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TAX TALK

Winter 2008

Welcome to the Winter Edition of Tax Talk!

W

Having a grandparent that celebrated Chinese New Year has always been an advantage for me as it gives me the opportunity to have a second chance at a new year if I'm not happy with the first one! You can also have a second chance by using 1st July as your 'new year'. So if your new year's resolutions faded faster than your hangover did then take some time to plan your new year's financial resolutions. Your resolution might be wealth accumulation, investing, tax planning, starting a business or turning your existing business into the best business that it can be.

Whatever your new year's resolution we hope that this Edition of Tax Talk inspires you to make the most of your tax/financial situation and begin the new financial year ready to make this the best year yet for your business and your finances. We look forward to wishing you all a 'Happy New Year' or 'Kung Hei Fat Choy'

Are you risking a fine with Super?

If you have employees (or if you operate under a company structure and pay yourself wages) then you must pay compulsory super each quarter. This payment must be received by the super fund by the 28th day of the month following the end of the quarter (eg July, October, January and April). If you do not remit payment you will need to pay the superannuation surcharge. So make sure you put it into your diary each quarter to ensure that you make this payment in time. If you are a 'mum and dad' company and paying wages to yourselves you are not exempt from this requirement so you need to ensure that you comply as well.

Super Funds - are they now able to borrow?

There have been some recent changes to the borrowing and in-house asset provisions of the Superannuation Industry (Supervision) Act 1993 (SIS) which may have an impact on how asset purchases are structured. Some clients have already contacted us to find out if they can now borrow via their super funds. There are many issues to consider in terms of the implications of these amendments but what they do not mean is that a superannuation fund can now simply borrow to acquire assets. There is an ability for a superannuation fund to borrow, but the way in which the trustee borrows must be structured correctly to comply with the strict provisions of the SIS Act. It is early days with regards to these amendments and care needs to be taken. My advice if you want more information is to make an appointment to come and talk to us.

Lending and the right Product for you

For many businesses choosing the wrong equipment financing can make an enormous impact on their cashflow as certain products mean you receive your GST on your next BAS, others mean you claim it only as you make your repayments and for others an extra year can mean a huge increase in the interest component. To avoid these pitfalls we now offer finance services through many different companies including traditional lenders and can arrange everything through our office. Our quotes are extremely competitive and means that you don't have to wade through the minefield yourself and we have access to fleet discounts which means that you have access to 'big business' discounts on most cars. This alone can save you thousands. To organise a quote next time you need financing for equipment or a vehicle please contact our office.

New Business Kits and Business Health Checks

Thinking about starting a new business or in business but feel like you are 'bumbling along'? Then our free New Business Kit is full of information and checklists to help you to start your own business whilst our Business Health Check is an invaluable service that is available to businesses where we can track with you to help you work on business issues within your business. For more information or to obtain a copy of our FREE New Business Kit please contact our office.

Do you think a Tax for hiring staff is unfair?

We are finding more and more businesses are beginning to creep into the payroll tax system. If you pay more than \$600,000 in wages (including superannuation) in a

financial year then you have the privilege of paying an additional tax levy to the state government. We feel that this is grossly unfair as it often hits at small to medium businesses who are hiring locally and are being penalised for growth. We are conducting a campaign to write and meet with our local members. If you feel strongly about this issue we would encourage you to drop us an email or a letter that we can forward with our letter and take to our meeting. If you simply gripe but do nothing then you can have nothing to complain about so please get involved and drop us a line today!

Budget Changes for Small Business

There were many changes in the recent budget – not all looked upon kindly by taxpayers. The following represent the biggest changes for businesses:

- From 1 July,08 eligibility for the entrepreneurs' tax offset will be subject to an income test. Previously other income was not taken into account.
- From 13 May 08 the FBT exemption on certain work related items (eg laptop computers) will only apply where the item is used primarily for work purposes but will extend to all work-related portable electronic devices. However employees will be denied depreciation deductions personally.

Big Budget Changes for Individuals

The biggest changes in the budget affected individuals. These changes include:

- From 1 July 08, personal tax cuts including raising the second tax bracket to \$34,000, raising the second tax bracket to \$80,000 and the highest tax bracket to \$180,000
- From 1 July 08 the Medicare Levy Surcharge will be increased for

singles to \$100,000 and for families to \$150,000.

