

Welcome to 2007 tax season and our new look Newsletter.

Most of the information contained in the newsletter is provided to help you prepare for your appointment so things progress smoothly for you.

It is important for you to read through the information so you can see the changes that have occurred throughout the year, and those things that are changing for next year that we are already aware of.

Before we go into any of that, I would like to personally thank you all for your patience over the last 11 months with firstly our software problems that plagued us from July and continued on and off all year, and also major our network crash in February which disabled the office and put our work behind schedule for some time. I know this was inconvenient for some clients and we do appreciate you bearing with us during this time.

One of the major changes for next year is of course Superannuation and the Co contribution. In prior years, if you made a contribution, after tax, of \$1000.00 and you were self employed, you were not eligible for the co contribution. That has now changed to include self employed people. Also the income threshold has been changed to \$28980 on the lower limit and \$58980 on the upper limit.

The age-based limits for superannuation have now been abolished and has been replaced with a contribution level of \$50,000.00 for both employees and self employed people (for taxpayers over 50 the amount will be \$100,000 until 2012.

There has also been another change in the taxable income levels, which you will see on the next page.

One thing that hasn't changed is our general tax information, but please take the time to read it in case there has been something you have overlooked in the past.

Wendy J. Macdonald
Wendy J. Macdonald

2007 Appointment Schedule

- Monday 2:00pm - 5:30pm
- Tuesday 11:20am - 6:30pm
- Wednesday 12:00pm - 5:30pm
- Thursday 4:00pm - 7:00pm
- Friday 12:00pm - 5:30pm
- Saturday 7:30am - 5:00pm

*please note: these appointment times are for the peak period only and are subject to change as of the 1st of October.

1. General Information

Information Checklist

- PAYG Summary (Group Certificate) or Centrelink certificate for yourself and/or your partner.
- Private health fund tax statement, whether you have claimed the rebate or not Important: we can not lodge your return without the statement.
- Log books for motor vehicle, telephones & home office hours.
- Bank interest and dividend advice forms, managed fund tax statements.
- Receipts for work related deductions including income protection insurance.
- Rental property information (i.e. receipts & mortgage statements).
- Travel diaries.

To ensure we are able to complete your tax return at your appointment please remember to bring of the information on the check list above that is applicable to you.

We will place a hold on completing your tax return until we receive the required information. Once we receive the information your tax return will be completed as soon as possible, however there may be other clients in the queue ahead of you so please be patient.

You will receive your original income tax return which is for your records. **Please keep this safe for 5 years.** Should you require a duplicate an additional charge of \$25.00 will apply.

2. Payment of Fees

We have tried over the last few years to dissolve our 'fee deduction' process but it still seems to be popular with some clients. Please be aware that you will be charged a further \$15.00 for this service to cover the cost of our audits and handling time.

Our trading terms are still on completion of work. If you are a salaried employee that is usually at your appointment, and for the business entities, when you receive your completed work for signing.

We do not charge any extra for you to use our credit card facilities and EFTPOS is also available.

3. Telephone Enquiries

The situation with our phone calls has not changed. If we are with clients, or in fact working on a client's file, it is difficult to take a phone call immediately. Jacki and I have allocated times when we return phone calls. Please help the front office staff by giving them as much information as possible about your enquiry so they can have the details ready for us, and don't forget to leave your phone number.

Please remember the time I spend with you is your time; therefore the time I spend with another client is their time.

4. Mail Returns

We continue to offer a mail service for tax return preparation for those clients who are unable to personally come in for an appointment. We will endeavour to process these the day after receiving them, so please ensure you have provided all necessary information, including a contact phone number so you do not experience any delay.

Last year our mail returns increased considerably and our 'same day' turn around service was achieved on over 90% of our files. Please be sure to include all over you information including your bank interest received.

5. Accounting Software

Please make sure you label your discs before leaving them with us for processing. We require:

Your name
Software Package and Version No
Passwords
Contact Telephone Numbers.
Accounting period (only applicable for interim updates or BAS)

We no longer support versions of Cashflow prior to version 4 and MYOB prior to version 13.

6. Updating Details

A few clients forgot to update their details last year which resulted, of course, in mail going off to the wrong address.

Please be sure to check with the staff to see if they have your new address and telephone number.

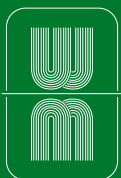
This avoids any delays in you receiving you refund.

IMPORTANT

Tax Office lodgements and due dates.

