

CARDELL NEWSLETTER

TAX 2007—BUDGET CHANGES

How will the budget changes affect your tax situation?

The recent budget for 2007 brought taxation changes for a range of taxpayers. We have in this article focused on changes for low income earners, families and small business owners. It is worth mentioning that the superannuation changes we have previously described in our newsletters have now become law. And as with all topics, if you have any questions, please do not hesitate to contact us on 03 5672 3722.

Low Income Tax Offset

For 2007, the low income tax offset has increased from \$235 to \$600. The offset is now also applicable to more taxpayers as the threshold has changed from income below \$21,600 to income below \$25,000. These taxpayers will be entitled to the full tax offset; but even taxpayers with an income below \$40,000 will be entitled to a portion of the offset.

The increase means you can now earn \$10,000 before you pay any tax.

When you see us, we will automatically calculate the correct offset you are entitled to. However, remember this offset will only reduce your tax liability and NOT be paid to you as a refund.

30% Child Care Tax Rebate

The 30% child care tax rebate covers 30% of your out-of-pocket child care expenses for approved child care, with an indexed rebate per child per year. Out-of-pocket expenses are the total fees you had to pay for child care expenses for approved care, less the amount of Child Care Benefit (CCB) you received. To be eligible for this rebate you must be claiming Child Care Benefit through the Family Assistance Office (FAO).

From 1st July, 2007, the 30% Child Care Rebate has changed its name to Child Care Tax Rebate and is now administered by the FAO. Previously, the rebate would only reduce your tax liability; but for the 2007 year, it will be an actual payment made by the FAO.

This means that the Child Care Tax Rebate on expenses incurred from 1st July, 2006 to 30th June, 2007 is a payment delivered through the FAO and is not claimed through your tax return. However, expenses incurred from 1st July, 2005 to 30th June, 2006 must still be claimed through the 2007 tax return.

Make sure you let us know if you have child care expenses and for which period they relate. This will ensure that you receive the maximum entitlement.



Compulsory GST registration level

The compulsory GST registration level has increased from \$50,000 to \$75,000 excl. GST. This means that your gross business income has to be more than \$75,000 before you are required to register for GST. If your business income falls below the new threshold, give us a call to discuss your options. Remember, as long as you are registered for GST you must lodge and pay your Business Activity Statements before the due date.

Entrepreneurs Tax Offset

Another relief for small business owners is the Entrepreneurs Tax Offset (ETO), a tax offset of up to 25% on business income for businesses with turnovers of \$50,000 or less. Taxpayers with income between \$50,000 and \$75,000 will receive a proportion of the ETO.

In order to qualify for the ETO, the taxpayer must enter into the Simplified Tax System.



**Chartered
Accountants**

Accountants

- Bob Cardell, FCA
- Barry Hughes, CA
- Marcus Bond, CA
- Lynne Nicholas, MNIA
- Rebecca Bond, CA

Staff

- Connie Butterfield
- Kate Martinke
- Glenda Davis
- Amanda Davis
- Stacey Sargent
- Tracey Hunt
- Celina Roberts

LODGEMENT DATES

At this time of year, we receive many calls from clients asking when their tax returns are due.

This question has become increasingly hard to answer in just a few words. The Australian Taxation Office (ATO) has

set various lodgement dates depending on the type of taxpayer and their situation.

Most individual taxpayers must lodge their tax return by the 31st October, 2007. However for most tax agent clients with

no outstanding tax returns an extension to lodge by 15th May, 2008 is in place.

It would still be good policy to contact us for your lodgement due date but bear with us as we find the answer.



What are the rules?

LIFE IS CHANGE AND CHANGE IS LIFE

Yes, even chartered accountants experience change.

Bob has served the profession for over 50 years and when he started as a junior clerk, the whole Collins Street office had one adding machine and several slide rules, but many personal brains.

Today, we could not operate without each person in our establishment having on their desk – a calculator, a phone, a computer giving access to the taxation office, to email, to ASIC, to ABR, Footy Tips, to the world.

Bob too has changed to meet the challenge. In this day and age, he can access and work

on his office desk computer from anywhere. He has access to the internet via his laptop and he can even print from his office computer to a printer hundreds of kilometres away.

For some years, we have set out to effect a smooth transition so that the firm continued to lead through the next 25 years in the quest for enhanced service at an affordable fee. Bob will move his sphere of operation from the hands on day to day life to that of providing the firm with overall progressive direction, control and the ever present need to gain and improve knowledge through staff training.

Each year, Bob, even after 50

years, continues to acquire knowledge with at least 30 hours per annum of formal training. For each qualified accountant in the firm the same stringent approach applies. So as Barry Hughes and Marcus Bond accept additional responsibilities, the ever present life is change and change in life goes on and on.



Marcus Bond



Barry Hughes

EMPLOYER OBLIGATIONS AND IMPORTANT DATES

At the end of each financial year, additional obligations are placed on employers.

The payment summaries for all 2007 financial year employees should have already been prepared and issued to employees. The payment summary statement and the payment summary tax office originals are due to the ATO by 14th August, 2007. Workcover insurers have issued forms for reporting actual 2007 rateable remuneration and estimation for 2008. These forms were due on 31st July, 2007.

Employers should also be aware of the following obligations which are not specific to

financial year end.

New employees

When a new employee starts work, a tax file number declaration form must be completed. The tax file number declaration form has changed from 1 July 2007. The current forms can be obtained from our office.

From 1 July 2005, choice of superannuation fund law allows employees to choose which superannuation fund receives their employer superannuation guarantee contributions. All new employees need to be given a choice of superannuation fund standard choice form. These forms can also be obtained from our office.

Superannuation

Superannuation guarantee legislation covers employees aged between 18 and 70 who are paid \$450 before tax or more in a calendar month whether they work full time, part time or casual. Superannuation guarantee is currently 9% of before tax earnings. If employers do not pay enough superannuation contributions for employees within four weeks of the end of each quarter, they may be liable to pay a tax known as the superannuation guarantee surcharge.

Many employees are opting to make superannuation contributions to be eligible for the government co-contribution scheme. If an employee re-



quests for contributions to be made on their behalf, the amount is retained from the employees after tax pay. When contributing superannuation amounts for the employee to their superannuation fund, the employer superannuation guarantee and the employee personal member contribution amounts need to be reported separately.

Cardell Accountants

technical experts and trusted business advisors

3A Billson Street, Wonthaggi, Vic, 3995
PO Box 116, Wonthaggi, Vic, 3995

Tel. 03 5672 3722
Fax. 03 5672 1822
Email: contact@cardell.com.au

Visit us at

www.cardell.com.au

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