

JPH TAXATION SERVICES PTY LTD

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2006 CLIENT NEWSLETTER

As we turn our attention to completing 2006 Taxation Returns it is important all clients continue to be aware of their tax obligations especially in relation to the substantiation of work related expenses, the record keeping requirements and particularly rental property expense claims.

ATO AUDIT ACTIVITY

The Australian Taxation Office continues to focus its attention on areas where expense claims continue to increase. The main areas of attention are as follows:-

1. Motor Vehicle Expenses

Taxpayers should be aware if they are using the log book method i.e. over 5000 business kms for the year, they must maintain a log book and prepare a new log book for the required 13 week period every five years. Please note the opening and closing odometer reading must be recorded each year.

Taxpayers are claiming using the cents per km method i.e. 5000 or less business kms for the year must retain diary records to support the total kms claimed.

2. Work Related Expenses

All expense claims must be associated with current employment and be substantiated by the appropriate receipts. Bank/Credit Card Statements and electronic evidence can be used to support expense claims generally.

3. Self Education Expenses

In order for a claim to be made, you must be able to demonstrate that you need to improve your skills for your current work or are likely to increase your income earning capacity in your current work.

4. Donations

Donations can only be claimed if the recipient is endorsed by the Taxation Commissioner and there is no benefit to the taxpayer i.e. Raffle tickets, function expenses, compulsory school building fund payments are not claimable as donations.

5. Clothing

For clothing to be deductible it must be occupation specific, protective clothing or a uniform. A uniform must clearly state on it the name of the employer.

6. Sun Protection

Taxpayers must be able to substantiate any sun protection claims by receipts and the expenditure must be associated with your income earning activities. Industries where this claim is appropriate are building/construction, delivery/courier services, landscape/gardening services, outdoor sport/other outdoor services.

7. Rental Properties

The ever-increasing number of rental property owners, coupled with the increase in associated deductions being claimed, has prompted the introduction of a special unit by the Taxation Office to investigate a number of areas including:

- Capital improvements claimed as repairs.
- Expenses claimed where the property is not available for rent.
- Estimating construction cost rather than obtaining Quantity Surveyor Report.
- Interest claimed on loans that are partly for private use (including split loan facilities).
- Travelling expenses which are partly private.
- Borrowing expenses being incorrectly apportioned.

8. Capital Gains

The Australian Taxation Office is continuing its focus on Taxpayers who cease to have rental or dividend income and there is no Capital Gains Schedule completed. The ATO has also introduced a matching program on disposals of both shares and property to add further scope to their audit of this area. The date on which a property Capital Gain/Loss must be reported is the contract date not settlement date.

It is important to note that the transfer or sale of any asset except your own home will generally generate a reportable capital gain/loss.

CHILD CARE TAX REBATE

From 1 July 2006 all families can claim a child care rebate for approved child care expenses incurred between 1 July 2004 and 30 June 2005 for the weeks you received child care benefits (CCB) and passed the work/training/study test. A lump sum CCB claim must be lodged with the Family Tax Assistance Office if you haven't received CCB for the 2004/05 year. All eligible families can receive CCB regardless of income and lump sum claims must be lodged within 2 years of the end of the financial year for which you are claiming.

To claim the rebate in your 2005-06 income tax return you will need to keep the following records:

- Your end of year financial year CCB letter sent to you by the Family Assistance Office for the period 1 July 2004 to 30 June 2005; and
- Verification of approved child care expenses for the period 1 July 2004 to 30 June 2005 in the form of:
 - A summary statement of expenses incurred and the dates of the child's enrolment period supplied by the child care provider; or
 - Receipts, cheque butts, credit card statements; or
 - Bank statements.

MAY 2006 BUDGET ANNOUNCEMENTS

A number of announcements regarding superannuation changes were announced by the Treasurer in the recent Budget. You should note these proposed changes are not yet law and they are proposed to commence from 1 July 2007.

GENERAL INFORMATION

a) Office Hours

Monday to Thursday	8.00 am – 8.30 pm
Friday	8.00 am – 5.00 pm
Saturday	9.00 am – 1.00 pm

Please note that appointments are essential.

b) Mailing Service

While we prefer to meet clients personally we appreciate that for some clients this is not practical or convenient. Consequently we continue to offer our mail / email / fax facilities for the convenient completion of your 2006 Income Tax Return. To use any of these services, please complete the enclosed schedule and attach any necessary documents, including PAYG Payment Summaries.

It is important to provide as much detail as possible on the schedule and where you are unsure attach additional information.

c) Fees

Our fees are a reflection of the time and complexity associated with the preparation and lodgement of a return as well as the processing of the Assessment Notice. The increased complexity of the Tax System and the associated administrative requirements imposed on Accountants are reflected in fees charged to clients.

Please note there is a continued increase in correspondence, both written and by telephone with the Australian Taxation Office, on behalf of clients. Many of these matters are handled internally without any contact with clients. The time and cost taken to handle these queries are generally absorbed by our office.

We appreciate the continued support our business receives from clients and we trust we continue to provide an excellent level of service at realistic fee levels.

WEBSITE

Our updated and improved website has additional information for your assistance and can be accessed at www.jphtax.com. The Latest News page on the website is updated regularly with the most up-to-date tax information.

