

Last chance – investment allowance ends 31 December



If you run a small business with a turnover below \$2 million, you only have a few weeks left to take advantage of the Government's 50% investment allowance. The same deadline also applies to the 10% investment allowance for businesses with turnover above \$2 million.

As you no doubt already know, for small businesses the investment allowance gives you a 50% extra deduction on assets that cost more than \$1,000 (GST ex) assuming the eligibility criteria are met. For other businesses, the investment allowance gives you a 10% extra deduction on assets that cost more than \$10,000 (GST ex) assuming the eligibility criteria are met.

To take advantage of the investment allowance you need to:

- Make sure the asset is intended for use in a business in Australia
- Make a commitment to purchase or construct the asset before midnight on 31 December 2009. This commitment could be an order or the signing of a contract but BEWARE; if a hire purchase or certain chattel mortgages are used to finance the purchase or construction of the asset, these financing arrangements (as well as the order/contract) must be in place by midnight on 31 December 2009
- Use or install the asset ready for use before 31 December 2010
- Make sure the asset is a tangible, depreciable asset
- Make sure the asset is new – if the asset has been used previously, it can only be for a 'reasonable' trailing and testing. Not everything labelled as 'demonstrator' will pass this test.

You can purchase a huge range of items using the investment allowance such as business vehicles, computers, furniture, tools and equipment.

You can also use the investment allowance to upgrade an existing asset in certain circumstances (but not repairs). For example, if you want to make modifications to existing equipment or buy additional items for the equipment.

Plus, if you are looking to buy a series of items that are 'identical' or 'substantially identical', you can group the total cost of the assets to meet the threshold. Remember, the investment allowance is available for people and entities 'carrying on a business'; it is not available for passive investments such as rental properties

You can use the asset purchased for personal use and still claim the investment allowance as long as the purchase is principally for business purposes (over 50% of the use is in the business).

This is just a summary of what you need to be aware of to qualify for the investment allowance and does not cover every circumstance or all the criteria that might apply to you. If you are uncertain about the investment allowance, the impact of any investment on your cash flow, or how best to manage any intended investments, contact [IMPACT Accounting Solutions](#) today on **07 5530 6395**.

Business Scruples: Christmas Parties and the ATO



Welcome to the second edition of business scruples – an Agony Aunt column for business professionals.

Dear Business Scruples,

I'm feeling generous towards my employees but I don't want to give the Tax Office a Christmas bonus. What's the best way to manage Christmas parties and gifts?

You can do whatever you like but if you do it the wrong way, you will be hit with FBT, which can significantly elevate the costs of Christmas, or leave you unable to claim the festive expenses as a deduction. Not even Christmas escapes the Tax Office! Baah humbug.

The good news is that if you know the rules, with a bit of planning you should be able to avoid the tax pitfalls.

Christmas parties

The rules are different depending on whether the party is held on your business premises or externally. If the party for employees is held on your business premises on a working day, the provision of food and drink to employees is classified as an 'exempt property benefit', so it is not counted for FBT purposes.

This rule does not apply to family members, so FBT will be triggered if they attend but your business should be entitled to deductions and GST credits for part of the cost.

If you hold the party at a restaurant or somewhere away from the business premises then you are inside the FBT net but you still may be able to avoid any liability. Under the minor benefits exemption, provided the total cost per person is less than \$300 then the benefit will not be counted for FBT purposes. If your staff are bringing partners or family to the party this exemption extends to them.

The bad news is that if you avoid paying FBT on the Christmas party, you cannot claim GST credits or a deduction for the expense.

If your party costs more than \$300 per person then you will be caught by FBT but you can at least claim GST credits and a deduction. The cost of providing a Christmas party for clients is not deductible (and not subject to FBT).

Gifts for your team

If you are really taken with the Christmas spirit and decide to provide your staff with a gift then the minor benefit exemption also applies to this gift. So, if you give your

team a gift with a value of less than \$300 this would generally be exempt from FBT. Gifts of \$300 or more will generally be subject to FBT in the hands of the employer. The \$300 threshold for gifts applies in full even if the gift is provided at a Christmas party.

Employers can generally claim deductions and GST credits for the cost of gifts that are provided to employees. The main exception is where the gift relates to entertainment (e.g., theatre or sporting tickets, holiday accommodation etc). If the gift relates to entertainment, the business can only claim deductions and GST credits if the gift is subject to FBT.

Gifts to clients

Gifts to clients should be deductible and should give rise to GST credits if the business expects that:

- The gift will promote the business and create goodwill, leading to further business being generated in future; or
- The gift will motivate the client to refer the business to others.

