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Practice Update

Please read this update and contact this office if you have any queries

AUGUST 2008

Car depreciation limit for 2008/09

The Tax Office has advised that the car depreciation limit for the 2008/09 financial year is \$57,180 (up from \$57,123 in 2007/08).

Example

On 9 July 2008 a taxpayer purchases a motor vehicle for \$65,000 wholly for use in carrying on their business.

In working out the vehicle's depreciation for the 2008/09 income year, its cost will effectively be reduced to \$57,180.

Note: This amount is also the luxury car tax threshold. The Government announced in the Budget that the luxury car tax rate would increase to 33% from 1 July 2008, but has not yet been able to get the legislation passed.

Choice of super: Funds must offer life insurance

The Tax Office is reminding employers that, from 1 July 2008, employer-nominated super funds must offer minimum levels of life insurance death cover to members.

An employer-nominated super fund is the fund that an employer chooses to pay an employee's super guarantee contributions to if the employee does not choose a fund (i.e., the default fund).

Editor: If you are unsure, we can help you check that your default fund is a complying fund and offers the minimum insurance cover.

Insurance requirements

Employer-nominated super funds must offer minimum life insurance for members:

- ◆ at a premium of at least \$0.50 per week for those aged under 56;
- ◆ with at least the level of insurance cover shown in the following table; or
- ◆ at least at a level of cover equivalent to the following table if the contributions are made to a defined benefit fund on behalf of a defined benefit member.

Age range	Minimum level of life insurance cover
0 to 19	Nil
20 to 34	\$50,000
35 to 39	\$35,000
40 to 44	\$20,000
45 to 49	\$14,000
50 to 55	\$7,000
56 +	Nil

If an employer's nominated super fund does not offer minimum life insurance for members, employers may need to arrange insurance either with another super fund or with an insurance provider.

Note: As usual, there are exceptions, such as where the employer is making contributions under a federal award, or is unable to obtain insurance from the fund normally used by the employer in respect of a particular employee due to the employee's health, occupation or hours worked.

Low income tax offset: Six of one, half a dozen of the other

From 1 July 2008, the maximum low income tax offset increases from \$750 to \$1,200.

Editor: The low income tax offset is available in full to taxpayers earning less than \$30,000 p.a., and then reduces after that until taxable income reaches \$60,000, when it phases out.

However, the Government has made a regulation specifying that employees will be entitled to the benefit of half of the offset (i.e., up to \$600) in calculating the tax regularly withheld from their salary/wage.

Such employees will receive the remainder of the tax offset when they lodge their return.

Editor: Although this means that eligible employees will have earlier access to this money, it will also mean that their refund at the end of the year may not be as large as they expected.

Education Tax Offset now available

Parents are being advised to 'keep their receipts' for education expenses in light of the commencement of the Education Tax Offset from 1 July 2008.

How much can be claimed?

Eligible families (generally parents entitled to Family Tax Benefit (FTB) Part A) will be able to claim a 50% tax offset every year (in their tax return) for key education expenses up to:

- \$750 for each child undertaking primary studies (i.e., maximum refund of \$375 per child, per year); and
- \$1,500 for each child undertaking secondary studies (i.e., maximum refund of \$750 per child, per year).

What items are covered?

Eligible expenses include:

- laptops, home computers and associated costs;
- printers;
- home internet connections;
- education software;
- trade tools for use at school;
- school text books; and
- stationery.

Minor benefits exemption may apply to benefit provided every year

Editor: The provision of a 'minor benefit' (which must be less than \$300) to an employee or their associate can be exempt from fringe benefits tax (FBT) if it meets the relevant criteria. One of those criteria requires a consideration of the infrequency and irregularity of the provision of associated, identical or similar benefits.

The ATO recently confirmed that the provision of a Christmas party to employees and their associates every year would still be considered 'infrequent and irregular', and may, therefore, be exempt from FBT.

It has now confirmed that the same rationale can apply to the provision of **other** benefits.

That is, the fact that a benefit is provided only once each year, but in more than one year, does not mean that the benefit cannot be considered as a minor benefit.

For example, an employer may not need to pay any FBT when it provides each of its employees with a reimbursement of \$295 p.a. towards a local gym membership.

However, this would not be the case if the gym membership was included in an employee's salary package under a salary sacrifice arrangement.

New small business tax calendar tool

The ATO has developed a new free computer tool called 'Your small business tax calendar' (Tax Calendar), to help small businesses (i.e., generally businesses with turnovers of less than \$2 million) plan and manage their tax obligations.

It automatically builds a 12-month schedule tailored to small business taxpayers' lodgment and payment needs, and can be personalised and updated depending on their business structure and reporting obligations.

Importantly, it can provide reminders when a lodgment or payment is due, and businesses can print out a one-page summary of their tax obligations and due dates for the year to use as a yearly planner.

Editor: If you are interested in this tool and would like help installing and utilising it, please contact this office.

Please Note: Many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the information's applicability to their particular circumstances.