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TAX TALK

Summer 2008

Hi and welcome to the Summer Edition of Tax Talk!

This has been a time of change for our country with the election of a new government. Time will tell what changes to our economy and tax system will be introduced however for most people I would think it would be business as usual. This means continuing to strive, plan and to make the most of your business and personal tax situation. It also means taking advantage of those things this year that may be available to you still such as the superannuation co-contribution (for both business and personal), tax entrepreneur's discount, superannuation deductions, negative gearing and so on.

This issue of Tax Talk includes recent and upcoming changes as well as practical information including the increase in FBT limits for Christmas parties and gifts for employees. I would also like to take this opportunity to welcome Coleen to the team who comes onboard as the new book-keeper extra-ordinaire. If you are struggling keeping up with your book-keeping make sure you contact us for a quote. I would also like to thank my gorgeous receptionist Victoria who is leaving us at the end of this year. She started as a nervous 15 year old and leaves with I hope renewed confidence and also some great new skills. We wish her the best in whatever she decides to do.

Plan now for super changes

Back in 2004 the Government passed a little-commented on amendment which means that the 9% compulsory superannuation contribution will be calculated on the concept of ordinary time earnings for all employees from July 2008. At present you may be contributing in accordance with your award which may exclude certain allowances, commissions and bonus payments from ordinary times earnings however under the new earnings concept these payments would more than likely attract superannuation. Being prepared for the change is key. Employers should start assessing the cost impacts to their business including if they need to reduce bonuses and commission percentages as a result. More

information will be available in the new year as the government rolls out the changes however businesses should start to determine the impact on their business now so that they can plan for this.

FBT and Christmas Parties

As of April, 2007 there are new limits for what you can spend on a Christmas Party or on employee gifts. If you are not a tax-exempt organization and do not use either the 50/50 split method or the 12 week register method for meal entertainment, the following may help you determine what the maximum you can spend to avoid FBT implications:

- Exempt benefits – the entire costs of Christmas parties are exempt

from FBT if they are provided on a working day on your business premises and consumed by current employees.

- Exempt benefits (minor benefits) – a Christmas party may be a minor benefit and exempt no matter where it is held if the cost of the party is less than \$300 per employee and certain conditions are met.
- Gifts provided to employees – a gift may be a minor benefit and exempt if the cost of the gift is less than \$300 per employee and certain conditions are met.

If you're still confused please do not hesitate to contact us.

Don't Buy a Car or Equipment without Calling us

Before you purchase your car or equipment, make sure you give us a call. Firstly we want to ensure you are using the right type of loan for you. This particularly includes the correct advice relating to GST and FBT implications associated with these products and secondly we may be able to arrange a better deal! We have access to a wide range of lenders via our lending broker and you only need to deal with our office. With your financial information already at our fingertips this additional service takes the headache out of organising your own finance and saves you money with the great rates we can obtain.

Personal Deductions

Did you come to see us last year with a list of what you could have claimed but you didn't keep the receipt? Make sure that if you are purchasing an item that may be a tax deduction that you keep the receipt but also purchase using credit card or eftpos. This ensures that if you lose the original receipt the deduction can

still be claimed with the bank statement as proof of purchase. Also, if you are unsure if you can claim an item as a tax deduction always keep the receipt and ask me when you have your tax completed. We can always strike your claim but we cannot resurrect it without the receipt being kept.

New Business Kit

Have you started a new business or are thinking about starting one? To assist you we have compiled a free New Business Kit which is full of checklists, tax and business information and helpful fact sheets. Contact Victoria at our office for one to be posted out to you.

Avoid the Christmas Cashflow Crisis!

You may have noticed that in almost every issue of Tax Talk I include an item on Cashflow management. This is because poor cash management has been the downfall of many businesses that should have been great successes. A cash flow budget helps manage borrowings, collection of debtors, payment of employees, creditors and owners as well as plan for investment spending. The profit and loss statement that I look at with businesses at the end of the year is an accounting concept – cash is the real thing! Without a cash flow budget you cannot plan your peaks and troughs and determine when the business may need extra finance or to plan for increased/decreased sales and spending. If you are struggling with business cash flow or do not have a cashflow budget please contact me for either a cash flow budget template or to plan how you can manage your cashflow better.

Are you claiming car, computer, office expenses etc?

If you are claiming car expenses using the log book method make sure that your log book is current (kept within the last 5 years with the usage relatively unchanged). If you are claiming home office expenses or work/study from home then keep a log of the hours you are working from home for one month so that we can justify the hours claimed. Similarly with computer or internet expenses I would recommend that you keep a log of your usage for one month to verify the percentage being claimed. These logs may also surprise you as I find that people are unaware of how much time they are actually spending working or study from home.



Finally on behalf of myself and my staff we wish you a blessed Christmas and a happy and joyful new year!

Please note that the office will be closed from lunchtime 21st December until Monday 14th January.

I hope that you all are able to take the opportunity to relax and unwind over the summer and look forward to welcoming in a fantastic 2008.

For more information on anything in this newsletter or for general accounting and taxation advice please contact **Melissa Browne** on **02 4739 5600**