

Beancounter's Bulletin

Baumgartner Partners Quarterly Newsletter

3rd Quarter 2009/10

"Changes to government benefits now in place!"

Introduction

Welcome to this quarter's edition of Beancounter's Bulletin. We hope that you find the contents informative and useful and as usual we welcome any suggestions for future editions. Please refer to our website for regular updates on new and relevant information that may affect you.

Changes to the definition of income in relation to government benefits

Lauren Hoy – Senior Accountant

Your 'adjusted taxable income' (ATI) is used by agencies such as Centrelink and the Family Assistance Office (FAO), to determine your eligibility for certain payments e.g. family tax benefits (FTB), child care benefits, Austudy and youth allowance etc. From the 1st July 2009, the definition of ATI has changed to include:

- Reportable superannuation contributions, and
- Total net losses from rental property or investment income.

Reportable Superannuation Contributions

Reportable superannuation contributions include your:

- Reportable employer superannuation contributions
- Personal deductible contributions

Reportable employer superannuation contributions are salary sacrificed superannuation contributions or other contributions your employer makes to a superannuation fund on your behalf, that are above the minimum 9% superannuation guarantee requirement.

Similar to reportable fringe benefits, employers will be required to report all reportable superannuation contributions they make on your behalf on your payment summary.

Total Net Investment Losses

Your total net investment losses represent the amount of deductions you claim for your financial investments and rental properties, that exceed the income you receive from them - not capital losses.

These changes have been introduced to increase the fairness between individuals and families, regardless of how they choose to receive their salaries or how they choose to invest.

Depending on your circumstances, these changes may affect the payments you receive from Centrelink and the FAO, and you may need to provide additional information concerning your income to each agency.

Also, from the 1st July 2009 current and prior year FTB claims can no longer be made via the lodgement of your income tax return. FTB claims must now be made directly through the FAO (www.familyassist.gov.au).

From the 2010 income year onwards, new labels will be introduced to income tax returns for individuals, to include your total net investment loss and reportable employer superannuation contributions.

When calculating your income to determine your liability for the medicare levy surcharge and higher education loan programme repayments, the Australian Taxation Office (ATO) will also include these two new categories in your income.

If you are unsure of how these changes may apply to you, please do not hesitate to contact your client relationship manager at our office.

*"More
superannuation
changes are on the
way"*

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Superannuation Update – The “Cooper” Review

David Burrows – Superannuation Partner

A review of Australia's superannuation system is currently taking place and is being chaired by Jeremy Cooper, a former deputy chairman of the Australian and Securities Investment Commission. The super system review is focused on achieving an outcome that is in the best financial interests of members, and which maximises retirement incomes for Australians.

The review has been broken up into the following three phases:

1. Governance
2. Operation and efficiency
3. Structure (including SMSFS)

Submissions for the first two phases have closed and the panel has released its preliminary report on phase one, which proposes a shift in focus from an industry/product focus to a member focus. Individuals will be categorised as either disconnected; universal; choice; or self-managed within a model that aligns more closely with member interests.

Also, the phase three issues paper has been released and some of the questions raised include:

- Should the responsibilities of SMSF trustees be less onerous than for trustees of non-SMSF funds?
- Should there be some minimum level of financial and compliance knowledge required for SMSF trustees?
- Should the Australian Taxation Office have the power to impose training or accreditation requirements on SMSF trustees where they have been breached legislative requirements?
- Should there be restrictions on the investments that can be held by SMSFs?

The questions above show the detail being considered by the review panel in relation to SMSFs and accordingly, with all facets of the superannuation system being reviewed to this extent, the panel is likely to suggest some significant changes to the system as we currently know it.

We will keep you informed of relevant announcements or changes as they occur, but if you would like to know more about the review in the meantime, you can keep up to date at

www.supersystemreview.gov.au

Accountant Joke of the Quarter

Two accountants are in a bank, when armed robbers burst in. Whilst several of the robbers take the money from the tellers, others line the customers, including the accountants, up against a wall and proceed to take their wallets, watches, etc. Whilst this is going on accountant number one jams something into accountant number two's hand. Without looking down, accountant number two whispers, "What is this?" to which accountant number one replies, "it's that \$50 I owe you."

Around the traps

We would like to announce that David Burrows and Cath Burrows are expecting their third child in April 2010.

The information contained in this newsletter is of a general nature and is not intended to address the circumstances of any individual or entity. It does not constitute advice per se and should not be relied or acted upon without appropriate financial advice from Baumgartner Partners. The information is objectively ascertainable and therefore does not constitute financial product advice. As legislation may change rapidly, we cannot guarantee that the information contained in this newsletter is accurate at the time of reading or will continue to be accurate in the future. Liability limited by a scheme approved under Professional Standards Legislation.