We tried very hard this year to have everyone lodged by the deadline of May 15th but once again over 200 clients had still not brought their work in to be done, and at the time of writing this newsletter, there was 90 returns outstanding.

Please note that if your return is not lodged by 30th June, you automatically lose the May deadline and you will have to have your 2007 plus prior year(s) returns completed and lodged by October 31st. Penalties will accrue from that date and no extensions will be granted by the ATO.



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2006/2007 Individual Tax Return Checklist

Please review the information below and contact our office if you need assistance.

- Claims for deductions
- Receipts for deductions
- Car claims and log books
- Car record Keeping

Tax saving strategies prior to 1 July 2007

Accelerating tax claims

As personal income tax thresholds are set to be increased from 1 July 2007, there may be an additional advantage to be had by accelerating any income tax deductions into the current income year.

The tax rates for resident individual taxpayers for the 2007/2008 income year are as follows:

Income Threshold	Tax payable
0 - \$6,000	nil
\$6,001 - \$30,000	nil + 15% on excess over \$6,000
\$30,001 - \$75,000	\$3,600 + 30% on excess over \$30,000
\$75,001 - \$150,000	\$17,100 + 40% on excess over \$75,000
\$150,001 and over	\$47,100 + 45% on excess over \$150,000
<i>*please note: the Medicare Levy is in addition to these rates</i>	

Common work-related claims made by individuals

The following outlines common types of deductible expenses claimed by individual taxpayers, such as employees and rental property owners, plus some strategies that can be adopted to increase deductions for the 2006/2007 income year.

1. Depreciable plant costing \$300 or less

Salary and wage earners and rental property owners will be entitled to an immediate deduction if plant costing \$300 or less is purchased before 1 July 2007.

Some purchases you may consider include:

- fax machines;
- beepers and pagers;
- books and trade journals;
- briefcases/luggage or suitcases;
- calculators, electronic organisers;
- software;
- stationery;
- tools of trade.

2. Clothing expenses

Purchase or pay for work-related clothing expenses prior to the end of the income year, such as:

- compulsory, non-compulsory (and registered), occupational specific and protective clothing;
- other expenses associated with such workrelated clothing such as dry cleaning, laundry and repair expenses.

3. Self education expenses

Consider pre-paying the following self education items before the end of the income year:

- course fees (but not HECS-HELP fees), student union fees, and tutorial fees;
- interest on borrowings used to pay for any deductible self education expenses.

Also bring forward purchases of stationery and text books (i.e., those which are not required to be depreciated).

4. Other work-related expenses

Employees can prepay any of the following expenses prior to 1 July 2007:

- union fees;
- subscriptions to trade, professional or business associations;
- magazine and newspaper subscriptions;
- seminars and conferences;
- income protection insurance (excluding death and total/permanent disability).

Note: When prepaying any of the expenses above before 1 July 2007, ensure that any services are provided within 12 months of the payment and before 1 July 2008. Otherwise, the deductions must be claimed over the period of the prepayment.

Information Required

We will need you to bring information to assist us in preparing your income tax return. Please check the following and bring along payment summaries, statements, accounts, receipts, etc., to help us prepare the return:

Income/Receipts

- payment summaries for salary and wages;
- lump sum and termination payments;
- government pensions and allowances;
- other pensions and/or annuities;
- allowances (e.g., entertainment, car, tools);
- interest, rent and dividends;
- distributions from partnerships or trusts;
- details of any assets sold that were either used for income earning purposes or which may be caught by capital gains tax.

Deductions (in addition to those mentioned above):

- award transport allowance claims;
- bank and government charges on deposits of income, and deductible expenditure;
- bridge/road tolls (travelling on business);
- car parking (when travelling on business);
- conventions, conferences and seminars;
- depreciation of library, tools, business equipment, incl. portion of home computer;
- gifts or donations;
- home office running expenses:
 - cleaning
 - cooling and heating
 - depreciation of office furniture
 - lighting
 - telephone;
- interest and dividend deductions:
 - account keeping fees
 - ongoing management fees
 - interest on borrowings to acquire shares
 - advice relating to changing investments (but not setting them up);
- interest on loans to purchase equipment or income earning investments;
- motor vehicle expenses (business);
- overtime meal allowances;
- rental property expenses – including:
 - advertising expenses
 - council/water rates
 - insurance
 - interest
 - land tax
 - legal expenses/management fees
 - genuine repairs and maintenance
 - telephone expenses
 - travelling to inspect property;
- superannuation contributions by sole traders or substantially unsupported taxpayers;
- sun protection items;
- tax agent fees;
- telephone expenses (business);
- tools of trade.

