

Newsletter

June 2008



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Accountants

*This year's Newsletter has a mix of information, covering a wide range of topics.
We hope you get some value out of the following comments.*

Superannuation Contributions

From 1 July 2007 there is now a full tax deduction for self employed contributions, up to certain limits. As a general rule, people under 50 years of age can have up to \$50,000 in tax deductible contributions. The limit is \$100,000 for those aged between 50 & 65 years of age. If you make a mistake and claim tax deductions over these limits there is a penalty tax that more than cancels out your tax deduction...so don't get caught.

If you do not wish to claim a tax deduction for some of your contributions you can also make undeducted contributions of up to \$150,000 per year. Superannuation is constantly changing so don't rely on what you have previously been told...get more advice.

Superannuation Deductions

Before you can claim a deduction for superannuation contributions you must provide your fund with a Notice of Intent to Claim a Tax Deduction. You cannot claim a deduction in your tax return until you receive an acknowledgment from your fund. This acknowledgment document may be called a 'Section 290-170 Notice', (formerly known as an 82AAT Notice).

Superannuation Co-Contribution for Self Employed

The superannuation Co-Contribution rules for self employed people have changed. From 1 July 2007 a self employed person can get the co-contribution if they have made a superannuation contribution for which they have not claimed a tax deduction. This means that you can pay say, \$11,000 into superannuation but notify the superannuation fund that you will only claim a tax deduction for \$10,000. The remaining undeducted amount of \$1,000 then entitles you to at least some part of the co-contribution if your income is below the \$58,980 threshold.

Staff Superannuation – 9% Rule change

From 1 July 2008 employers must calculate the 9% contribution using what is known as the 'ordinary time earnings' method. Basically, staff superannuation is based on 9% of a regular weekly wage. This includes normal wages, bonuses, commissions, loading, allowances and leave payments, but excludes overtime. If you are using a method found in an old industrial award or even a current employment agreement you are probably going to be in breach of the 9% superannuation rules.

Self Managed Superannuation Funds (SMSFs) – Borrowing Money

There has been a lot of talk in recent months about SMSFs borrowing money to invest. While the law has been changed to allow this to happen, we feel that a lot of clients will not be comfortable with the technicalities. This is not something that you should be jumping into without massive consultation between your superannuation advisor, accountant, fund auditor and financier. Just because it is legal does not mean you have to be part of it. We always need to ask whether it is a good investment and a sound strategy. In order to satisfy the technicalities you are required to 'jump through hoops'. We have also heard that there have been cases where fees in the range of \$4,000 to \$12,000 have been charged by financiers, brokers, accountants and solicitors, to establish such an arrangement.

Motor Vehicle Log Books

If you are required to keep a log book, you need to remember that they are only valid for 5 years. Prepare a new log book if you are close to the 5 year limit. If you are not sure if you are required to keep a log book, please give us a call. Do not underestimate the ATO capacity to disallow expenses if log books are not perfect.

Employee Starter Kit

Many business clients forget to offer a new employee one or more forms and pay the price later. It won't take much to set up a kit including a Tax File Number Declaration, Superannuation Choice form, Personal Details Form (name, address, date of birth, next of kin etc), Statement of Duties, Roles & Responsibilities and so on. All businesses will have different packages or kits to offer new employees. We have prepared a generic Checklist that can be used by most small businesses. Give us a call or send us an email and we will forward a Checklist to you.

Employee Leave Entitlements

Small business owners often neglect the requirement to keep an accurate track of employee leave entitlements. This doesn't usually cause too much hassle until the employee moves on and they put their hand out for their unpaid leave. Keeping track is quite simple once you get started, but if you need to reconstruct 6 or 8 years worth of leave activity then you may be up a creek without a paddle. We can help you get started or we could just simply review the records you already have.

Workers' Compensation

Employers whose annual wages bill is less than \$7,500 may find that, from 30 June 2008, they do not have to renew their Workers' Compensation policy when renewal time comes around. A recent change to the law suggests that if your wages bill is less than \$7,500 your employees will be automatically covered for compensation without the need for you to even have a policy. This is very new and there will be 'fine print' so wait until your renewal notice is posted to you.

Workers' Compensation for Apprentices

For Workers' Compensation policies commenced or renewed from 31 December 2006, there is a requirement to report apprentice wages separately from all other wages. An apprentice premium exemption will apply to wages paid to apprentices. If you have apprentices (not Trainees), working in your business, you need to tell us when we are completing your annual Declaration of Actual Wages for Workers' Compensation purposes. We do not know if an employee is an apprentice unless you tell us.

