

# Client Newsletter

Welcome to the Spring 2009 edition of our newsletter.

## Home Office Expenses

You can only claim occupancy expenses (such as interest on your mortgage or rent paid) where your home office is considered to be a place of business. Where your employer has an office in the city or town where you reside, your home office will not be a place of business, even if your work requires you to work outside normal business hours.

However, you may be entitled to claim the additional running expenses for your home office by apportioning the actual costs incurred or using the fixed rate per hour.

You need to keep a record of the time spent in your home office on employment activities. The record should cover a representative period and a reasonable time (generally four weeks).

The following records must be kept to claim a tax deduction:

- the receipts/invoices proving the expenses were incurred;
- establishing the connection between the use of a home office and work/business;
- a record of the time spent in your home office on employment activities. The record should cover a representative period and a reasonable time (generally four weeks).

## Time to review SMSF investment strategies

The ATO has issued a timely reminder to trustees of SMSFs that they should regularly review the fund's investment strategy, so that they can make the best possible investment choices.

Trustees need to prepare and implement an investment strategy for their fund. The investment strategy should be unique to the requirements of that SMSF and its members.

It should be reviewed regularly and updated as required and allow the trustees to be able to measure investment performance against their retirement income goals.

An investment strategy must reflect the purpose and circumstances of the fund and consider:

- investing in such a way as to maximise member returns, taking into account the risk associated with the investment;
- appropriate diversification and the benefits of investing across a number of asset classes (for example, shares, property, fixed deposit) in a long-term investment strategy;
- the ability of the SMSF to pay benefits as members retire and pay other costs incurred by the fund and
- the needs of members (for example, age, income level, employment pattern and retirement needs).

All investment decisions must be made in accordance with the investment strategy.

## Investment Allowance: Small Business and General Business Tax Break

We continue to receive calls in relation to the tax break and the key dates for its operation. The tax break in the form of an investment allowance allows an additional deduction of the cost of an eligible business depreciating asset acquired within specified time periods as outlined below:

	Small Business Enterprise (SBE)		Non SBE		Non SBE	Non SBE
Date you signed the contract	13 Dec 2008 to 31 Dec 2009		13 Dec 2008 to 30 Jun 2009		13 Dec 2008 to 30 Jun 2009	1 Jul 2009 to 31 Dec 2009
	AND		AND		AND	AND
The 'asset' arrived and you started using it	13 Dec 2008 to 31 Dec 2010		13 Dec 2008 to 30 Jun 2010		1 Jul 2010 to 31 Dec 2010	1 Jul 2010 to 31 Dec 2010
	=		=		=	=
Deduction	50%		30%		10%	10%

### Notes

'Asset' is defined as an eligible business depreciating asset.

A Small Business Enterprise (SBE) is defined as a business with an aggregated turnover of less than \$2m.

The deduction is available when the 'asset' arrives and you start using it.

### Example

John runs a courier business with under \$2 million turnover. He wishes to purchase a new delivery truck for \$100,000. He wishes to finance the purchase of the new delivery truck.

If he were to lease the truck, the "tax break" would NOT apply as the finance company holds the beneficial ownership. If he were to apply for finance under a hire purchase agreement or bank loan, as such he receives a 50% tax deduction on the \$100,000. (\$50,000 tax deduction) upon delivery of the truck.

John also receives a tax deduction on the interest over the term of the loan and can claim depreciation of the truck over the period he owns the truck.

## Effective Life of Depreciating Assets

The ATO has issued Taxation Ruling TR 2009/4 which details the methodology to be used in determining the effective life of a depreciating asset and reproduces its effective life determinations. This ruling replaces the previous Taxation Ruling (TR 2008/4) on the effective life of depreciating assets and is applicable from 1 July 2009.

The effective life of a depreciating asset is used to determine the asset's decline in value. Taxpayers may choose to use the ATO's determination of the effective life of a depreciating asset or make their own estimate. The ATO's determination is reproduced in Tables A and B of the schedule of the ruling.

## 2009 Income tax returns

For those clients who have yet to forward their information for the preparation of your 2009 income tax returns, now is a great time to get organised and forward your information to us.

For all employers please ensure you have lodged your PAYG withholding payment summary annual report otherwise penalties may be applied by the ATO.

Please call one of our team who will be happy to assist you with your enquiries if you require any further information about these or any other taxation or business advisory matters.

*Important: This is not advice. You should not act solely on the basis of the material contained in this newsletter. We therefore recommend that our formal advice be sought before acting in any of these areas. This newsletter is issued as a helpful guide only. Liability limited by a scheme approved under Professional Standards Legislation. Charters' Privacy Policy is available on request. If you do not wish to receive this publication in future please contact our office and advise our team of your request.*