Some Important Information for You

Tax Office Targets for 2007 and Work Related Audits

Once again the Taxation Office are running more work related audits this year and the following information will give you some idea of where that focus may be.

This year they are putting added effort into reviewing claims for work related expenses made in returns that are late lodged. (More reason for you to be on time with your work)

They will also focus on the following professions/trades.

- Business Professionals (including IT Professionals)**
- Hospitality Industry Workers**
- Factory Hands, Store Workers and Process Workers**
- Mechanical, Automotive and Electrical tradespersons; and**
- Mining Site Employees.**

Particular areas of focus include car expenses and in particular car log books/ownership of vehicles, travel expenses, uniforms, clothing, dry cleaning, self education and other work related expenses.

I have been through the paperwork provided to us and taken out some relevant parts to help you identify the validity of your claims.

Cars

Car expenses may be claimed using any one of the four methods below:

- Log book
- Cents-per-kilometre
- One-third actual expenses
- 12% original value

Log book method

- Log books are required for at least a 12 week period in the first year, and then every five years.
- Log books are required for additional cars acquired for which the log book method is used.
- Odometer records are required for the start and end of the period you owned or leased the car.
- Written evidence of all expenses (except fuel and oil) is required.
- Odometer records may substantiate fuel and oil expenses.

Remember that you must provide your car log book and documents proving your ownership of the vehicle with your 2005-06 tax return if you use the log book method for calculating work related car expenses this year.

Cents per kilometre method

(if business use is 5,000km or less or claim is limited to 5,000km)

- The claim is based on a set rate for each business kilometre.
- Substantiation records are not required.
- The number of business kilometres is based on reasonable estimate.

12% of original value method

(where business use exceeds 5,000km)

- The claim for car expenses is based on 12% of the original value
- The value of the car is subject to luxury car limits.
- Substantiation records are not required.
- The number of business kilometres is based on reasonable estimate.

One-third of actual car expenses method

(where business use exceeds 5,000km)

- The claim for car expenses is based on one third of each car expense.
- Logbook records are not required.
- Fuel and oil expenses may be substantiated by written evidence or by odometer records.
- You need written evidence of all other expenses

Before you claim car expenses, you need to ensure that the travel you are claiming is work-related travel and is deductible. You cannot claim the cost of normal trips between home and work as it is private and not deductible even if:

- You do small tasks while travelling to and from work such as collecting mail
- You travel outside normal employment hours such as shift work or overtime
- You are required to be on call
- You live a long distance from your work place, or there is no public transport near your work.

***Note:** *The income producing use and private use of the car must be apportioned.*

Self Education

- You need to ensure that there is a sufficient connection between these expenses and your work activities at the time the expenses were incurred.
- You cannot claim a deduction for self-education expenses if the study is:
 - To enable you to get employment
 - To obtain new employment, or
 - To open up a new income-earning activity

(either in business or in your current employment).

Other work-related expenses

Decline in value

- You can claim a deduction for the decline in value of any asset costing more than \$300 that you use in your work-related activities. You can claim a deduction for the cost of purchasing an item(s) which you acquire to use for your work-related activities, if the cost is \$300 or less. If you are entitled to a claim for decline in value.
- You must apportion the amount of your claim where an asset has been used in part for private purposes or was not available for use during all of the financial year.

Apportionment

- You must apportion expenses, such as mobile phone calls, home telephone calls and internet usage between business and private use.
- You need to keep either itemised accounts and/or a diary to support the basis of apportionment. You need to keep a record for a representative period and a reasonable duration (generally four weeks) of the calls made and/or time spent on the activity.

Home office expenses

- You can only claim occupancy expenses (such as interest on mortgage or rent paid) where your home office is considered to be a place of business. Refer to Taxation Ruling TR93/30 - Deductions for home office expenses for further information about the limited circumstances in which you may claim for occupancy expenses and how to calculate your claim.
- Remember if your property was purchased after September 1985, it may become subject to Capital Gains Tax when you sell.

- If you are claiming minor use for your home office, you can calculate your claim by using a fixed rate of 26 cents per hour. You need to keep a record for a representative period and a reasonable duration (generally four weeks) of the time spent in your home office on employment activities