fuel but taxpayers must be registered for GST to claim back. • **18.51 cents** per litre for eligible fuels for use in vehicles **greater than 4.5 tonne** gross vehicle mass; • **38.143 cents** for fuels used in forestry, agriculture, mining, marine, electricity generation and rail industries; • **19.07 cents** for fuels used in all other activities.
Self Managed Super Funds **(SMSF) Borrowing**	• Amendments have been made to the Superannuation Laws, which will allow SMSF's to borrow money in limited circumstances through the use of "Instalment Warrants" which are unlike traditional bank lending. • Previously, Superannuation Funds were strictly prohibited from borrowing money to purchase real estate or shares. **However despite these changes, traditional bank loans are still banned under the rules**. • Under these Instalment Warrants arrangements, the asset is held in trust while the asset is being paid off and the SMSF only has a "beneficial interest" in the asset. • These arrangements can be expensive to implement and taxpayers should seek advice before making any decision to ensure compliance with the law.
Loan by Private Companies to Directors	• Directors of private companies with loans are reminded that the last day to take advantage of the corrective action measures available to taxpayers to ensure compliance with Division 7A loan account rules is 30 June 2008.