Optional GST Registration

From 1 July 2007, GST registration is optional if your annual turn-over is less than \$75,000. This increased threshold allows some small businesses to pull out of the GST system and may encourage some businesses to work a little harder and still not breach the new threshold.

Fuel Tax Credits

Many GST registered clients are also registered for the Fuel Tax Credit scheme which already allows certain businesses to claim part of their fuel bill back as a credit on their BAS. From 1 July 2008 this scheme is being extended to allow more businesses to claim fuel tax credits. You may have previously been ineligible but may now be eligible for fuel tax credits. If you are not currently in the scheme and use fuel in *off-road* activities, such as bobcats, outboard motors, chainsaws, cranes, excavators, farm vehicles etc, this extended scheme may apply to you. If you do not know about the fuel tax credit scheme, now is the time to ask us about your eligibility and how to register. The only on-road activities accepted by the scheme include heavy vehicles over 4.5 tonne and emergency vehicles. A ute with an Esky is not an emergency vehicle.

Selling or Buying a Business

If you are selling or buying a business please keep us 'in the loop'. We have had recent experiences where clients have benefited greatly from our involvement in both the sale and purchase of businesses. Going it alone would have cost some clients many thousands of dollars in lost tax deductions, GST and Capital Gains Tax. Remember that the sale or purchase of a business requires a strategic plan.

Business Name Registrations

Are you trading or advertising under a business name other than your own personal name? Is your business operating under a business name that is not registered? Did you forget to renew your business name registration? The Office of Fair Trading looks after Business Name Registrations. If you are not sure what you need to do, give us a call.

Investment Property Owners

If you are buying a building, as an investment property, that was built from July 1985 we recommend you obtain a certificate from the vendor or the builder, confirming the property's eligibility for a building write-off deduction. The tax deduction can be quite large and it is worth the effort. Talk to your solicitor about getting the certificate when purchasing the property.

Figures to Financiers

There is a general attitude in the finance world that it is easier to get figures from the accountant than from the client. While it may be relatively easy, it is certainly time consuming for your accountant. If a financier asks for figures and we have already completed your tax work, please give the financier copies from the folder we have already given to you. We give you the folder to make it easy for you. Please get your tax work in early if you think you may need finance during the year.

Education Expenses

Start keeping receipts for your children's primary & high school education expenses from 1 July 2008. A generous tax concession will apply for the 2009 tax year. School Fees are not part of the deal but equipment, laptops, software, books, internet fees & stationery are acceptable. More work for accountants.

Loan Applications

At a recent seminar we were warned about a growing trend of clients overstating their income on loan applications. Our experience is that clients may sometimes slightly exaggerate their income in order to get a credit card or motor vehicle finance. Problem #1 occurs when the financier rings the accountant to confirm the actual earnings...Oops. Problem #2 is much worse. The Tax Office regularly scrutinises finance applications to see who is not declaring all their income...big Oops. If you cannot get the finance based on your actual earnings then maybe there is a bigger problem that needs resolving. Give us a call if you are having cash flow or finance problems.

What do we actually do?

In last year's Newsletter we made mention of some of the things we do in our accounting practice. This item caused quite a bit of discussion among a number of our clients but it seems that quite a few didn't read that bit. So here it is again.

'Someone asked us what we actually do. The usual answers about tax, GST and business advice rolled off the tongue. When we really thought about it we came to an interesting answer. 'We solve problems caused by someone else'. These problems may be caused by the ATO, Office of State Revenue, WorkCover, Centrelink, financiers and a multitude of others. Perhaps some problems are caused by the client.

Clients walk into the office and present us with problems every day. Staffing issues, computer problems, bookkeeping, creditors, suppliers, bad debts, audits, retirement concerns, health problems or even too much money can be a problem. We answer queries in relation to clients from government departments, semi-government agencies and financiers EVERY DAY. Most times we have already solved your problem (behind the scenes) and you never knew you even had one.

Problem solving is what we do...in case you weren't sure.'

Email Addresses

Emails are an important part of how we do business. Please send us an email to bruce@bng.com.au so that we can update our records with your correct email addresses. We have found that a number email addresses we have on file are no longer in use and emails sent by us have bounced back. There are occasions when a simple email will allow us to pass on information or answer simple questions. Those clients who currently deal with us this way have already recognised the benefits.

Quality Assurance (QA) Review

Many of you will be aware that we recently underwent a compulsory QA Review conducted by CPA Australia. The reviewer noted our attention to detail, the extensive use of checklists and questionnaires, as well as the uniformity and consistency in our procedures. He also picked us up for not 'ticking all the boxes' on the file of an extremely small client. Slap on the wrist. We'll get over it. We know we operate a well-managed accounting practice and have just had it confirmed.



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