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Client Information Bulletin

Superannuation contributions

It is time to remind clients that Superannuation Contributions have been reduced. The concessional contributions for clients under the age of 50, is now \$25,000. Arrangements for clients over the age of 50 continue, but at a reduced level. The contribution is now \$50,000 up to 30 June 2012.

As a result of the contribution reduction the risk of making an excessive contribution has increased. The Superannuation Guarantee Payments, for example, may result in excessive contributions. Furthermore, contributions paid by another entity on behalf of the Superannuation fund, such as accounting expenses could result in an excess contribution – a fact highlighted in a recent Tax Ruling on Superannuation Contributions (*TR2010/1*).

As 30 June 2010 draws near, it is important that you be aware of the contribution limits and if you are likely to exceed those contributions please contact BDH & Co Pty Ltd so that an appropriate strategy can be put in place.

Some suggestions may be:

- Subject to the Trust Deed of the Superannuation Fund, there may be an opportunity to return a contribution to a member within 30 days of the trustee becoming aware of the excess contribution.
- The contribution be held in reserve for 25 days. Depending on the timing that could result in a situation where the money is held in reserve until, or after 1 July of the calendar year, therefore ensuring the contribution is applied to a future year.

If you have any concerns, please contact Brad.

Tax concessions – Small business

A business that meets the \$2m small business entity (SBE) turnover test, \$6m market net asset value (MNAV) test and is in compliance with the active asset test is eligible for small business tax concessions.

Businesses that have fallen into this category have enjoyed the perception of being in a tax advantageous position with 50 per cent Capital Gains Tax discount concessions, 50 per cent Active Asset Concessions and up to \$1m contributions into superannuation.

Over the last 12 months however the landscape has changed for small businesses. Legislative changes have been made and the Australian Taxation Office has reviewed its interpretive decisions and increased its audit activities significantly.

To be eligible for small business tax concessions there needs to be a 'Capital Gains Tax Event'. If the small business has a Capital Gain, and meets the turnover, market net asset value and active asset tests, it is eligible.

Furthermore, the relevant small business entity test takes into account connected entities, including entities connected with the taxpayer and affiliates of the taxpayer. There are specific issues including the concept of 'control' in a company – whether it is at 40 per cent of the voting capital and dividend rights, or in the case of a fixed trust or partnership, 40 per cent of the income or capital rights.

In addition there are provisions relating to discretionary trusts which involve control of the trust. They include:

- Whether 40 per cent of the distributions are capital or income
- The definition that you are carrying on a 'business' and that your annual turnover is less than \$2m in ordinary income derived through the ordinary course of business but excludes transactions connected with entities and GST.

As a result of significant legislative changes to partnerships, partners now also have direct access to the concessions.

The Australian Taxation Office 2009/2010 compliance program identified the following issues for small businesses:

- Incorrect application of small business CGT concessions including evidence of market values at the time of CGT event
- Evidence of ownership or assets
- Tracing ownership interest and distributions to establish connected/affiliated entities.

It is important that before you consider selling your business that you speak to BDH & Co Pty Ltd ensure that you have a proper plan in place and that all issues are considered carefully.

This is of particular importance when it comes to the eligibility criteria and documentation needed to support the application of the small business concessions.

2010/11 personal tax rate changes

The individual tax rates are changing from 1 July 2010. They

are detailed here – the changes are highlighted in yellow.

If you have payroll software, you will need to ensure that you keep your software up to date so you can download the latest tax rates from your supplier.

The new tax rates starting 1 July 2010 are:

2010/2011 Taxable Income	Tax Rate
\$0 – \$6,000	0 per cent
\$6,001 – \$37,000	15 per cent
\$37,001 – \$80,000	30 per cent
\$80,001 – \$180,000	37 per cent
\$180,001 +	45 per cent

Plus Medicare Levy 1.5 per cent

Business travel rates

The Tax Office is soon to release its 2010/11 travel, accommodation and meal allowance rates.

When claiming travel allowance expenses and overtime meal allowance expenses the following key points must be remembered:

- **The claim must be allowable**
A deduction claim cannot exceed the amount actually incurred for work-related purposes. The payment of an allowance does not of itself allow a deduction to be claimed.
- **An allowance must be paid**
The substantiation exception only applies if the employee is paid an overtime meal allowance or a travel allowance. The allowance must have an identifiable connection with the nature of the expense covered.
- **For travel allowance expenses location is important**
The employee must sleep away from home.