Businesses cannot claim deductions or GST credits if the gifts relate to entertainment. Gifts to clients should not be subject to FBT.

To avoid any FBT liability simply plan your Christmas celebrations around these minor benefit numbers and, as with all things, make sure you keep the paperwork to support your calculations. This should include details of the cost of the party plus a list of attendees so you know the total number you can apply the minor benefit exemption to. Armed with this information, Scrooge, in the form of the Tax Commissioner, will not spoil your party.

For more information visit the *ATO website*.

For more information on how best to manage this year's Christmas Cheer contact *Doug Ward* or *Ben Fitch* at *IMPACT Accounting Solutions*, or call today on **07 5530 6395**.

Merry Christmas from IMPACT Accounting Solutions



IMPACT Accounting Solutions wishes you and your family a happy and safe Christmas. We look forward to working with you in 2010 and helping you to make it a great year.

We wish to advise that the office will be closed for the Christmas break from 12pm Wednesday 23 December and will reopen on Monday 11 January 2010.

Tax Office Report for 2008-2009



The Tax Office's Annual report 2008-09 was published recently to inform Parliament, stakeholders and community about its performance in administering the taxation system.

[Read more on the Tax Office's Annual Report](#)

Small business CGT concessions: comparison of new and old law



There have been several changes to the small business capital gains tax (CGT) concessions that apply for the 2006-07, 2007-08 and 2008-09 income years.

Changes to the eligibility thresholds have made it easier for your small business clients to access the concessions.

There have also been changes to the basic eligibility conditions as well as changes to the grouping rules and to the conditions within some of the concessions.

A detailed year-by-year comparison of the changes is available in [Comparison of key features of new law and old law for the small business capital gains tax concessions.](#)

[Due date for lodgment or payment falling on a weekend or a public holiday](#)

This fact sheet provides current arrangements if a lodgment day or payment due date falls on a weekend or public holiday.

[Letter program about using carried forward losses](#)

During October and November 2009 we are sending letters to selected tax practitioners who have business clients with an annual turnover of \$2 million to \$10 million.

[Lodge tax returns by 7 December to avoid delayed refunds](#)

Broadcast sent on 29 October, advising tax agents with large business clients to lodge their income tax return due 15 January 2010 no later than 7 December 2009 due to the implementation of the Tax Office's new computer system.

[Mail in the portal](#)

You can use the Tax Agent Portal to send and receive messages on a range of topics. This page lists the topics available.

[Commissioner of Taxation Annual Report 2008-09](#)

This annual report details the performance of the Tax Office over the 2008-09 period (NAT 0995-10.2009).

[JCPAA Submission October 2009](#)

Tax Office submission to the Joint Committee of Public Accounts and Audit (JCPAA) by the Commissioner.

[Tax Office welcomes ANAO's report on systems improvements](#)

Tax Office welcomes the Australian National Audit Office's (ANAO) report on systems improvements.

[Keydates for tax agents - November](#)

November key dates for tax agents.

[Foreign exchange rates](#)

List of daily, monthly and annual foreign exchange rates. Updated to include monthly and daily rates for October 2009.

[Non-commercial losses - changes to restrict loss deductions for high income individuals](#)

A Bill was introduced into parliament on 21 October 2009 to further restrict the deductibility of losses under the non-commercial loss rules.

[Optional CGT loss roll over for complying super funds](#)

This measure will provide an optional CGT roll over for capital losses under a complying super fund's merger with an Australian Prudential Regulation Authority (APRA) regulated super fund before 1 July 2010.

[Reforming the taxation of employee share schemes](#)

A Bill was introduced to Parliament on 21 October 2009 to change the taxation of employee share schemes, as announced in the May 2009 budget.

[Legal Database updates](#)

The latest updates to the Legal Database.

[Better practices for the administration of FBT](#)

Although primarily for use by government agencies, this information is designed to meet the needs of Chief Executives, Chief Financial Officers and fringe benefits tax (FBT) Risk Managers responsible for governance and control arrangements and managing resource requirements.

[Capital allowances: Fruit juice manufacturing assets - draft effective life](#)

This document makes available for comment the draft effective life for fruit juice manufacturing assets. Comments should be made by 24 December 2009.

[SuperUpdate October 2009](#)

Monthly electronic newsletter for super funds.

[WET on imported products](#)

This information explains when to contact Customs and Border Protection and when to contact the Tax Office for enquiries about wine equalisation tax (WET) on imported products.

Quote of the Month

*"A banker is a fellow who lends you his umbrella when the sun is shining,
but wants it back the minute it begins to rain."*

Mark Twain