- From 1 July 08, the Low Income Tax Offset and Senior Australian Tax Offset thresholds are both increasing.
- From 1 July 08 the child care tax rebate (now claimed via the Family Assistance Office) will increase from 30% to 50% per child.
- If you are salary sacrificing the interest on your jointly held rental property you will no longer be able to do this after 31 March, 2009.

There are many other changes that don't relate to the tax climate but may affect you. If you believe the changes will affect you then you should plan to make the most of the changes as they relate to your individual circumstances. For more information please contact me.

Financial Planning and Insurance

We have been able to secure great lending deals for our clients and are being asked more and more regularly to recommend financial planners or insurance brokers. We are pleased to be able to introduce Steve Walpole and Lisa Parsons from **Keystone Partners**. Keystone have built their practice to support clients who want to take proactive steps to achieve their financial goals and we feel this is a great fit for our clients. If you would like more information on their service or would like a referral for financial planning or insurance please contact us.

New Website!

We have finally caught up with technology and on **15th July** will be launching our fabulous new website with loads of useful information contained on it. The site address is: **www.acctaxadv.com.au**

Newsletter Design:



www.sheldesign.com.au

TOP TEN TAX SAVING TIPS

Every year I am asked what is the best way to reduce the tax payable. Here are ten easy ways that you can save money at tax time – of course it is up to you to make sure that you actually do something prior to 30 June! Or if you've left it too late then make sure you start to implement these suggestions from 1st July for next year!

One

Claim all work related deductions you are entitled to. If an employee you can produce the receipt or the credit card/bank statement as evidence of the deduction.

Two

Ensure you keep the necessary 'log books' for motor vehicle, home office or travel claims.

Three

Make the most of any tax-offsets available such as medical expenses, superannuation, child care rebate.

Four

Consider negatively gearing an investment such as rental property or shares.

Five

Consider salary sacrificing, particularly if your employer is FBT exempt or you are buying an FBT exempt item such as a laptop.

Six

Monitor the timing of your income, deductions, capital gains and losses. This includes deferring income to take advantage of offsets available and next year's higher tax brackets or 'wash sales' to crystallise capital losses if you have made a capital gain this year.

Seven

Consider using a discretionary trust for investing for greater flexibility in distributing income.

Eight

Make a donation to charity.

Nine

Take advantage of the co-contribution if you are eligible by making a \$1,000 after tax contribution to super. Note that this is now an option for small businesses.

Ten

For small business owners the above can apply but you may also want to consider:

- a. Making additional contributions to super
- b. Revisiting your business structure. Mum and dad partnerships have been given the green light by the ATO; you may be ready to look at a company or trust; or you should be ditching your company and moving back to a partnership or sole trader
- c. Timing your income and deductions close to 30th June particularly in light of advantages such as the entrepreneurs tax offset or increases in tax brackets
- d. Buy any low value assets prior to 30th June

Tax Time Checklist

Following is a non-exhaustive checklist of information that you may need to complete your tax return. If you are uncertain whether you should bring particular information to your appointment, please do not hesitate to call prior to coming in. We look forward to seeing you this year.

Individuals

- PAYG Payment Summaries (ie group certificates)
- Details of interest earned
- Tax statements from investments
- Dividends received from shares
- Details of any shares sold including sale price, purchase price and date of sale and purchase
- Rental income and deductions
- Work related deductions including tools, equipment, stationery, work-related travel (kilometres or log book info), professional fees and subscriptions, phone use, etc
- Expenses relating to income-related study including course costs, travel, stationery, equipment, text books, etc
- Donations
- Medical expenses if they exceed \$1,500.00 per family
- Superannuation contributions
- Private health insurance details and rebate if premiums not reduced
- Child care provider expenses if applicable

Businesses

- Bank statements and analysis book/back up of Accounting Software file
- If business is not keeping written or computer records, we require bank statements, cheque butts, invoices, deposit book, receipts, credit card statements, etc
- Closing stock figures as at 30/6/08 if you have trading stock
- Accounts receivable and accounts payable as at 30/06/08
- Details of log book or kilometres travelled for business purposes
- Copies of PAYG Payment Summaries and Annual Statement if there are employees
- Loan contract details for any new loans
- Loan bank statements
- Details of equipment purchased and/or sold during year and copies of relevant contracts
- Home office expenses if claiming a portion of home office and business percentage.
- Copies of BAS lodged to Tax Office or relevant figures.

Once you have collected all the information necessary to have your tax returns completed, simply phone me for an appointment. I look forward to catching up with everyone this year!