- **The substantiation exception may be applicable**

Where the amount claimed is no more than the applicable reasonable amount, substantiation of the claim with written evidence is not required.

- **Claims in excess of reasonable amounts may require substantiation**

If the amount claimed is more than the reasonable amount, the whole claim must be substantiated with written evidence, not just the excess.

- **Reasonable claims may still need verification**

In appropriate cases, where the substantiation exception is relied on, the employee may still be required to show:

- How they worked out their claim
- An entitlement to a deduction (for example that work-related travel was undertaken)
- A bona fide travel allowance was paid
- If accommodation is claimed, that commercial accommodation was used.

The nature and degree of evidence will depend on the circumstances. For example, the circumstances under which the employer pays allowances, the occupation of the employee, and the total amount of allowances received and claimed during the year by the employee.

For a detailed listing of the 2009/10 'reasonable amounts' as outlined by the Tax Commissioner go to the Appendix. The 2010/11 business travel rates will be included in the next issue of the Client Information Bulletin.

Immediate deductions

When depreciating your assets it is worth considering whether they cost \$300 or less. If the asset is \$300 or less, and the asset purchased was for a taxable purpose, you may get an immediate deduction for the cost of that asset. Four criteria must be met to make this deduction:

- The asset must cost \$300 or less
- You must have used the asset for producing assessable income that was not income from carrying on a business
- The asset cannot be part of a set of assets totalling more than \$300
- The asset cannot be one of a number of identical assets totalling more than \$300.

You may also be eligible for this immediate deduction if you held an interest in an asset purchased in the income tax year, and your interest in this asset was less than \$300.

For example, if you jointly held a \$500 asset with another party, of which you paid 50 per cent – that is \$250, you would be able to make an immediate deduction for the \$250 providing the tests outlined above were satisfied.

Please contact BDH & Co Pty Ltd if you wish to discuss the deduction of assets further.

Commercialisation Australia – Assistance for Australian business

Commercialisation Australia is an initiative that was announced as part of the 2009-10 Federal Budget. It was designed to overhaul the way the Australian Government assists innovative ideas in getting to market with a focus on business.

The program has initial funding of close to \$200m through to 2013 with on-going annual support each year thereafter.

Eligible businesses can access a suite of tailored assistance measures including:

- **Skills and Knowledge**
Providing up to \$50,000 for specialist advice and services aimed at innovators who know their idea is viable but are unsure of what to do next. Applicants need to match the grant 80:20, with the applicant funding 20 per cent.
- **Experienced Executives**
Providing funding for up to \$100,000 per year for two years to assist small business engage executive staff with appropriate management skills and experience that the business owner may need. Funding for this component needs to be matched by the applicant 50:50.
- **Proof of Concept Grants**
Funding from \$50,000 to \$250,000, matched 50:50 by the applicant, to test the business model or idea's commercial viability. The support is provided with the requirement that this testing is completed within 12 months.
- **Early Stage Commercialisation**
Providing an applicant with between \$250,000 and \$2m to undertake activities focused on enabling a new product, idea or service to be developed such that it can be taken to the market. The grant needs to be matched 50:50 by the applicant and is repayable on the success of the commercialisation project

The assistance measures are not exclusive and applicants can apply for any or all at varying stages throughout their business and product life cycle.

As noted above, the Government has placed an emphasis on encouraging responsibility and participation throughout the process and underpins the program with support and mentoring. The application process is based on merit with eligibility criteria applicable.

BDH & Co Pty Ltd can support you through the application process and will assist you with some of the eligibility criteria. For further information you can visit www.commercialisationaustralia.gov.au

Making the most of Government grants to employ apprentices

The Treasurer announced, in the 2010 Federal Budget, an extension to the 'Apprentice Kickstart' program with the aim to help 22,500 youths find employment.

Under the 'Apprentice Kickstart program 2' which commenced on 12 May 2010, eligible employers will be entitled to employ an Australian apprentice 19 years and under undertaking a Certificate III or IV level qualification in a skills shortage trade occupation.

To be an eligible employer you must have fewer than 200 employees.

