



DECEMBER, 2010 **NEWSLETTER**

As we enter into another Christmas Season we review some current topics that we believe will be of interest to most clients.

Further in depth discussions on the below mentioned topics and how they relate to your personal circumstances should be discussed direct with this office.

ATO to target CASH economy

It is expected that in this financial year the ATO will target approx. 110,000 taxpayers via mail who may be participating in an industry that possibly deals with amounts of cash.

The letters support ATO strategies to deal with under-reported or omitted income and cash transactions used to hide or evade tax obligations.

They also have been identified using one of their cash economy indicators such as:

- Smack business benchmarks
- Data matching
- Allegations of tax evasion reported to by the community (ie dob-ins)

The majority of letters sent will be to businesses identified as reporting outside the small business benchmarks in their industry.

The ATO will review the response to these letters to identify the way they identify businesses for audit or review.

Editors note: If you receive one of these letters please contact our office immediately so that we can assist you in understanding the content of it.

Christmas Fringe Benefits

As the Christmas Season arrives upon us it would be worthwhile to review some of the Fringe Benefit Tax rules that apply to Christmas Parties & Gifts.

(We advise some of the excerpts below have been taken from an article that appeared in a National Tax & Accountants Association Ltd newsletter)

Christmas Parties (Actual Method)

Christmas party on employer's premises:

- Food and drink for current employees on a working day – No FBT & No Tax Deduction
- Food and drink for family members – FBT Payable (except where minor benefit exemption) & a Tax Deduction is allowed.

Christmas party at a restaurant or function venue:

- Food and drink for employees and family members – Where the cost of the function per guest is less than \$300 - No FBT & No Tax Deduction
- Food and drink for employees and family members – Where the cost of the function per guest is greater than \$300 – FBT Payable & Tax Deduction is allowed

Christmas Parties (50/50 Method)

Food and drink provided (irrespective of where the party is held or who is attending) – only 50% of the total expenditure is subject to FBT and is tax deductible.

However following traps apply:

- Where the function is held on the employer's premises – food & drink provided to employees is not exempt from FBT
- The minor benefit exemption cannot apply.

Christmas Gifts

The following gifts **ARE NOT** considered to be entertainment:

- Christmas hamper, bottle of wine etc
- Gift vouchers, glowers, a pen set etc

The following gifts **ARE** considered to be entertainment:

- Tickets to attend a theatre, sporting event, movie or the like,
- A holiday airline ticket or admission ticket to an amusement park.

Minor Benefit Exemption

Generally where the value of a Christmas gift provided to an employee or family member is less than \$300, it will be exempt from FBT.



Main Residence Exemption AFTER YOU MOVE OUT

As a general rule, a dwelling is no longer your main residence once you stop living in it. However, in some cases you can choose to have a dwelling treated as your main residence for capital gains tax (CGT) purposes even though you no longer live in it.

Note: You cannot make this choice for the period before a dwelling first becomes your main residence.

When you can make this choice:

This choice needs to be made only for the income year that the CGT event happens to the dwelling – for example, the year that you enter into a contract to sell it. If you own both:

the dwelling that you can choose to treat as your main residence after you no longer live in it, and the dwelling you actually lived in during that period, you make the choice for the year you enter into the contract to sell the first of those dwellings.

If you make this choice, you cannot treat any other dwelling as your main residence for that period (except for a limited time if you are [changing main residences](#)).

If you do not use it to produce income – for example, you leave it vacant, or use it as a holiday home – you can treat the dwelling as your main residence for an unlimited period after you cease living in it.

Example

Bill buys a unit and lives in it for three years. He then moves out to live with a friend, while his son occupies the unit rent free. He does not treat any other dwelling as his main residence. 12 years later, he sells the unit and claims the main residence exemption from CGT.

If you use the dwelling to produce income – for example, you rent it out or it is available for rent – you can choose to treat it as your main residence for **up to six years** after you cease living in it. If, as a result of you making this choice, the dwelling is fully exempt, the [home first used to produce income rule](#) does not apply.

You can choose when you want to stop the period covered by this choice.

If you are absent more than once during the period you own the home, the six year maximum period that you can treat it as your main residence while you use it to produce income applies separately to each period of absence.

Financial Services Network

We remind you that as a valued client of our firm you have access to our Financial Services Network providers which offer varying financial services. Below are some of the services on offer.

- **Banking**
- **Legal/Conveyancing**
- **Financial Planning/Centrelink Matters**
- **Superannuation/Life Insurance/Income Protection**
- **Finance Brokers *including* Home Loans, Business/Commercial Loans, Personal Loans, Motor Vehicle/Equipment Finance.**

Please contact our office for details should you wish to access the service providers.

Other Services

In addition to preparing your annual financial accounts and income tax return(s), we also provide the following services to assist you:

- **Business & Taxation Planning**
- **Business Management Services including bookkeeping.**
- **Computer Software Consultation and Advice**
- **Cash Flow Projections & Budgeting**
- **Business Plans**
- **Company Secretarial Services**

Holiday Office Hours

Please note that the office will be shut from close of business Thursday 23rd December, 2010 and will re-open Monday 17th January, 2011.

A sincere **THANK YOU** for all your support throughout the year and may you all have a wonderful Christmas and a prosperous 2011

