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HBS January 2011 Newsletter for Individuals

Dear Client

Welcome to the January 2011 edition of our newsletter containing tax information for individuals. If you did not recently receive our newsletter for business owners and would like to please [contact us](#).

Please feel free to [forward our newsletter](#) to a friend; they don't have to be a client to benefit from our FREE advice!

ATO increases action on debt collection

You have told us you are seeing an increase in the ATO's use of firmer action to collect debt. The ATO take firmer action when:

- taxpayers choose not to work with the ATO to address their tax debt or repeatedly default on payment arrangements
- the debt is escalating with no evidence the taxpayer can meet ongoing tax obligations
- an audit has detected deliberate avoidance and continuing payment avoidance
- businesses engage in 'phoenix' activity to avoid financial obligations

We have been advised by the ATO that if wanting to make a payment arrangement with them, a 20% deposit is required. Also be aware that the ATO has the powers to issue a notice to a third party (e.g. bank) who owes you money or holds money on your behalf requiring them to pay all or part of that money to the ATO (known as a garnishee).

Full-time students on Youth Allowance

Full-time students receiving Youth Allowance may now be able to claim a deduction for their study expenses. If you are in this situation and have already lodged a return you do not need to do anything, the ATO will write to you between 1st March and 30th April to advise that they will amend your tax returns by adding a \$550 deduction for the applicable years between 2007 and 2010.

If you know of students in this situation please [forward this newsletter](#) to them.

If you are unsure of what deductions you may be able to claim against your Youth Allowance in your 2011 return please [contact us](#) for more advice on which receipts you need to keep.

Super Caps – are you paying too much Super?

The concessional cap for year ending 30 June 2011 is \$25 000 and transitional concessional cap is \$50 000. Concessional contributions include contributions made by your employer, salary sacrificed amounts and any amounts allowed as a personal deduction in your tax return. If you contribute more than these caps in a financial year you could be paying as much as 46.5% tax on your contributions! For more information please refer to the [ATO website](#).

Guide To Tax For Families

1. Education tax refund

The education tax refund assists you with the education costs of your dependant, including personal computers. You can claim the education tax refund if you are receiving or eligible to receive family benefit Part A. See more in the section below.

2. Income tax offsets (formerly rebates) for families

Tax offsets reduce the amount of tax you pay. We use the information on your tax return to calculate your income tax offsets. Depending on your circumstances, you may be eligible for one or more of the following offsets:

- dependent spouse (without dependent child or student)
- child-housekeeper or housekeeper
- parent, spouse's parent or invalid relative
- spouse superannuation
- private health insurance
- net medical expenses
- government benefits (for example, government pensions or Centrelink payments)
- low income (such as part time participation in the workforce)
- senior Australians

3. Investing on behalf of children

Investments (including savings accounts and shares) in the name of dependent children under the age of 16 attract special income taxation rules. If the child's tax file number is not supplied to the investment body, they must withhold tax at 46.5% of interest earnings. Earnings from a child's investments must be declared by the person who rightfully owns and controls the investment.

4. Superannuation for families

Super is important in planning for your retirement. You may be eligible for a super co-contribution, or for a tax offset for making contributions to your spouse's superannuation.

5. Family breakdown

The tax system has provisions in place to assist with easing the financial burden of separating families. These provisions apply to capital gains tax, superannuation and income from child and partner support payments.

6. Baby bonus

If you had or adopted a child between 1 July 2001 and 30 June 2004, you may be eligible for a baby bonus until your child turns five years old. The 2008–09 financial year was the last year for current year claims, but late claims will be accepted until 30 June 2014.

7. Other topics of interest to families

You may also be interested in first home saver accounts, caring for the disabled, Medicare levy and tax affairs of deceased estates. For more information refer to the [ATO website](#).

Education Tax Refund

With school starting in the next week or so, we thought now would be the time for a reminder about keeping receipts for Education Tax Refund claims. This applies to those of you who are eligible to receive Family Tax Benefit Part A. Expenses that you can claim a 50% refund on are as follows:

- Computer/laptop purchases
- Text books
- Stationery
- Trade tools
- Internet connections

- Computer related expenses e.g. printer, USB, repairs

***Special note: From the 1st July 2011 you will also be able to claim uniform expenses!

Please be aware that there is a \$794 cap on primary student claims – max refund of \$397, and a \$1588 cap on secondary student claims – max refund of \$794. Please also note that if your claims are over this cap, then the excess amount can be carried forward to claim the following year.

Unsure whether you qualify for Family Tax Benefit Part A? Please call Family Assistance or use their [online checklist](#).

Proposed Flood Levy

Cabinet has signed off on a hike to the Medicare Levy to raise money for flood reconstruction. It has been estimated that the average wage earner will have an extra \$300 added to their Medicare Levy. At this time details have not been made available so we will advise you further in next month's newsletter – if not before!

What to do if you are not required to lodge a return

If you are NOT required to lodge a tax return for the year ending June 2010 you need to advise the ATO. You must do this every year that you are not required to lodge. Unsure whether you need to lodge or not? Use the [ATO checklist](#).

If you do not lodge your return on time, the ATO may issue a default assessment based on previous year's returns. Also be aware that you only have two years to amend returns from when they were lodged.

Bucket donations

The ATO has approved bucket donations of a maximum of \$10 again for year ending June 2011 as they did after the Victorian bushfires. This means that you can claim a \$10 deduction for donations made to 'buckets' without requiring a receipt.

Key dates for Individual Taxpayers

Monday 28th February – Quarter 2 (Oct – Dec) quarterly instalment due to be paid

Thursday 31st March – Income tax owing as per 2010 assessment to be paid

Want to see some particular tax topic/tip mentioned here? Please [contact us](#) with your request, we are more than happy to oblige.

Regards
The HBS Team
Kathryn, Allison, Connie, Lyn, Nikki and Katherine

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.

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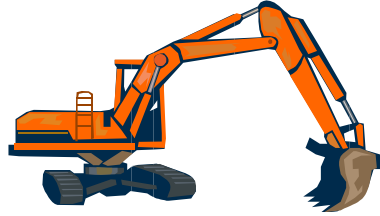


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