The incentives available include \$3,350 paid as \$850 at the three month mark and \$2,500 paid at the end of nine months. This is in addition to the standard grant of \$4,000. The program ends on 12 November 2010.

There are also Federal Government support programs available for adult workers who are aged 25 or over at 1 January 2010.

A payment to either the employer or the apprentice, of \$150 per week, up to a maximum of \$7,800 per annum, is available in the first year. Furthermore \$100 per week, up to a maximum of \$5,200 per annum, is available in the second year for those adult workers who upgrade their skills through an Australian Apprenticeship at Certificate III or IV level in an occupation listed on the National Skills Needs list.

Further information about Australian Apprenticeships can be obtained from <http://www.australianapprenticeships.gov.au>

Protecting your business logo

Your business logo is a representation of your business. It provides an insight into your business which if compelling enough, can attract new clients.

Given how valuable your logo is, it is important that you ensure your business logo is sufficiently protected.

In Australia, copyright is not something you can, or need to apply for – it automatically applies. What many do not know however, is that copyright will only protect your logo in the occurrence of an actual replication of part or all of your design. It will not protect the overall idea portrayed in your logo.

This means a very similar logo could be produced by another company which not only detracts attention from your original logo, but also confuses potential clients.

How then do you stop this happening and ensure your logo remains an original?

One of the best courses of action you can take is to register your logo as a trademark.

Registering your logo and associated wording as a trademark prevents others from replicating your logo and prohibits companies from creating deceptively similar logos. Trademark Registration provides protection throughout the whole of Australia, not simply in the state it is registered.

When protecting your logo, it is also important to clarify exactly who owns the copyright to your design – is it you, your graphic designer or an employee? Steps should be taken to ensure you, and not a third party, control copyright over your business logo.

Social networking sites – Pros and cons

In this day and age you can hardly get through a full conversation without someone mentioning the likes of Facebook, Twitter or My Space. The report, 'Friend...or Foe?', by Jane Lindhe of *BRW* magazine, states that in Australia:

- More than six million people use Twitter and,
- More than seven million have a Facebook account.

Do you have this many people connected to your business?

Do you believe your current advertising methods reach these kinds of numbers?

Using social networking sites can allow you to reach a vast number of new clients relatively quickly and inexpensively.

There are those who suggest that the use of such sites can help businesses build stronger relationships with their customers. Used well, businesses can use these tools to keep up to date with their customer's needs and wants

through the real-time link they provide.

On the flip side though, what if you get it wrong?

If mistakes are made, they are made immediately and publically. If the program is not utilised effectively, it is worthless. All levels of your business, from the manager right down through the chain, need to support any new media systems or you will not have a system that works.

Getting it right can be wonderful for the growth of your entity. Getting it wrong could be the end of your good name.

BDH & Co News

We are pleased to introduce Michelle Kedward as a new client manager to our BDH team. Michelle joined our firm in April following her grounding at KPMG. Michelle was a client manager in the KPMG Middle Market Advisory division and brings a wealth of experience and knowledge to our firm.

DISCLAIMER: The contents of this publication are general in nature and we accept no responsibility for persons acting on information contained herein.

Appendix: Business Travel Rates 2009-10

Travel Claims Within Australia 2009-10

The reasonable amounts for daily travel allowance expenses, according to salary levels and destinations, for the 2009-10 income year are shown in Tables 1 to 6 as follows.

Table 1: Employee's annual salary - \$93,600 or below				
Place	Accomm. \$	Food and drink \$ B'fast 22.30 Lunch 25.00 Dinner 43.00	Incidentals \$	Total \$
Adelaide	157	90.30	16.50	263.80
Brisbane	201	90.30	16.50	307.80
Canberra	145	90.30	16.50	251.80
Darwin	159	90.30	16.50	265.80
Hobart	117	90.30	16.50	223.80
Melbourne	173	90.30	16.50	279.80
Perth	164	90.30	16.50	270.80
Sydney	183	90.30	16.50	289.80
High cost country centres	See Table 4	90.30	16.50	Variable - see Table 4
Tier 2 country centres (see Table 5)	107	B'fast 19.95 Lunch 22.80 Dinner 39.30	16.50	205.55
Other country centres	92	B'fast 19.95 Lunch 22.80 Dinner 39.30	16.50	190.55

