



## Imagine Four Your Say

### Pomegranate Power

Australia's first natural pomegranate body range, based on nature's super fruit – long prized for its incredible healing and anti-ageing qualities – can be yours.

The pomegranate has been used from as early as 1553 BC as a key ingredient in the treatment of arthritis, circulation disorders, viruses and digestive problems. Scientists have found that this marvellous fruit can prove helpful in the prevention of skin cancer, prostate cancer, breast cancer, diabetes and even osteoarthritis, according to the American Association for Cancer Research (AACR).

Essential Stuff is the producer of Australia's first dedicated non-artificial pomegranate skincare range, using 100% active ingredients. There are no artificial colours, fragrances or animal testing. The Essential Stuff range is available online and from specialist distributors [www.essentialstuff.com.au](http://www.essentialstuff.com.au)

Email your letters and comments to: [letters@imagineyourlifestyle.com.au](mailto:letters@imagineyourlifestyle.com.au)

# Taxation faq

If you would like to ask our experts any financial questions or anything relating to your lifestyle, email your questions to:

[ask@imagineyourlifestyle.com.au](mailto:ask@imagineyourlifestyle.com.au)



#### WHAT IS TAX?

Tax is money that people and businesses pay the government. The Australian Taxation Office (ATO) collects income tax and other Commonwealth taxes, such as goods and services tax (GST). These taxes are used to provide services to the community, such as health, education, defence, roads, social security and welfare.

#### RECORDS YOU NEED TO KEEP

The Australian tax system works by self assessment – The ATO accept the details you put on your tax return and process it. However, the ATO can later ask you to provide the records and information you used to complete your tax return. It's your responsibility to complete your

return accurately and be able to prove the claims you made. Your records are critical in proving, or substantiating, your claims.

#### HOW DOES INCOME TAX WORK?

The main tax you'll pay is income tax, which is charged on income you receive, such as salary and wages, investment income and business income. Generally you pay income tax during the year as you earn it – for example, if you're an employee your employer will take it from your wages. The amount of income tax you pay is linked to how much you earn and whether you're an Australian resident. The more you earn, the higher your rate of tax.

#### YOUR TAX RETURN

At the end of the income year (30 June), most people need to lodge an annual income tax return to tell us how much income they received, tax they paid, and any deductions or offsets. If you're an employee, most of this information will be on a payment summary that your employer gives you. You have until 31 October to lodge your income tax return (unless you have it prepared by a registered tax agent).

The ATO will use the information you give them to work out your tax refund or tax liability. The ATO then send you a notice of assessment and your tax refund if you're entitled to one.

## Win!

Send us a question or letter and two lucky readers will win an Essential Stuff package, valued at over \$100 each.

Essential Stuff pack contains:

- Pomegranate & Rosewood Hand Cream, 100ml \$24.70
- Pomegranate and Lemon Fusion Body Wash, 250ml \$28.70
- Pomegranate and Citrus Burst Body Butter, 250ml \$37.95
- Pomegranate and Peppermint Foot Balm, 100ml \$24.70

# TaxTimeTips

**T**hat time of the year is approaching, and the Commissioner has some news and advice for us all. For those among us affected by the natural disasters that swept through all states recently, help is still available, according to Commissioner of Taxation Michael D'Ascenzo. "To assist the community during the recent natural disasters those in affected postcodes automatically had their lodgement and payment dates deferred," he said. "All December and January monthly activity statements were deferred until 21 March 2011 and all December (Q2) quarterly statements

until 28 March 2011.

"Although the deferrals have come to an end, taxpayers who feel they need further assistance can contact the ATO, even if they are not in the list of affected postcodes. We will take your circumstances into account to see what we can do to help you through difficult times."

Any deferrals that have already been granted will continue to apply. A list of identified affected postcodes can be found on the ATO website, [www.ato.gov.au](http://www.ato.gov.au). Businesses and individuals seeking further assistance can contact the ATO's dedicated emergency support information line on 1800 806 218.

#### HOW MUCH INCOME TAX YOU PAY

The more you earn, the higher your rate of tax. If you're an Australian resident, the first \$6,000 you earn each year is tax free – it's called the tax-free threshold. The next \$29,000 of income is taxed at a rate of 15%. The highest rate of tax is 45%, for income above \$180,000.

#### DEDUCTIONS YOU CAN CLAIM

When completing your annual tax return, you're entitled to claim deductions for some expenses that are directly related to earning your income. You subtract these 'allowable deductions' from your 'total income' to reduce your taxable income.

You may be able to claim deductions for expenses that directly relate to your work as an employee (work-related expenses) or your investment income.

The most common work-related expenses are:

- vehicle and travel expenses
- work clothing expenses
- self-education expenses.

If you own a rental property, many of the associated expenses – such as mortgage interest payments, building insurance and council rates – are deductible.

If you earn income from interest and dividends, you can claim deductions for expenses such as account-keeping and management fees, and interest charged on money borrowed to purchase shares.

**No one likes to pay more tax than they need to, but keeping up with the complexities of changing tax laws is no mean feat.**

**There are tax-effective ways of saving and investing for your future and the cost of getting the right advice can often be covered by just one smart tax move.**

**Co-contributions, salary sacrificing, offsetting the income from investments – these are just some of the ways you can reduce your tax bill while planning for future wealth. There may be even more that apply to your specific situation, and a professional financial planner can help you discover the best ways to manage tax.**

# What is...

## CAPITAL GAINS TAX

Capital gains tax (CGT) is the tax you pay on a capital gain. It is not a separate tax, just part of your income tax. The most common way you make a capital gain (or capital loss) is by selling assets such as real estate, shares or managed funds investments. Managed funds also distribute capital gains you must report.

You are taxed on your net capital gain at your marginal tax rate.

Your net capital gain is:

- your total capital gains for the year
- minus
- your total capital losses for the year and any unapplied net capital losses from earlier years
- minus
- any CGT discount and small business CGT concessions to which you are entitled.

## ENTREPRENEURS' TAX OFFSET (ETO)

If you are a small business entity and have an aggregated turnover of \$50 000 or less, then you will be eligible for an ETO of 25% of the tax payable on your business income. The offset phases out when your aggregated turnover is greater than \$50 000 and ceases once your turnover reaches \$75 000.

## FRINGE BENEFITS

If your employer gives you benefits because of your employment – for example, they provide you with a car – they may have to pay tax on the value of these benefits. This is called fringe benefits tax (FBT). You may need to include the value of any fringe benefits in your income tax return, and for many income tests, such as super co-contributions and some income-tested government benefits.