Table 2: Employee's annual salary - \$93,601 - \$166,500				
Place	Accomm \$	Food and drink \$ B'fast 24.25 Lunch 34.35 Dinner 48.10	Incidentals \$	Total \$
Adelaide	183	106.70	23.55	313.25
Brisbane	233	106.70	23.55	363.25
Canberra	183	106.70	23.55	313.25
Darwin	170	106.70	23.55	294.25
Hobart	150	106.70	23.55	280.25
Melbourne	197	106.70	23.55	327.25
Perth	211	106.70	23.55	341.25
Sydney	225	106.70	23.55	355.25
High cost country centres	See Table 4	106.70	23.55	Variable - see Table 4
Tier 2 country centres (see Table 5)	128	B'fast 22.30 Lunch 22.80 Dinner 44.40	23.55	241.05
Other country centres	110	B'fast 22.30 Lunch 22.80 Dinner 44.40	23.55	223.05

Place	Accomm . \$	Food and drink \$ B'fast 26.00 Lunch 37.00 Dinner 63.00	Incidentals \$	Total \$
Adelaide	209	126.00	23.55	358.55
Brisbane	236	126.00	23.55	380.55
Canberra	230	126.00	23.55	379.35
Darwin	265	126.00	23.55	414.15
Hobart	195	126.00	23.55	344.55
Melbourne	265	126.00	23.55	414.55
Perth	275	126.00	23.55	424.55
Sydney	265	126.00	23.55	414.55
Country centres	\$190, or the relevant amount in Table 4 if higher	126.00	23.55	Variable - see Table 4 if applicable

Country centre	\$	Country centre	\$
Ballarat (VIC)	118.50	Horsham (VIC)	113.00
Bendigo (VIC)	122.00	Jabiru (NT)	198.00
Bright (VIC)	110.50	Kalgoorlie (WA)	130.50
Broome (WA)	207.00	Karratha (WA)	285.00
Bunbury (WA)	120.00	Kununurra (WA)	157.50
Burnie (TAS)	125.00	Launceston (TAS)	115.50
Cairns (QLD)	123.00	Mackay (QLD)	132.50
Carnarvon (WA)	146.30	Maitland (NSW)	108.00
Christmas Island (WA)	122.50	Mount Isa (QLD)	158.50
Cocos (Keeling) Islands	110.00	Newcastle (NSW)	127.50
Dampier (WA)	174.40	Newman (WA)	170.00
Derby (WA)	181.50	Norfolk Island	119.50
Devonport (TAS)	128.50	Port Hedland (WA)	270.00
Emerald (QLD)	113.00	Port Macquarie (NSW)	115.00
Esperance (WA)	115.00	Thursday Island (QLD)	180.00
Exmouth (WA)	190.00	Townsville (QLD)	124.00
Geelong (VIC)	121.00	Wagga Wagga (NSW)	117.50
Geraldton (WA)	129.50	Warrnambool (VIC)	113.00
Gladstone (QLD)	118.50	Weipa (QLD)	138.00
Gold Coast (QLD)	135.00	Wilpena-Pound (SA)	135.00
Halls Creek (WA)	147.50	Wonthaggi (VIC)	122.00
Hervey Bay (QLD)	119.00	Yulara (NT)	331.00
Horn Island (QLD)	159.00		

Country centre	Country centre
Albany (WA)	Mount Gambier (SA)
Alice Springs (NT)	Naracoorte (SA)
Bairnsdale (VIC)	Port Augusta (SA)
Bathurst (NSW)	Port Lincoln (SA)
Bordertown (SA)	Portland (VIC)
Broken Hill (NSW)	Renmark (SA)
Castlemaine (VIC)	Roma (QLD)
Ceduna (SA)	Orange (NSW)
Dalby (QLD)	Seymour (VIC)
Dubbo (NSW)	Swan Hill (VIC)
Echuca (VIC)	Whyalla (SA)
Kadina (SA)	Wollongong (NSW)
Innisfail (QLD)	

Reasonable travel allowance expense claims for employee truck drivers

Amounts claimed up to the food and drink component only of the reasonable domestic daily travel allowance amounts for 'other country centres' are considered to be reasonable for meal expenses of employee truck drivers who have received a travel allowance and who are required to sleep away from home. For the 2009-10 income year, the relevant amounts are:

Salary range	Food and drink		
\$93,600 and below	B'fast	Lunch	Dinner
	\$19.95	\$22.80	\$39.30
	\$82.05 per day		
\$93,601 and above	B'fast	Lunch	Dinner
	\$22.30	\$22.80	\$44.40
	\$89.50 per day		

Travel Claims Overseas 2009-10

If a country is not listed in Table 1 below, use the reasonable amount in Table 2 for Cost Group 1. For an explanation of Cost Groups see the table below.

Country	Cost Group	Country	Cost Group
Albania	2	Estonia	3
Algeria	4	Ethiopia	1
Angola	6	Fiji	2
Antigua and Barbuda	4	Finland	5
Argentina	2	France	6
Austria	5	Gabon	6
Azerbaijan	5	Gambia	3
Bahamas	6	Georgia	3
Bahrain	3	Germany	5
Bangladesh	2	Ghana	2
Barbados	5	Gibraltar	3
Belgium	4	Greece	4
Bermuda	5	Guatemala	2
Bolivia	1	Guyana	2
Bosnia	2	Hungary	3
Brazil	4	Iceland	5
Brunei	2	India	4
Bulgaria	3	Indonesia	3
Burkina Faso	3	Iran	1

Country	Cost Group	Country	Cost Group
Cambodia	2	Irish Republic	5
Cameroon	4	Israel	4
Canada	4	Italy	5
Chile	2	Jamaica	3
China (includes Macau & Hong Kong)	4	Japan	6
Colombia	3	Jordan	4
Congo Democratic Republic	3	Kazakhstan	3
Cook Islands	3	Kenya	3
Costa Rica	2	Korea Republic	4
Cote D'Ivoire	4	Kuwait	4
Croatia	3	Laos	2
Cuba	3	Latvia	3
Cyprus	4	Lebanon	3
Czech Republic	4	Libya	3
Denmark	6	Lithuania	3
Dominican Republic	3	Luxembourg	4
East Timor	2	Macedonia	2
Ecuador	2	Malawi	2
Egypt	3	Malaysia	2
El Salvador	2	Mali	3
Eritrea	2	Malta	4
Mauritius	2	Senegal	3
Mexico	2	Serbia	2
Monaco	6	Sierra Leone	4
Morocco	3	Singapore	4
Mozambique	2	Slovakia	4
Myanmar	4	Slovenia	3
Namibia	2	Solomon Islands	2
Nepal	2	South Africa	1
Netherlands	5	Spain	4
New Caledonia	5	Sri Lanka	2
New Zealand	3	Sudan	4
Nicaragua	2	Surinam	3
Nigeria	4	Sweden	4
Norway	6	Switzerland	5
Oman	4	Syria	3
Pakistan	2	Taiwan	3
Panama	3	Tanzania	2
Papua New Guinea	3	Thailand	3
Paraguay	1	Tonga	2
Peru	3	Trinidad and Tobago	4
Philippines	2	Tunisia	2
Poland	3	Turkey	4
Portugal	4	Uganda	2
Puerto Rico	4	Ukraine	3
Qatar	4	United Arab Emirates	5
Romania	3	United Kingdom	5
Russia	5	United States of America	4
Rwanda	3	Uruguay	2
Saint Lucia	3	Vanuatu	3
Saint Vincent	3	Venezuela	5
Samoa	3	Vietnam	2
Saudi Arabia	3	Zambia	2

Table 2: Reasonable amounts by cost groups

Cost Group	Salary \$93,600 and below			Salary \$93,601 to \$166,500			Salary \$166,501 and above		
	Meals	Incidentals	Total	Meals	Incidentals	Total	Meals	Incidentals	Total
1	\$65	\$25	\$90	\$90	\$25	\$115	\$115	\$30	\$145
2	\$85	\$30	\$115	\$120	\$35	\$155	\$150	\$40	\$190
3	\$120	\$35	\$155	\$150	\$40	\$190	\$180	\$45	\$225
4	\$155	\$35	\$190	\$185	\$45	\$230	\$215	\$50	\$265
5	\$185	\$40	\$225	\$225	\$50	\$275	\$265	\$60	\$325
6	\$215	\$45	\$260	\$270	\$50	\$320	\$310	\$60	\$370